

AN ANALYSIS OF THE METHODOLOGY AND EFFECTIVENESS OF THE
MARKETING EFFORTS TO REDEVELOP FORMER MILITARY BASES

by

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Bachelor of Arts
University of Vermont, 1985

Submitted to the Department of
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of the Requirements for the Degree of

MASTER OF SCIENCE IN REAL ESTATE DEVELOPMENT

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ABSTRACT

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The marketing of former military bases is a critical element in the redevelopment process of these facilities. A successful marketing campaign can help confirm the idea that the closing and redevelopment of military bases can have a positive long term impact on the economic well being of the affected areas. Because of the many issues involved in a marketing process, effectively coordinating the various components toward a common goal is a challenging endeavor.

This thesis focuses on the public agency marketing efforts of two recently closed military bases, Fort Devens and Pease Air Force Base. In addition, an overview of the former Naval Annex and Army Base in South Boston, closed for the last 20 years, will provide a basis for analyzing how initial marketing decisions can impact the development over the long term. The marketing efforts for these bases will be compared to a typical private sector approach. My analysis and recommendations will provide insight as to how public agency's marketing policies can maximize the return on their efforts.

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Chapter 1 - 'Marketing' and the Bases

1.1 Defining 'Marketing'

The process in which former military bases are redeveloped involves a number of critical planning and implementation issues. The creation of a Master Plan, zoning decisions, infrastructure needs and other closure parameters, all have a significant impact on the eventual marketing effort. It may be appropriate to include all of these factors in an analysis concerning marketing. It is difficult to sharply delineate between where reuse planning ends and marketing begins. For the purposes of this analysis marketing will be defined as those efforts which directly and predominately concern themselves with the planning, structure and implementation of a marketing campaign. I have endeavored to provide the reader with background information concerning the military base closure process in order to put the marketing efforts of the specific bases in context. With the specter of more closure rounds in the future, the marketing lessons learned from these first closures may serve as a resource that can benefit subsequent redevelopment efforts.

1.2 Why Pease Air Force Base, Fort Devens and the Marine Industrial Park?

This thesis will examine how two recently closed military bases are conducting their marketing efforts. The bases are the former Fort Devens Army base (Devens) in the northwest section of Interstate 495 in Massachusetts, while the second facility is the former Pease Air Force base (Pease) located in the southeastern corner of New Hampshire. In addition, an overview of the long closed (20 years ago) Army base and Naval Annex in South Boston will provide some insight as to how initial marketing decisions can have a long term impact on the redevelopment process. A private sector approach to marketing larger scale real estate developments will be used as a framework to analyze the similarities and differences between private and public sector marketing efforts. Chapters 1 and 2 are meant to provide a brief overview of a number of these issues.

Pease International Tradeport and the Devens Commerce Center were chosen for the main emphasis of this analysis. While less than 50 miles separates them, in many ways, there are significant differences between the two installations. Pease's closure was announced during the

first round of the Federal Base Closure and Realignment Act (BRAC) in December of 1988, with the initial transfer of a portion of the base (the airport and its immediate environs) occurring in 1992.¹ Fort Devens' announced closure came in 1991,² with the transfer of a portion of the base first occurring in May of 1996.³

The Pease land transfer occurred at the end of one of the worst regional recessions since the great depression. Conversely, the Devens transfer in 1996 occurred during a significant upturn in the regional economy.

The two former bases, while both enjoying comparatively good locations, do have different attributes. Pease is located at the corner of Interstate 95 and the Spaulding Turnpike. This means that Pease enjoys outstanding local access yet, the base is situated in a small state with fewer existing industries than in neighboring Massachusetts. Devens Commerce Center's primary access is located 5 miles west of Interstate 495. The physical attributes of the two bases are very diverse. Pease has an 11,318 foot runway, the longest in New England, and over 1500 acres of developable land. Devens has over 4000 acres of potentially developable land, some of which has rail access.

All of these diverse factors: the regions economic well being at the time of the initial transfer of land; the locational differences between the bases; and the different physical attributes; have had a significant impact on how and why specific marketing decisions and directions were undertaken at the respective bases.

¹ Pease Air Force Base Summary June 1995

² EDAW/VHB Fort Devens Reuse Plan Update June 1995

³ Interview with Ken Willette, Assistant Director of Real Estate Development and Property Management, Devens Commerce Center, June 16, 1997

Chapter 2 - An Overview of Military Base Closings

2.1 Excess Defense Capacity

The end of the cold war in the 1980's has had a dramatic effect on the defense establishment. Excess capacities within the defense system led to a realization by all parties involved (Presidents, Congress, the Joint Chiefs, Secretary of Defense, etc.) that a significant number of military bases were no longer needed. The Secretary of Defense authorized the establishment of the Base Realignment and Closure Commission (BRAC) in order to try and depoliticize the base closure process, along with attempting to achieve some level of return from the disposition of the excess bases. There was a palpable fear in the affected communities that the loss of the military jobs would have negative long term consequences on the economies of these regions. Because of these fears, the entire closure process has been watched closely by the local communities' citizenry, press and politicians representing these regions. This heightened scrutiny has impacted the perception of the redevelopment process for many of the bases.

2.2 The Closure Process - Complicated and Lengthy

First and foremost, the base closure process is a lengthy, involved and complicated process. The closure process has been amended a number of times subsequent to 1988 and these changes have played a part in delaying base transfers to Local Redevelopment Authorities (LRA). The timeframes for the actual transfer of title or development rights to the LRA's are typically 3-8 years, depending upon the individual bases and the specific closure round. Secondly, the Federal Governments' system for the disposition of excess properties is extremely complicated. From housing for the homeless to Environmental Impact Reviews (and everything in between) a system of policies and procedures has to be followed. Environmental issues inherent with military bases can mean that years go by before identification and remediation of environmentally hazardous sites can be undertaken. As an example, both of the bases detailed in this thesis are classified as superfund sites. Thirdly, the infrastructure of many, if not all of the bases, have serious deficiencies. From substandard and antiquated utility and road systems to asbestos and lead paint in the buildings (many of which need to be demolished) the underlying assets are not readily transferable to businesses without significant upgrading and improvements.

Lastly, the communities and states impacted by the closings have to reach some level of consensus in order to respond to the Federal Government's base closure requirements. If there are a number of different communities or constituencies impacted by the closure, it may be extremely difficult to reach consensus in a timely manner.

All of these factors, among others, can slow the base closure and reuse process. This is all happening at the very time that local citizens and community leaders are calling for the bases to be the economic engine that will make up for the military's decision to close the base.

2.3 Different Types of Transfers

Another factor to be considered in the base closure process is how the individual LRA's receive "ownership" of the bases. There are two primary methods of conveyance, an Economic Development Conveyance (EDC) and a Public Benefit Transfer (PBT). An EDC transfer requires the LRA to purchase the property. This type of conveyance allows for the LRA to be able to sell land to end users or developers on a fee simple basis.

Conversely, a PBT is characterized by the LRA receiving the property for free. There is one significant limitation to this type of transfer, the LRA actually master leases the property from the relevant armed service and therefore the LRA can only 'sublease' property to end users or developers and cannot transfer title to individual parcels on a fee simple basis. While the master lease can be of considerable length (40+ years) and hence the subleases can potentially be of equivalent length, this can represent a significant marketing hurdle for the LRA. The construction and development of new and/or existing buildings typically requires some type of financing. In the absence of 'credit' tenants or owners, some lending institutions may be reluctant to subordinate their construction or permanent mortgages to a land sublease. While the long sublease timeframes help offset this issue, there may remain an ingrained desire by some developers and end users to 'own' their individual sites in lieu of subletting them.

2.4 Summary

The first two chapters are designed to provide a brief overview of a number of significant issues that impact the redevelopment of former military bases. The limited scope of this thesis precludes a thorough examination of many issues related to the marketing process. Issues not addressed include; infrastructure inadequacies, budgetary constraints, political considerations and environmental restrictions.

Chapter 3 - The Private Sector Approach - Urban Land Institute Observations in an Outline Format Developed by Marilyn Swartz-Lloyd

3.1 An Overview of the Swartz-Lloyd Outline

The Urban Land Institute's (ULI) "Business and Industrial Park Development Handbook"⁴ will serve as a guide to the private sector's approach to office and industrial development. The ULI handbook describes how professional private real estate developers plan and implement their marketing efforts. The ULI ideas will be placed within a framework as outlined in Marilyn Swartz Lloyd's July 1997 memorandum.⁵ The reason for combining these two approaches is to place the military base marketing efforts in a format that will enable direct comparison between private and public development marketing efforts. I have taken the liberty of modifying and rearranging the aforementioned memorandum in order to more closely parallel the major issues involved in development marketing efforts. The marketing approach for both the public and private sectors will center around the following six areas:

- I) Market Research
- II) Market Positioning
- III) Marketing Promotions: Materials, Advertising, Public Relations, Media, Signage
- IV) Market Outreach
- V) Marketing Organization and Staff
- VI) Consultants: Role of the Broker and Economic Consultants

Using these broad topic areas the ULI Handbook will provide the background for analyzing these issue from the private sector's perspective.

I) Market Research

The ULI blends the first two areas into a heading described as "Market Analysis". The primary factors involved include:

⁴ Michael D. Beyard, ed. and trans., Business and Industrial Park Development Handbook Urban land Institute (ULI), 1988

⁵ Marilyn Swartz-Lloyd, Memo to Bernie Frieden & Christie Baxter, MIT Military Base Redevelopment Project 2 July 1997.

- “1)The general economic trends affecting the national, regional, and local economy;
- 2) socioeconomic characteristics of the subject metropolitan area, including job creation factors;
- 3)local enhancements and constraints to office and industrial development;
- 4)forecasts of demand for the various types of office and industrial facilities being considered”⁶

The ULI Handbook author’s feel that the following issues are of primary importance relative to ‘Market Research’.

1) General Economic Trends

In order to understand the underlying trends of an area the ULI recommends that a ‘Economic Base Analysis’ be undertaken. This type of report would rely on

- “Published public data at the local, state, and federal levels (including census data) Frequently, a developer can rely partly on studies done by a public or quasi-public agency such as a regional planning organization or an area’s economic development group. If these are unavailable.... an economic consulting firm can compile the relevant statistics, analyze them, and provide the developer with a concise summary of the local economy’s characteristics, trends and forecasts.”
- 2) Socioeconomic Characteristics include demographic analysis and employment analysis.
- 3)Enhancements and constraints are centered around the transportation network, educational facilities, amenities and the development climate.
- 4) Projected Demand - Utilizing consultants to project future demand is recommended.⁷

II)Market Positioning

Under our topic of ‘Market Positioning’ the ULI places emphasis on the following;

- “V) a survey of the existing and planned supply of competing projects; and VI) a determination of project marketability based on absorption trends, an assessment of proposed locations compared to competing sites in the community, and projected sales and lease rates....The marketing program’s strategy must be based on conclusions drawn in the detailed market analysis....(and) the result should be a unique project identity and a marketing strategy that reinforces this identity.”⁸

⁶ Beyard 49.
⁷ Beyard 50-54.
⁸ Beyard 49+161.

III) Marketing Promotions: Materials, Advertising, Public Relations, Media, Signage

A) Marketing Materials

“The technical services package and the promotional sales brochure are the two most important sets of documents that should be part of the marketing program....the technical services package contains statistical information and descriptive materials of interest to tenants...”⁹ The sales brochure is “professionally designed ... and should carry a distinctive logo that identifies the project and the ownership group. (These brochures are) single page or staple bound literature located in a jacket. This approach allows updating of the brochure without complete revision and reprinting each time new or revised information needs to be added as development proceeds.... Brochures sent directly to prospects and industry contacts, and cooperation with brokers are the best avenues for marketing the property”¹⁰.”

B) Advertising

“Spot advertising can be placed in trade journals and professional publications targeted to specific businesses and industries. However, this type of advertising may not be very productive, apart from helping to establish the project’s and the developer’s image and visibility.”¹¹

C) Public Relations and Media

Curiously, the ULI Handbook does not address either of these topics in any substantive detail.

D) Signage

“Signs on the project site announcing its development must not be ignored as a marketing tool. If highway visibility is good, these signs can be an important asset and signs should be designed to convey the quality of the development. They should be simple ... and have print large enough to be read at 55 miles per hour....Signs can be costly, but they are seen by thousands of business commuters everyday on the freeway and likely will be cost effective.”¹²

⁹ Beyard 162.

¹⁰ Beyard 162-163.

¹¹ Beyard 164.

¹² Beyard 164-165.

IV) Market Outreach

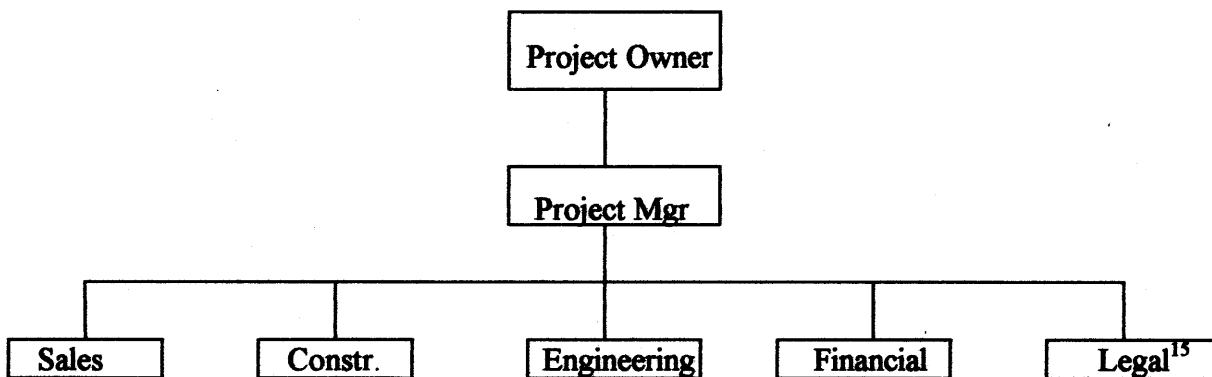
“Marketing of a business park starts as soon as the option to purchase a tract or develop a previously owned tract is first considered. Preleasing of initial tenants and project advertising begins with low key, informal contacts by the ownership group with the types of firms targeted for the project.....Attracting a high quality company at the outset is helpful to the project’s success....As development progresses, additional steps in the marketing program, including selection of advertising agencies and public relations firms, budget development, broker contacts, and brochure or multimedia design are undertaken.”¹³

V) Marketing Organization and Staff

The ULI views the development team as a complete entity.

“The management team ... will include: the ownership group; the financial advisor; the site planner/engineer; and the marketing specialist/economist. This team is set up at the inception of a project and should operate continuously throughout the planning and construction period. In addition to the key members of the team, specific aspects of overall development will require the assistance of specialists, particularly for large scale developments.Such temporary associates might include a leasing manager, a public relations specialist, independent brokers, attorneys....”¹⁴

A typical development team organizational chart follows:



¹³ Beyard 161.

¹⁴ Beyard 165.

¹⁵ Beyard 166.

VI) Consultants: Role of the Broker and Economic Consultants

“One effective way to help market a business park is to work closely with the brokers in the community. Some developers discuss the project at local Realtor meetings, then invite all of the brokers to participate. In other cases, an exclusive broker is selected, often one who has worked with the developer in the past. This arrangement requires regular monitoring and periodic review to ensure that the broker is aggressively carrying out his or her responsibilities.... It is important that the standard commission be maintained and that the development entity not get involved in commission cutting. After all, marketing expenses and brokerage commissions are a relatively small portion of the entire project cost... It is important for the broker to know that the standard commission will be paid even if the developer’s sales staff makes contacts..... Occasional project tours and receptions or events for the brokers to familiarize them with the status of development can be helpful.”¹⁶

“Planning Commissions, redevelopment agencies, and other public or quasi-public entities should be contacted regularly. These groups frequently can be a source of leads on prospective tenants.”¹⁷

As previously noted in Section IV, there are a variety of consultants that can be retained for specific aspects of the development and marketing processes.

This broad overview provides the basis from which public sector military base marketing efforts can be analyzed. While there are many similarities between public and private market efforts, there are a number of significant differences between the two development approaches. These differences will be noted throughout the body of the thesis and will be reviewed in Chapter 8.

¹⁶ Beyard 163-164.

¹⁷ Beyard 164.

Chapter 4 - Pease International Tradeport

4.1 The Closure Process at Pease

At the end of 1988 the BRAC committee announced the decision to close Pease Air Force base. The State of New Hampshire legislature enacted a law that established the Pease Development Commission immediately after the closure announcement and eventually the Pease Development Authority (PDA), through legislative action in 1990, was established to oversee the redevelopment of the base. The PDA is a public entity that is controlled by a seven member volunteer Board of Directors.¹⁸ The Governor, the State Senate President and the State Speaker of the House each nominate one Director and all three combine to nominate a fourth Director. The Town's of Newington and Portsmouth each nominate one Director and these Town's combine to nominate the seventh Director.¹⁹ The formation of the PDA and the future direction of Pease Air Force Base were the subject of volatile and highly politicized public debates. A large part of the base is also located in the Town of Newington and a majority of the officials and citizenry of this community were opposed to 24 hour air operations out of the existing airport and eventually the Town initiated a lawsuit against the PDA in order to achieve this objective.²⁰ The City of Portsmouth, in which a significant part of the base is located, wanted to receive tax revenue from the future development of the base. The Conservation Law Foundation initiated a lawsuit against the PDA over their concerns about the effects of the long term redevelopment plans of the base, as it related to potential pollution.²¹ While these lawsuits were eventually resolved, an array of competing agendas meant that during the three year period after the base closure announcement consensus by all parties could not be reached.

4.2 The Base

The base itself was "originally situated on 4,255 acres....(and) through Public Benefit Transfers... (the Air Force) leased 1,700 acres to the Pease Development Authority as an airport

¹⁸ Pease Development Authority, The Closure of Pease Air Force Base June 1993

¹⁹ Telephone interview with George Bald, Economic Development Director at Pease International Tradeport, July 25, 1997

²⁰ Interview with Lynn Marie Hummel Esq., Legal Counsel to the Pease Development Authority, June 6, 1997

²¹ Ibid.

and tradeport ...”²² The signing of the 55 year Master Lease of the airport and its adjacent areas, 1702 acres in total, to the PDA occurred on April 14, 1992.²³ The last transfer occurred on Friday, June 27, 1997 when 1300 acres (400 useable) were released to the PDA. The dominant feature physical feature of the base is a 11,318 foot long runway. In addition, there is almost 260 acres of concrete apron area adjacent to the runway.²⁴ The base has numerous buildings on site. Dozens of dilapidated housing units have either been torn down or are slated for demolition. Of the remaining structures, many are functionally obsolescent and all of them contain lead paint and asbestos. The Air Force is responsible for the removal of the lead paint and asbestos. All of the nonresidential structures were heated by an inefficient central steam plant. The removal of this central heating system meant that every building was in need of its own separate heating system. New roofs, windows, exterior landscaping and interior fit up were needed to occupy and lease most of the buildings. The water, sewer and road systems were substandard, short and long term improvements are required in order to bring them up to date.²⁵ The challenging economic environment, the physical limitations of the buildings and the staged transfer of portions of the base had a significant effect on the initial marketing efforts.

4.3 The Initial Marketing Efforts at Pease International Tradeport

Pease marketing efforts are divided into two major periods. The first period is from the closure of the base until August of 1994. This period represents when a marketing consultant provided the bulk of the marketing effort. The second period is from August of 1994 to the present and is called the ‘Renewed Marketing Effort’. Personnel changes and a shift in marketing strategies provide the reasoning for dividing the marketing campaign at this juncture.

4.4 Selecting a Marketing Direction

The Pease Development Commission had initially hired Bechtel to prepare a Master Plan for the base. A small portion of the Master Plan discussed the eventual marketing of the base but it was not emphasized in this report. The Executive Director of the PDA from 1990-93 was

²² Pease Airport Master Plan 1993

²³ *Ibid.*

²⁴ *Ibid.*

²⁵ Interview with George Bald, May 29, 1997

George Jones. He was charged with creating jobs at the base yet, he didn't have significant monies to market the base.²⁶ Mr. Jones utilized the expertise of two local real estate developers, Karl Norwood and Justin Bielegus, for early input on the redevelopment and marketing of the base. Mr. Jones, in coordination with the Board, decided not to market the base locally but regionally and internationally. The decision to market internationally never became a written policy.²⁷

4.5 JBF Associates is Selected and The Development's Goals are Refined

In 1991/92 the PDA only had the airport and the adjacent area to market. With the board's approval it was decided to put out a Request For Proposals for a firm to exclusively market portions of the base, primarily the air field.²⁸ The PDA received five proposals from local and regional companies. In 1991 JBF Associates was chosen to market Pease International Tradeport. JBF Associates (JBF) was chosen because of the varied aviation and international business experience of the firm's principals. JBF was headed up by John B. Fallon and one of the principals was Dick Class. Dick Class, among other things, had been the Executive Director of a small New York airfield that was a former military base. John Fallon previously was the National Sales Manager for Allied-Signal. The PDA viewed JBF's aviation experience and international contacts as an excellent fit with the long term development goals for Pease.²⁹ JBF's overall role was to provide the market research and marketing outreach for the Pease redevelopment effort. JBF's initial charge was to implement the refined Goals and objectives of the PDA:

- 1) Redevelop the former Pease Air Force Base into an international hub for aviation, international trade, R&D and an industrial center that takes advantage of the confluence of aviation, highway, marine and railroad resources in the area to stimulate development if international and domestic commerce on the airport parcel and in the region.
- 2) Create employment and other business opportunities.³⁰

JBF Associates was specifically authorized to;

²⁶ Interview with George Jones, Former Executive Director of Pease Development Authority, June 23, 1997

²⁷ Ibid.

²⁸ Ibid.

²⁹ Telephone interview with George Jones, July 25, 1997

³⁰ JBF Associates Marketing Program - Phase One Report, January 1992

- A) Market the Airport
- B) Market the balance of the base that was available to High Tech and Biotech industries³¹

JBF Associates produced three major Marketing Reports/Programs for the PDA;

- 1- Marketing Program, Phase Zero - October of 1991
- 2- Marketing Program, Phase One - January 1992
- 3- Marketing Program, Phase Two - November 1992

4.6 The Initial Marketing Effort Within the Context of the Outline

The above Reports/Programs delineated the marketing direction and efforts to be undertaken by JBF Associates. The primary results of these reports is summarized below. The Marketing Program's conclusions are reviewed through the outline as introduced in Chapter 3.

I)Market Research

JBF Associates - The Air Port/High Technology/Biotech

1) The Airport

JBF undertook the following efforts:

- a) Market Surveys were conducted in order to analyze the potential for enhanced air operations at Pease.
- b) JBF reviewed all of the existing reports and documentation concerning the base.
- c) Potential competitors were examined relative to Pease.

JBF's research efforts revealed that Pease, because of its early closure, may have a window of opportunity to establish enhanced air operations before its competitors came on line. This research also revealed a number of potential obstacles to increasing aviation uses at the base.

- The aviation business, during the time that these studies were completed, was operating in a very difficult business environment
- Significant upgrades to the airfield were required for enhanced aviation activity
- Large scale commercial passenger traffic was not likely, air cargo operations was more likely
- The CLF lawsuit was a significant impediment to the aviation marketing effort

³¹ Interview with George Jones, June 23, 1997

2) Biotech

JBF Associates conducted market surveys designed “around data gathering and trend identification within the high technology areas of emerging technologies.”³²

A-BIOTECH 91, an annual report on the industry by Ernst & Young was reviewed

B-A DIALOG on-line database was used to concentrate on news and trends in the Biotech field

C-Market survey conducted at The Governors Conference on Biotechnology

D-Interviewed Dr. Dale Nitzshke, UNH President and Dr. James Morrison, UNH V.P. for Research and Development

E- JBF Associates attended the Venture 91 Conference at MIT ³³

These research efforts revealed the following about the Biotech industry:

- a) Companies have an International orientation
- b) Capital intensive business with excellent growth potential
- c) U.S. will continue to be the market leader for the foreseeable future

3) High Technology

JBF completed the following research concerning the high technology field:

- a) Conducted surveys on emerging Hi Tech markets including semi conductor nanotechnology, telecommunications and advanced materials. These surveys were undertaken in person, at conferences, during visits to universities and extensive use of electronic databases.
- b) Reviewed incentives offered by the PDA and the State of New Hampshire.
- c) Trade shows, conferences and symposia were reviewed in order to decide which were appropriate for Pease.

JBF's conclusions from this research were the following:

- A major opportunity exists for Pease to become a center for technology in one or more high technology markets.
- The PDA should be ready to offer a variety of economic incentives to attract high tech businesses.

³² Marketing Program - Phase One Report

³³ Ibid.

II) Market Positioning

1) Aviation positioning

JBF Associates market research led them to determine that;

- A- Pease International Tradeport will not develop into a significant major airline commercial passenger facility in the next five years; yet, there is the possibility for a commuter based airline to act as a feeder to larger airports.
- B- A variety of Aviation-oriented R&D, modification, repair, overhaul and manufacturing opportunities continue to evolve which will find the assets and resources of Pease and the greater seacoast attractive.

To effectively implement these opportunities at Pease the following items were needed;

- 1- PDA to acquire as much of the parcel as possible
- 2- PDA commit in the near term to the development of services and facilities on the airport parcel as basis for attracting aviation-oriented firms.
- 3- PDA consider the necessary financing inducements to develop an international priority parcel and distribution and consolidation hub at Pease³⁴

2)High Technology/Bio Tech

To effectively implement the conclusions arrived at from their market research the following items were needed;

- 1- PDA select and designate a parcel and associated facilities for the development of a high technology park.
- 2- PDA establish broad economic guidelines that will explore and create a series of incentives designed to entice emerging high technology firms to Pease and the region through the provision of favorable land leases, construction financing alternatives, training assistance, tax concessions and other financial incentives.
- 3- PDA establish a cooperative program with the regional real estate industry to facilitate the development of the region surrounding Pease with those clients who do not require location on the airport parcel.³⁵

These conclusions served as the basis for the initial marketing efforts Pease. Budgetary constraints prevented the development of some of the aviation services and this impacted the effectiveness of this marketing effort.

³⁴ Ibid.

³⁵ Ibid.

III) Marketing Promotions: Materials, Advertising, Public Relations, Media, Signage

1) Aviation/High Technology/Bio Tech

JBF Associates proposed and conducted the following measures:

- A- Create individual Aviation, High Technology and Bio Technology Brochures with foreign language versions and a regional lifestyle brochure. The brochure would utilize individual business sheets designed to target specific industries.
- B- A site plan rendering
- C- Slides and overheads should be prepared
- D- Complete the video that is currently in production
- E- Advertising
 - 1- Advertise on a regional, national and international basis
 - 2- Specific advertising for the individual target markets, 1/4 page advertisements preferred
- F- Public Relations
 - 1- Keep press abreast of developments at the base
 - 2- A monthly or quarterly newsletter (never consistently implemented)

During this initial marketing period a variety of marketing materials were produced. The primary piece was a multi page marketing brochure that provided a glossy overview of the base and the transactions that had been consummated. In addition, a number of industry specific, glossy marketing sheets and brochures were produced for the Aviation, Corporate Technology, Biotechnology and Environmental industries. In addition, a video was commissioned and completed.

IV) Market Outreach

1) Aviation/High Technology/Bio Tech

JBF Associates proposed and conducted the following measures:

- A- Database search in combination with a direct mail campaign
- B- Personal visits to major U.S. and overseas air carriers, selecting the most likely candidates to visit
- C- Contact North American priority parcel servicers
- D- Contact regional carriers
- E- Attend appropriate air shows, trade shows and symposia

- 1- purchase two booths with a table top display and a scale model
(4 European Air Shows were attended and 8 domestic Air Shows in 1991/92)³⁶
- F- Attend High Technology and Bio Tech trade shows
- G- Visit six high profile Bio Tech companies to assess reactions to the proposed program

The above described marketing activities were, to varying degrees, conducted by JBF Associates over a two year period. As time went on JBF's role was reduced so that eventually they were responsible for only marketing the aviation related areas.³⁷

V) Marketing Organization and Staff³⁸

Pease International Tradeport utilized a two tiered marketing staff structure for most of the initial marketing period. The onsite staff was overseen by an Executive Director and reporting to this person, among others, was a real estate marketing person (initially Gary Chabot) who was responsible for inventorying the existing buildings, constructing a database of the base buildings, public relations and conducting on site showings for local clients.³⁹

JBF Associates conducted their marketing efforts out of their Washington D.C. office and visited Pease on a weekly basis. JBF was responsible for market outreach efforts. JBF retained a local person (Joel Watson), to coordinate and assist with JBF's marketing efforts at the base. JBF Associates contract called for them to be compensated by receiving leasing commissions on all real estate transactions completed at the base (whether they were directly involved or not) in addition to being compensated for their marketing expenses.⁴⁰

VI) Consultants

A) Economic Consultants

The PDA's initial marketing approach was heavily reliant upon JBF Associates. Because of the apparent potential asset of the existing airfield, and the fact that it represented a majority of the

³⁶ JBF Associates Marketing Program - Phase Two Report November 1992

³⁷ Interview with George Jones, June 23, 1997

³⁸ Ibid.

³⁹ Ibid.

⁴⁰ Ibid.

land available for immediate marketing, the Board felt that the airport should be marketed first. The RFP was oriented to this approach and JBF Associate's strength was in the aviation field.

B) Brokers

While JBF mentioned the utilization of the brokerage community, this was not a primary marketing vehicle. The PDA had a policy at this time to pay brokerage commissions on an annual basis. Private market real estate transactions entail the payment of the entire fee at the outset of the lease. The PDA's policy of paying the commission annually meant that in the case of a 5 year lease a broker would have to wait five years for their entire fee to be completely paid. This commission policy antagonized the brokerage community.⁴¹ The PDA staff determined that the need to market outside of the immediate region precluded a heavy reliance on local brokers. This policy had the effect of making the local brokerage community feel disenfranchised from the marketing effort.

4.7 Major Transactions: Undertaken and Completed

A number of potential transactions were actively pursued during this initial marketing period.

A- Deutsche Airbus

This firm had contacted the PDA prior to the retention of JBF Associates. Deutsche Airbus had retained a consultant to locate a site in North America for a maintenance facility. The establishment of this operation held out the possibility of hundreds of well paying jobs being created during a time of significant economic hardship. Extensive and drawn out negotiations ensued. The parties involved in these confidential negotiations were revealed in a newspaper article in the Union Leader. This exposure placed a great deal of pressure on the staff and Board to complete what would have been the first major transaction at Pease International Tradeport. A transaction was tentatively agreed upon yet, a weakening market and a change in leadership at

⁴¹ Interview with Richard K. Gsottschneider, Pres., RKG Associates Inc., June 5, 1997

Deutsche Airbus ultimately led to the termination of the negotiations. The resulting publicity cast the early marketing efforts of Pease in a negative light.⁴²

B- The State Department Consular Center

In 1992/93 a Visa Center and a Passport Center was established at Pease. Political marketing was the primary reason for the location of these Centers at Pease. Senator Warren Rudman was responsible for capturing this tenant. The PDA needed a marketing 'win' and subsequently two buildings were leased for free in order to capture these 400+ jobs. The Federal government had to completely rehabilitate the two buildings in order to make them habitable.⁴³

C- Business Express

Business Express was located in Connecticut. Angry over a tax that the State of Connecticut levied, they contacted the State of New Hampshire's Governors office. The Governor, Judd Gregg, called Mr. Jones and informed him of this inquiry.⁴⁴ Mr. Jones had JBF Associates contact this regional airline. "A concentrated and coordinated marketing and business development effort succeeded in concluding a multi-year lease that led to the location of a major regional aircraft maintenance center at Pease (Business Express) and the ultimate (potential) creation of 400 jobs."⁴⁵ In order to complete this transaction the State of New Hampshire guaranteed \$10 million of secured (equipment and building improvements) and unsecured (working capital) bonds for Business Express in 1992.⁴⁶ Almost immediately Business Express encountered financial difficulties and this was widely reported in the press. In 1996 Business Express was forced into bankruptcy by its creditors. Because of these bond guarantees the State of New Hampshire will end up paying out nearly \$13 million.⁴⁷

⁴²Interview with George Jones, June 23, 1997

⁴³ Interview with Richard K. Gsottschneider, Pres., RKG Associates Inc., June 5, 1997

⁴⁴ Telephone interview with George Jones, July 25, 1997

⁴⁵ Marketing Program - Phase Two Report

⁴⁶ "BEX Reorganization Plan Will Cost Taxpayers \$13M," The Union Leader 17 April 1997: D7.

⁴⁷ Ibid.

D- Celltech Biologics

JBF Associates made the initial contact with this Biotechnology firm at the Paris Air Show. The wife of the President of Celltech was initially drawn to the Pease booth at the air show by a magician's act.⁴⁸ Ultimately Celltech Biologics did construct, with a \$30 million dollar bond from the State of New Hampshire, a 76,500 s.f Bio Tech manufacturing facility at Pease. A portion of this space was left in 'shell' condition and in the spring of 1997 a \$28 million expansion was announced. The monies will go towards a 3,000 s.f. office expansion and new equipment. Lonza Biologics purchased Celltech Biologics two years ago and employs 95 people at the Pease plant.⁴⁹

In 1993 the PDA decided to terminate the services of JBF Associates and proceed with their own marketing efforts. There was a significant amount of personnel turnover during the next two years at Pease. The onsite marketing staff, the Executive Director and many of the Board positions changed hands.

4.8 Conclusions - Initial Marketing Efforts - 1991-1994

4.81 A Review

The initial marketing efforts at Pease were impacted by a number of significant events. Unfortunately for the PDA, many of these events were out of their direct control and were extremely detrimental to their marketing efforts. Yet, there were also a number of elements that, in retrospect, could have been approached more productively.

4.82 The Economy

The poor condition of the national, regional and local economies cannot be overstated. New Hampshire and the U.S. were in an economic recession at the very time that the initial marketing efforts were being undertaken. New England was in a regional recession from 1990 to

⁴⁸ Interview with Susan McDonald, Executive Assistant to the Executive Director of Pease Development Authority, June 6, 1997

⁴⁹ Interview With Marie Roth, Economic Development Specialist, Pease Development Authority, June 6, 1997

1993. Unemployment in New Hampshire rose from 3.5% in 1989 to 7.5% in 1992.⁵⁰ The number of housing starts in New Hampshire fell 75.63% from 1988 to 1991.⁵¹ In 1991 the five largest banks headquartered in New Hampshire were taken over by the FDIC. The legislature's expectations that Pease would help carry New Hampshire out of the recession were unrealistic.

4.83 Conclusions - The Initial Marketing Efforts Within the Context of the Outline

I) Market Research

A close review of JBF's marketing reports and programs reveals a lack of depth and analysis. While the reports are professionally prepared there is very little underlying rationale to some of their conclusions. As an example, JBF reaches the conclusion that Pease can become a major recipient of emerging high technology growth. Their investigations detailed potential growth sectors but provides virtually no substantive research as to what is important to these types of firms and how Pease relates to other sections of the United States in terms of attracting these companies. The conclusions reached are more anecdotal in nature and do not appear to come as a result of a systematic research method. The aviation research is more thorough than the 'land side' research.

II) Market Positioning

The decision by the PDA in 1991 to emphasize the marketing of the airport was, on face value, a logical one. The airfield appeared to be, far and away, the most marketable asset at Pease at that time. Yet, there were two key obstacles to the successful redevelopment of the airport. First, the airport needed millions of dollars in improvements to be attractive to commercial carriers. Pease's receipt of the FAA's part 139 certification in October of 1992 allowed the PDA to apply for Federal grants to improve the airfield.⁵² While FAA grants were eventually applied for and received, these improvements were not in place during the period the airfield was being marketed. In addition, the lawsuit involving the Conservation Law Foundation, and the acrimonious relations with the Town of Newington over potential operations at the airfield, had a

⁵⁰ State of New Hampshire Division of Employment Security

⁵¹ State of New Hampshire Department of Resources and Economic Development

⁵² Telephone interview with George Jones, July 25, 1997

chilling effect on the marketing of the airfield. Voluntary flight restrictions that were ultimately agreed upon dampened the private markets enthusiasm for utilizing Pease.⁵³ While having the longest runway in New England appeared to be a huge asset, in retrospect it is clear that the airfield was not in a position to be successfully marketed. Ultimately, the initial marketing focus on the airfield was unsuccessful.

Even with all of JBF's apparent expertise in the aviation marketplace, they do not appear to have adequately analyzed the cumulative effect of the various short comings of the airfield at Pease. They should have been able to provide the PDA with a greater level of professional insight. The cumulative effect of these oversights was to place a unwarranted emphasis on the marketing of the airport. The Board of Directors must ultimately accept responsibility for the consultants they retain and the marketing direction chosen.

III) Market Promotions

A) Brochures/Advertising

The primary brochure that was produced during this period directly contravenes the ULI's observations. The brochure is a 18 page, color, glossy, 'soft' piece that has a 2 page map of the base in the middle. The map identifies major tenants at the base (like Business Express) which has the effect of dating the piece; yet, the map doesn't identify the names of the roads on the base. The brochure describes the features of the base but does not adequately emphasize the benefits that a tenant would derive from these features by locating at Pease. While aesthetically appealing, the money spent on this brochure could have been spent more productively. The advertising scheduled in trade magazines and industry publications may have an initial benefit in establishing the identity of the base; yet, the ULI handbook reveals that a heavy reliance on advertising is not consistent with the private sector's marketing efforts.

B) Public Relations/Media

Along with the recessionary economy, the initial poor public relations concerning Pease had a disastrous effect on the initial marketing effort. The State legislature was calling for Pease

⁵³ Interview with Larry Doyle, Aviation Consultant to the PDA, June 19, 1997

to lead the local economy out of the recession. These unrealistic expectations should have been countered in a proactive public relations campaign early on in the redevelopment process. Emphasizing to the media and the legislature the long term nature of this redevelopment project might have reduced the initial pressures on the staff to have a quick marketing success.⁵⁴ In addition, premature newspaper stories that identified companies involved in negotiations at Pease tended to create an atmosphere of expectation. When some of these potential transactions didn't come to fruition an impression of failure was the legacy. Maintaining absolute confidentiality, by all parties involved, is an important element in the marketing process. Large multinational firms that were prospects knew the difficulties occurring at Pease and wanted no part of these 'problems'.⁵⁵

IV) Market Outreach

To be addressed in Chapter 5

V) Marketing Organization

The two tiered approach of having a private consultant providing a majority of the market outreach, while the onsite staff conducts the property management and local marketing functions, can only effectively work if there is close coordination between the two entities; yet, instead of coordinating their efforts, JBF and Mr. Chabot ended up working independently.⁵⁶ This two tiered organizational approach for the marketing effort eventually resulted in a level of distrust and acrimony to develop among the various parties. The relationship between JBF and the PDA deteriorated significantly, for a variety of reasons, during this 2+ year period.

Another factor inhibiting the initial marketing effort was that the Board of Directors did not have anyone involved on a full time basis in either the aviation or real estate development fields. This lack of experience led to an over reliance on the conclusions reached by various consultants. As an example; the heavy use of advertising might have been curtailed or prevented if people experienced in real estate development were on the Board.

⁵⁴ Interview with George Jones, June 23, 1997

⁵⁵ Telephone interview with George Jones, July 25, 1997

⁵⁶ Interview with Susan McDonald Executive Assistant To Executive Director of PDA, June 6, 1997

VI) Consultants

A) Economic Consultant / Broker

The decision to hire a consultant to market the base, and in particular the air field, was entirely logical. Marketing to the aviation industry requires a knowledgeable and targeted effort and JBF Associates looked like a good fit. There are widely varying opinions on the effectiveness of this firm. George Jones felt that "JBF had a lot of good ideas and did a lot without receiving credit for it. Fallon did an excellent job with the Celltech transaction." Yet, there were some fundamental mistakes by JBF Associates that severely damaged their credibility. JBF's onsite person, Steve Edelstein, "puffed up his resume" and research conducted by a local newspaper reporter uncovered the discrepancies. The PDA put pressure on JBF Associates to release Mr. Edelstein from his duties.⁵⁷ Further, JBF Associates produced a list that claimed a number of associates and contacts that they had in the aviation industry. Again, a reporter called a portion of the names on the list and some of the respondents claimed to have never had heard of JBF Associates.⁵⁸ The ensuing newspaper stories greatly impaired JBF's credibility in the State of New Hampshire and exposed the PDA staff and Board to additional criticism. The PDA took many of the qualifications of JBF at face value. Clearly, the PDA would have benefited from a more thorough review of JBF's qualifications and references.

4.84 A Summary

The initial marketing efforts at Pease International Tradeport are widely perceived as having been ineffective. In fact, few quality tenants, Celltech Biologics being a notable exception, were captured through the marketing efforts of JBF Associates. The following items are the important points concerning the initial marketing effort.

- 1) The regional and local economy was in very poor shape.

⁵⁷ Interview with George Jones, June 23, 1997

⁵⁸ Interview with George Bald, May 29, 1997

- 2) A politicized and contentious redevelopment process did not achieve a sufficient level of consensus when the initial marketing effort began. The CLF lawsuit had a negative impact on the marketing process.
- 3) The base infrastructure was in poor condition
- 4) Pease encountered negative publicity immediately and never was able to effectively combat the perception that the development was 'in trouble'.
- 5) Inadequate analysis of the marketing obstacles attendant with the airfield.
- 6) An over reliance on JBF's marketing methodology and conclusions.
- 7) An inadequate amount of experience among the Board of Directors in the real estate development and aviation fields.

Pease was "the first military base to close (under the BRAC process) and many lessons were learned from (the) experience."⁵⁹ Sometimes lessons that are learned can be painful; yet, they may be ultimately useful.

⁵⁹ Rodney Coleman, Assistant Secretary of the Air Force, quoted from "Last of Pease Land Now NH's," Jerry Miller, The Union Leader, 28 June, 1997.

Chapter 5 - A Renewed Marketing Effort at Pease - 8/94 to Present

5.1 A Demarcation

There was a period of transition for the Pease marketing effort in 1993 and 1994. The Executive Director, marketing personnel and a number of PDA Board positions turned over. While there is no single entity wide event that serves as a watershed for the new marketing phase there is one personnel change that has affected the marketing efforts the most and that was the appointment of a new Director of Economic Development. This appointment will serve as the demarcation between the self described 'Initial' and 'Renewed Marketing Efforts'.

5.11 A New Economic Development Director

In 1994 the PDA began a search for a new Economic Development Director. The position was advertised locally and over 100 resumes were received by the PDA. A short list of four candidates were interviewed. One of the candidates, George Bald, had the two main characteristics that the PDA Board was looking for; a solid reputation in the area and experience with local and New Hampshire economic development.⁶⁰ In August of 1994, Mr. Bald was appointed as the Economic Development Director for Pease International Tradeport. As the former Mayor of Somersworth New Hampshire and the Director of Economic Development in Rochester New Hampshire for 10 years, Mr. Bald brought a heightened level of experience and credibility to the position.

5.2 The Renewed Marketing Effort Within the Context of the Outline

I) Market Research

A) Cyr & Knowles

The PDA, prior to Mr. Bald's coming aboard, retained a marketing firm, Cyr & Knowles, to generate an annual Marketing Plan for Pease. These Marketing Plans served as a guideline for the PDA's marketing efforts. The summarized Marketing Plan for July, 1994 to June, 1995 stated the following:

1- Marketing Objectives

⁶⁰ Telephone interview George Meyer, Executive Director PDA, July 25, 1997

- a- Increase the number of jobs at Pease
 - b- Enhance Pease visibility and leadership in base redevelopment field
 - c- Expand/Create High Technology Park with additional Bio Tech concerns and 2 new high tech firms.
 - d- Lease 250,000 s.f. of existing space
 - e- Implement a third party development strategy to create three multi-tenant incubator spaces
 - f- Attract additional aviation companies
- 2- Strategies to Achieve Objectives
- a- Use Public Relations to communicate PDA accomplishments
 - b- Determine through research viable high tech prospects and target them through a direct sales effort (mentioned in 95/96 Marketing Program)
 - c- Increase contact with N.H. real estate brokers (the 95/96 Marketing Program omits this area all together)
 - d- Leverage matching Federal Grant programs with local monies
 - e- Entice third party development (identified in 95/96 plan)
 - f- Determine likely aviation users and then target them directly (identified in 95/96 plan)⁶¹

In order to implement the target marketing of high tech businesses (Section 2, part b) RKG Associates was retained to identify these industries. RKG's previous consulting work at Pease was a primary determinant for their being retained.

After the 1995/96 Marketing Plan, Cyr & Knowles was no longer retained by the PDA. Mr. Bald felt that these marketing plans were formulaic in nature and not detailed enough. An over reliance upon advertising in the plans was viewed negatively by Mr. Bald.⁶²

B) RKG Associates

A consultant heavily involved in the initial Bechtel report was Richard K. Gsottschneider of RKG Associates, Inc. (RKG). At the request of the PDA Board, in September of 1994, RKG produced a report intended to identify and screen five potential "target industries" for the PDA to pursue in a 1994-95 marketing campaign. A brief summary of this report follows:

- 1- RKG was directed to identify five promising target markets (excluding Bio Tech and Aerospace that were previously researched during the JBF period)

⁶¹Cyr & Knowles, Pease Marketing Plans for 1994/95 & 1995/96

⁶² Interview with George Bald, July 25, 1997

Sources - The U.S. Census, Dept. of Commerce publications, State of N.H., private data sources and prior PDA research.

Methodology- Using 4 digit SIC codes identify industries with short term growth potential and that have a significant presence in N.H., engage in businesses complementary to existing N.H. businesses, and that can utilize multi-modal transportation systems.

Target- Industries regionally and nationally/internationally that are small/mid-size and fast growing.

2- Results - Four target industries emerged, not five as originally desired;

- a- Electronic Components and Accessories
- b- Information Services
- c- Medical Technology
- d- Environmental Technology

The resulting database generated 6100 companies to be directly marketed. See Section IV for the results of this marketing effort. The aforementioned 'Target' Marketing Research was the primary research effort undertaken in the 1994-96 period.

Aviation oriented market research efforts were not pursued in any significant way during this period. The grants to improve the airfield were coming in and eventually the FAA provided over \$16 million in grants to bring the airfield up to commercial operating standards.⁶³ In addition, the CLF lawsuit was not disposed of until 1996. The lessons learned during the initial marketing period precluded the staff from putting significant emphasis on the airfield until it was in a position to be successfully marketed.

II) Market Positioning

A) Viewing Pease differently- The Staff

One of George Bald's initial focuses was in changing how the staff viewed Pease. Mr. Bald feels that he is "marketing a philosophy of development" and that the Pease staff "is trying to create wealth and opportunity."⁶⁴ The marketing staff's sales pitch to prospective corporate

⁶³ FAA grants awarded as of 4/97 - \$16,174,158 , PDA \$1,797,127 - 10%

⁶⁴ Interview with George Bald, June 6, 1997

clients is that Pease isn't an ordinary development but a Corporate campus in the making. The improvements to the main entrance to Pease and the demolition of some of the existing structures were undertaken to help clients visualize how the development will look upon completion.

B) Market Experience

George Bald has a solid reputation in the region because of his prior successful role as an economic development official in a neighboring town. In addition, Mr. Bald's economic development experience in the region makes him conversant with the areas existing strengths and weaknesses. The strengths include a skilled labor pool, the quality of life in the area, proximity to the ocean, mountains and Boston and the educational opportunities available in New England. The weaknesses facing Pease include high electrical rates and a tight labor market. The marketing effort has taken these elements into account. As an example, industries that use a large amount of electricity are not being pursued, while industries that rely on highly trained professionals like Biotech and Hi Tech firms are being targeted.

C) The "Poaching" Issue

One of the major political elements involved in the marketing of a base is the fear that a base will move or 'poach' existing industries from a surrounding town onto the base. This type of business movement doesn't help the region as a whole but only redistributes the jobs and property tax revenue. The PDA, unlike the Devens Commerce Center, does not have a written policy or 'Memorandum' with local towns or development agencies concerning how they should react to this 'poaching' topic (See Chapter 6, Part 6.4, Section II B for a complete review of the 'Memorandum'). The marketing efforts at Pease have been historically oriented outside of the immediate area. Mr. Bald meets with the Economic Development Director's of area towns every two months in order to inform them of the events and activity at Pease.⁶⁵

⁶⁵ Ibid.

III) Market Promotions

A) Marketing Materials

The emphasis in the period from 1994 to the present has been to utilize the existing materials and to update these with single sheet flyers. In addition, databases on client contacts, inquiries and potential companies are compiled and updated by the staff.

B) Advertising

Mr. Bald slashed the monies utilized on advertising as the PDA's tracking of inquiries revealed that there was not a sufficient return given the monies expended. The advertisements were not attracting companies to Pease. As an example, for the 10 month period ending April 30, 1997 the budget called for expending \$495,000 on marketing materials and advertising while \$70,562 was spent.⁶⁶ The advertising venues that have been used recently include the 'Massachusetts High Tech Journal' and the 'Air Cargo Review'.⁶⁷ The PDA utilized a four page insert in the July 4-10th New England Real Estate Journal in an attempt to increase the exposure of Pease to the real estate community. The reduction in the amount of advertising dollars expended has been one of the elements responsible for the PDA 'going into the black' during the last quarter of 1997.⁶⁸

C) Public Relations/Media

The Cyr & Knowles Marketing Plans emphasized providing the media with story lines that will be developed throughout the year.⁶⁹ The 1995-97 period resulted in a number of significant leases and related developments being completed at Pease. These announcements provided the basis for a number of positive press releases and television stories.

A quarterly insert into the New England Real Estate Journal, starting in July of 1997, will be used as the basis for a newsletter. The insert will be reduced and mailed to prospective clients and constituencies involved with the base. In addition, Pease has a website at Peasedev.org.

⁶⁶ PDA Economic Development Budget for 10 month period ending April 30, 1997

⁶⁷ Interview with George Bald, May 29, 1997

⁶⁸ Ibid.

⁶⁹ Pease Marketing Plan 1994/95

D) Signage

Pease has implemented a signage program as part of the overall Master Plan which aims to coordinate all of the onsite signs in an aesthetic and coordinated fashion. The individual tenant signs are the responsibility of the tenants; yet, the PDA has the right to approve all signage.

IV) Market Outreach

The PDA relies on a number of methods to reach out to the market.

A) "Target" Direct Marketing

In 1994/95 the PDA initiated a mailing to the 6100 companies identified by the RKG report. Over the course of the year the entire company list was mailed information concerning Pease. The first part of this list was mailed without a follow up telephone call and there was virtually no response. A review at the mid point of this target marketing effort called for the balance of the list to receive a follow up telephone call after the clients receipt of the mailer. Not one serious lead was generated from this mailing.⁷⁰

B) Trade Shows⁷¹

The marketing staff attends a number of trade shows each year, some in conjunction with the State of NH's Department of Resources and Economic Development (DRED). A sample of the most recent trade shows attended include:

- MedTrade - A Medical manufacturers show (show was a disappointment)⁷²
- NepCon- A Boston Electronic manufacturers show
- Electronics- A Canadian electronics show (5-6 leads specific to Pease generated)⁷³
- Biotech- A Bio Technology show in Houston

⁷⁰ Interview with George Bald, May 29, 1997

⁷¹ Ibid.

⁷² Interview with Marie Roth, June 6, 1997

⁷³ Ibid.

To date these shows have not generated any lease signings at Pease in the last 2 years. The PDA staff is currently negotiating with one lead that was generated by a trade show.

C) Direct Company Visits

Companies within the region are visited in person by the staff. If the company is a large firm then Mr. Bald visits them personally.

D) Networking

A stronger emphasis on networking has emerged under the auspices of Mr. Bald. Mr. Bald has spoken to trade groups, professional associations and economic development officials.⁷⁴ Marie Roth has reached out to the brokerage community in the last year.

E) Aviation Marketing Efforts

The Pease marketing effort from 1995 to the present has focused on the 'land side' of the base in contrast to the air side. Mr. Bald stated that he does not have any prior marketing experience in regards to the aviation industry.⁷⁵ The Board of Directors felt that Mr. Bald's lack of aviation experience was offset by the involvement of tenants and employees at Pease who had aviation experience. The greatest need for enhanced marketing expertise was on the land side and not the air side.⁷⁶ An aviation consultant, Laurence Doyle, was retained by the PDA in June of 1996, on a part time basis, to advise the PDA on marketing to the aviation industry and to attend selected air trade shows. Mr. Doyle attended two air shows, the Cargo Network Services show in Orlando and an airline convention in Miami during the last eight months. In addition, Mr. Bald and Mr. Doyle flew to Europe in December of 1996 to meet with representatives of Lufthansa, Martinair and KLM.⁷⁷ While these meetings did not bring immediate results, it did increase the

⁷⁴ Ibid.

⁷⁵ Interview with George Bald, May 29, 1997

⁷⁶ Telephone interview with George Meyer, July 25, 1997

⁷⁷ Interview with Laurence Doyle, June 19, 1997

visibility of the Pease International Tradeport to these airlines. Negotiations with Emery Air Freight, which currently has a small operation at Pease, are ongoing. Aside from the aforementioned activities, in the last two years there has not been a concerted effort to proactively market Pease to the aviation industry. Budgetary constraints have precluded undertaking more direct company marketing trips to Europe.⁷⁸

Summary

Incoming calls and leads are tracked by the staff utilizing standardized forms. These forms contain the relevant information concerning the particulars of a company. This information is inputted into a database. The Economic Development Director feels that client interest in Pease is generated as follows (estimated);

Brokers	20%	Advertising	5%
Utility Companies	5%	Call Ins	65%*
Department of Resources and Economic Development (DRED)			5% ⁷⁹

* Leads generated and that cannot be accounted for from one specific source, prior newspaper stories, television shows and general knowledge of the existence of the base all contribute to this factor.

V) Marketing Organization and Staff

A) The Board of Directors

Four members serve on a marketing committee from the seven person Board of Directors. This committee meets monthly (or with one weeks notice) with the marketing staff and the Executive Director to review and ratify (or not) potential transactions. If the marketing committee votes favorably on proposal(s) then they are forwarded to the entire Board at their monthly meeting.⁸⁰ Firms generally present their plans in person or through representatives at the

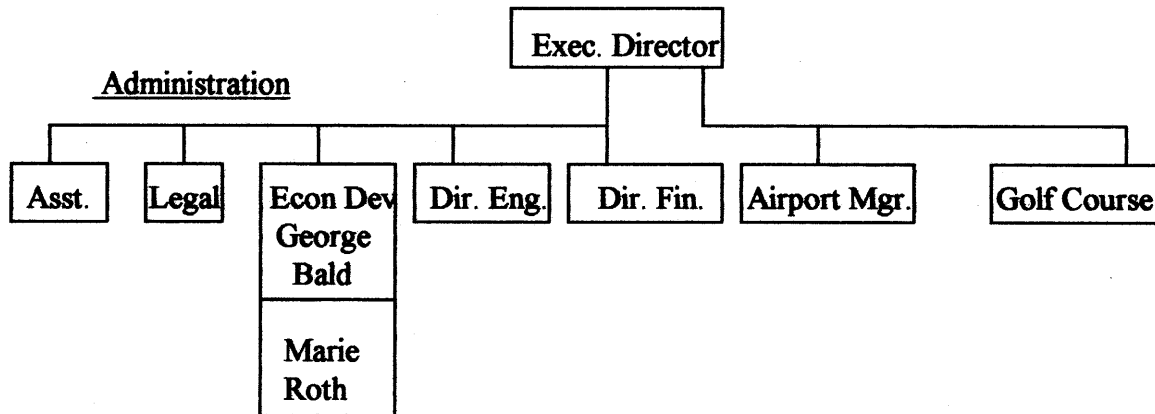
⁷⁸ Interview with George Bald, June 6, 1997

⁷⁹ Ibid.

⁸⁰ Ibid.

marketing and Board meetings. Currently there are no members of the marketing committee with a marketing background specifically.⁸¹

B) The PDA Staff Organizational Chart/Compensation



The marketing staff at Pease is comprised of George Bald and Marie Roth, an Economic Development Specialist.

C) Marketing Staff Compensation

The marketing staff is compensated primarily by salaries. Mr. Bald is paid \$65,000 annually while Marie Roth is paid \$46,200/year. Performance bonuses can be attained by the staff and are based upon an annual review. These bonuses generally do not exceed 5-7% of the employee's base salary. These salaries are below what the private sector would pay for similar responsibilities.

D) Showings/Requests For Proposals

Marie Roth handles most of the initial showings for companies seeking space in the existing buildings. Mr. Bald gets involved early on with potential new construction projects and larger lease transactions. If a firm or a broker is seeking a written proposal then Marie Roth usually coordinates the production of the proposal.⁸²

⁸¹ Telephone interview with George Bald, July 25, 1997

⁸² Interview with Marie Roth, June 6, 1997

E) Tenant Improvements

Because of the dilapidated state of many of the existing buildings and the fact that the PDA typically leases the buildings on an 'as is' basis, tenants often have to get contractor estimates in order to determine how much of their own money they have to invest into a space. The PDA staff provides potential tenants with the contact information for a number of New Hampshire contractors. A construction estimate is generated for the tenant's scheduled improvements. If the tenant is seeking a 5 year lease term, then the estimated improvement monies are amortized over the initial lease term at a market interest rate and this \$/s.f value is used by the marketing staff to 'back in' to a lease rate for the space on an 'as is' basis. As an example:

Area to be Leased: 10,000 s.f 'as is'

Lease Term: 5 Years

Market Rate of Completed Space: \$10 s.f. NNN

Improvements: \$100,000

Using a market interest rate of 10%, the improvements are amortized over the length of the initial lease term. The annual payment for this improvement is \$25,500/year or \$2.55 s.f. for the 10,000 s.f. area. Subtracting the \$2.55 s.f. from the market rate of \$10 s.f. provides for an 'as is' lease rate of \$7.45 s.f.

This is one method for the staff to calculate a prospective base rent. Previously negotiated lease rates also help to provide an established range for a base rent level that will be acceptable to the staff and the Board.⁸³

F) The Negotiating Process

Mr. Bald and Marie Roth conduct the initial negotiating sessions. If agreement in principle is reached with a tenant on the various issues then a nonbinding 'Letter Of Intent' (LOI) is

⁸³ Ibid.

generated by the staff. Lynn Marie Hummel (the in-house counsel), Mr. Bald and the Executive Director (these three comprise the rate review committee) review the LOI. The lease rate structure undergoes particular scrutiny. If the transaction is agreed upon by all parties involved, then the proposal is presented to the marketing committee.⁸⁴

G) Permitting/Site Plan Approvals

The PDA, in conjunction with the specific Town in which a proposed site plan falls, coordinates the approval process. On the 'land side' of Pease the engineering staff works with the applicant and that town's planning professionals as an ad hoc 'technical review committee' to help ensure that all of the proper criteria are addressed and complied with. While this process is not 'one stop' permitting, like at the Devens Commerce Center, it does allow for a high degree of cooperation between the applicant, the PDA staff and the particular town in question. The PDA has local planning authority on the 'air side' of the development, local approval is not required.⁸⁵

In the early years Pease had a bad reputation for turn around time on proposals, with timeframes extending past 3 months not unusual. The entire process with which proposals are presented, approved and (if applicable) permitted, has been significantly streamlined since the start of the redevelopment efforts at Pease. The various marketing committee and Board meetings have been rearranged so that it is possible to make these meetings in the proper order and in quick succession. The date of the marketing committee meeting is flexible in order to better accommodate the needs of prospective clients. These changes have led to proposals typically completing the PDA portion of the approval process in 30 days.⁸⁶

VI) Consultants

A) Economic Consultants

⁸⁴ Interview with George Bald, June 6, 1997

⁸⁵ Interview with George Bald, July 24, 1997

⁸⁶ Ibid.

The marketing staff at Pease has reduced their reliance on consultants (non aviation) over the last two years. The unsuccessful results from the direct mailing to the 'Target' marketed firms may be a consequence of this. Even the consultant who generated the list felt that this effort was a waste of time and resources. He felt that this was Cyr & Knowles idea and that it wouldn't work.⁸⁷

B) Aviation Consultant

The emphasis on the land side of Pease, in contrast to the air side, during the last few years has put the marketing of the airfield on the 'back burner'. One of the stated goals of the PDA (Section I, A, 1, f) is to attract additional aviation uses. While a direct mail campaign was suggested, the two air shows and the single trip to Europe were the primary aviation marketing efforts for the past year.

C) Brokers

Over the last two years increased efforts (starting from ground zero) by the marketing staff to reach out to the brokerage community have been pursued. The commission structure and terms offered at Pease have been modified in order to more closely replicate the private market. The PDA's payment of a one half of a brokerage commission upon the signing of an agreement and the other half upon occupancy by the tenant are in stark contrast to their previous commission policy.⁸⁸ The following office lease will serve as an example of how this policy change affects a brokers compensation and incentive:

Size:	10,000 s.f.	Base Rent:	\$10 s.f. NNN
Lease Term:	3 Years	Commission:	6% of 1st Yr Rent
Annual Rent:	\$100,000		5% of 2nd Yr Rent
			4% of 3rd Yr Rent
			15% Total

⁸⁷ Interview with Richard K. Gsottschneider, June 5, 1997

⁸⁸ PDA Real Estate Commission Policy, January 25, 1996

Current Pease and Private Industry Practice

Prior Pease Policy

Broker Receives: \$15,000
in total by tenants occupancy

Broker receives: \$6,000 in Yr 1
\$5,000 in Yr 2
\$4,000 in Yr 3

Clearly, brokers would rather receive all of their money up front instead of having to wait to receive the entire amount of the commission over a three year period. Pease's policy change puts them on an equal footing with the private sector.

A group of local commercial brokers needed a large conference facility to hold their monthly leads group. Because the PDA board room could accommodate a large group, these brokers asked the PDA if they could meet in their board room. While this group does not discuss Pease at every meeting the very fact that these brokers drive to the base on a monthly basis has made local brokers more aware of the facilities at Pease.⁸⁹ The marketing staff is currently exploring potential avenues on how to hold an open house for Boston area brokers. The target date for this open house is in August or September of 1997.⁹⁰

Summary

The change in staff and policies since Pease began their marketing efforts in the early 1990's has had a beneficial effect on the marketing efforts at Pease. The current marketing staff provides a measure of local credibility and experience that was previously lacking. The improving fortunes of the regional and local economy have also had a strong positive effect on the marketing campaign. This 'Renewed Marketing Effort' has seen a number of transactions finalized at Pease during the last 2-3 years.

5.3 Major Transactions: Undertaken and Completed

A number of potential transactions were actively pursued and consummated during this renewed marketing period from 1995 to the present. Some of these transactions include:

⁸⁹ Interview with Marie Roth, June 6, 1997

⁹⁰ Interview with George Bald, June 6, 1997

A- Redhook Ale Brewery

In 1995 a 128,000 s.f. Redhook Ale Brewery was approved and construction began at Pease International Tradeport. This long term land lease resulted in the creation of 59 jobs and substantial revenues to the PDA. While RedHook was represented by an exclusive broker, the State of New Hampshire's Department of Resources and Economic Development was the initial catalyst for the brewery viewing Pease.

B- Burgon Tool Steel

In 1996 a 57,600 s.f. manufacturing building was constructed on the base by an owner/occupant who employed 32 people. George Bald had met with a prospective client (who never panned out) and this person told Mr. Bald that Burgon was looking for a site. Mr. Bald contacted Burgon directly and a transaction was eventually consummated.

C- Marriott -Residence Inn

In 1996 a 110 room hotel was approved for construction at the Tradeport. A lease is expected to be signed within the next three months and construction is scheduled to commence by the end of 1997. A corporate real estate person for Marriott lives in New Hampshire and was working with a local brokerage firm. This brokerage firm introduced Marriott to the site with the assistance of the Pease marketing staff.

D- Building #29

A third party development agreement was reached for an investment group headed by Mark Phillips to renovate an existing building bus terminal (that is in the process of being relocated on the site) into a 23,000 s.f. office building. Renovations began in June of 1997. The private developer will be responsible for marketing the office space. This developer knew George Bald previously and contacted Mr. Bald directly.

E- Objective Communications, Inc.

This 13,000 s.f. tenant develops video conferencing technology and employs 23 people. This firm is relocating from Virginia into existing space at Pease and is scheduled to move in on August 1, 1997. They plan to construct a 40,000 s.f. office/R&D building on the base at a future date. A national brokerage firm introduced this client to Pease.

F- Northern Research & Engineering

A division of Ingersoll Rand, this firm renovated an existing building with EDA funds to accommodate their 30 employees and their 36,000 s.f. space requirement. This company was located in Massachusetts. An employee that lived in Portsmouth N.H., knowing that the firm was looking at expanding, suggested that they look at Pease.

G- Cabletron

George Bald had worked with this company during his previous tenure in Rochester N.H. and hence this was a direct lead. This training center employs 90 people and occupies 70,000 s.f. in a portion of the former base hospital.

H- New England Computer Brokers

An agreement was recently reached for the leasing of 2-3 acres of useable land for the construction of a 10,000 s.f. office building. Construction is scheduled to start in 1998. The building has been approved for an expansion up to 18,000 s.f. This tenant read a number of newspaper articles about Pease and called in directly to the marketing staff.

I- Pioneer Development Limited Liability Corporation (LLC)

An agreement was recently reached for the leasing of a 10 acre parcel of land for the construction of a 52,000 s.f. light industrial building. This proposal is in the planning process currently. This developer redeveloped an existing building at Pease and hence this lead was a direct contact by the developer to the marketing staff.

J- Two International Group LLC

An agreement was recently reached for the leasing of a 5 acre parcel of land for the construction of a 80,000 s.f office building. The developers of this speculative project came direct to the PDA. Whether or not this particular project will ever come to fruition is unclear.

K- Existing Structures

In 1996 312,867 s.f. of existing space was leased at Pease. In the first 6 months of 1997 326,507 s.f. of space was leased in existing buildings or approved by the PDA for new construction. A total of 1,083,542 s.f. of space has been leased and or constructed at Pease since the base was closed.

L-Tyco Corporation

The PDA has met with Tyco Corporation to discuss the relocation of their corporate headquarters from Exeter to Pease. Tyco bases their corporate aircraft at Pease. The construction of a 50,000 s.f. (approx.,) office building would be undertaken if this transaction is completed.

Aviation

M- Tyco Corporation

In 1996 Tyco began construction of a 17,00 s.f. hanger. Their corporate airplanes will be based there.

N- Hampton Street Air Cargo

An agreement was recently reached for the leasing of a parcel of land adjacent to the airfield capable of holding a phased 350,000 s.f. air cargo facility. There will be 54,000 s.f. in the first phase. The lead developer of this building, Jeffrey Marple, is a local real estate developer who has not been previously involved with aviation development. This lead came direct.

Jobs

There are approximately 1177 people employed in private firms at Pease.

5.4 Conclusions- 'Renewed Marketing Efforts' at Pease Within the Context of the Outline

This period of renewed marketing efforts at Pease is characterized by a number of significant transactions. These transactions can be attributed to a number of important factors not the least of which is the region's improving economy. In addition, the Pease marketing staff has altered a number of marketing strategies and these changes conform more closely to how the ULI interprets the private sector's marketing efforts. Marketing changes that include a revamped brokerage commission schedule and avoiding spending large amounts of advertising money are straight out of the ULI Handbook. Following is a comparison of the current marketing efforts at Pease in contrast to a private sector approach.

I) Market Research

The initial market research relied heavily on the ideas and elements provided by a private marketing firm, Cyr & Knowles. The redevelopment of a military base does not necessarily fit into a standard Marketing Program. The heavy reliance on advertising and direct mailers with insufficient follow up contact are fundamental marketing mistakes that proved ineffective. The ULI Author's indicate that marketing research should be centered around the identification of the surrounding area's economic resources and in studying companies most likely to be growing and needing larger facilities. In recognition of the formulaic and simplified nature of the recommendations in the marketing plans, the heavy reliance on advertising and the general ineffectiveness of these efforts, Mr. Bald decided not to renew Cyr & Knowles marketing contract.⁹¹

II) Market Positioning

A) "Not just another Real Estate Development"

George Bald has provided a renewed emphasis within the staff concerning the marketing of Pease as 'not just another real estate development'. While the staff believes this I do not see how this is represented in the marketing effort. The emphasis on treating Pease as a corporate

⁹¹ Interview with George Bald, July 24, 1997

setting has potential; yet, until additional demolition is completed at the base the interior portions of the base continue to look more like a military base and less like a corporate park. An infusion of demolition monies would go a long way in helping Pease attain more of a corporate park setting. Pease does not survey the competition as the ULI indicates the private sector would. It might be appropriate for the staff to more formerly document market transactions in the greater Portsmouth marketplace if for no other reason than to keep an eye on comparable market rents.

B) The "Poaching" Issue

Here is one area where I believe that the PDA can make a substantive change. One of the enduring criticisms of Pease is that a State funded development not 'poach' and compete with neighboring communities. These criticisms can have the cumulative effect of hindering the Public Relation efforts of Pease. The Board of Directors should initiate a policy similar to the Devens Commerce Center's 'Memorandum' (See Chapter 6, Part 6.4, Section II B). This policy could provide a written framework for how the Pease marketing staff will conduct their interactions with local companies and the communities where these firms are currently located. This is another level of complication for the marketing staff and their potential desire to keep this 'poaching' issue on an informal level is easily understood. Conversely, the very nature of the PDA's organization means that they will continue to be in the public spotlight. A written policy, properly followed, can provide the PDA and its' staff with 'cover' for this type of criticism.

The original goal behind the redevelopment of Pease was the creation of jobs by attracting certain industries from outside of New Hampshire. The relocation of Tyco's Corporate headquarters from Exeter New Hampshire to Pease, if the growth can be accommodated at its' current site, does not meet the original goals outlined for the redevelopment of Pease. Even George Jones, the first Executive Director of Pease feels that 'stealing' from local communities is not a positive element and that the marketing effort should be concentrated internationally.⁹² It is interesting to note that a critic of the perceived competition that Pease represents to surrounding communities does not place the blame with the marketing staff but with the legislature. He feels that the legislature's collective desire to get development going at Pease in the early 1990's

⁹²Interview with George Jones, June 23, 1997

created unrealistic pressures and this ultimately made it easier for the staff at Pease to broaden the marketing net and include local companies.⁹³ Even if local business people were insistent on relocating to Pease, with no net gain to the local economy by the move, the staff could use a written policy as a viable explanation for why local firms couldn't relocate to Pease. A written policy concerning this issue could be a long term (not short term) benefit to Pease's redevelopment interests by muting critics and reassuring the general public that Pease will provide a net gain to the region's economy.

III) Marketing Promotions

A) Materials

Again, the experience of Mr. Bald shows through in this area. A reliance on single sheet fliers that can be inserted into a generic marketing brochure allows for the greatest amount of flexibility. While multi page glossy brochures are still in use, these are primarily a vestige from the initial marketing period. The emphasis on simple, multi use brochures closely corresponds to the ULI's suggested use of marketing materials.

The individual building sheets delineating a specific building's attributes include overly detailed environmental information. One page describing the available space and two or more pages delineating current or former environmental issues does not make for a 'market friendly' presentation. While adequate information and disclaimers are needed, they should not be such a dominant part of this initial presentation. An attached one page environmental information sheet and disclaimer would properly document the issues involved; yet, it would be more 'market friendly'.

A previously produced video should only be used in specific direct company visits or presentations. For real estate development marketing, videos are generally not a sound use of scarce resources.

⁹³ Interview with Warren Henderson, June 23, 1997

B) Advertising

The drastic reduction in the use of most kinds of advertising is appropriate. A few well placed target marketing ads are still warranted; yet, the reduced reliance on this marketing venue conforms with the ULI's observations.

One area that needs to be reconsidered is the first insert in the New England Real Estate Journal (NEREJ). This insert is planned to appear quarterly in the NEREJ, a real estate trade industry newspaper that markets to real estate managers, developers, owners, brokers, contractors and appraisers. A recent insert highlighting Pease used two of the four pages to detail the operations of the base golf course and the PDA engineering department. While well written, I believe that this insert dated July 4-10, 1997 was not a highly productive use of financial resources. While general advertising has its' place, this pieces' heavy emphasis on the engineering department and the Pease golf course is puzzling. This insert should feature real estate opportunities at Pease and describe how real estate professionals can benefit from this redevelopment effort. I have a difficult time believing that a better understanding of the Pease engineering department is of interest to the readership or that it furthers the marketing efforts of the base. In addition, there must be a more appropriate venue for increasing business at the golf course than through the NEREJ.

C) Public Relations/Media

Given the large amount of positive press that Pease has recently received no real changes are suggested. As an example, in the New Hampshire section of the May 18, 1997 edition of The Boston Sunday Globe an article titled "Tradeport at Pease suddenly is booming" details the increase in activity at the base.

D) Signage

Pease's location at the intersection of Interstate 95 and Route 16 means that literally tens of thousands of people travel by the borders of Pease every day. The placement of a 'Pease International Tradeport' sign along each route would provide a tremendous amount of visibility and exposure to the development. I would suggest that instead of billboards; aesthetic, ground based, backlit signs, should be installed. Well landscaped signage would reaffirm the quality

development theme being undertaken at Pease. While these two signs could cost in excess of \$70,000, the enduring nature of this marketing tool would provide an excellent long term value. One of the first things a private developer would do is erect a billboard sign along the highway advertising the development. Billboard signs within the development that highlights specific section of the base and the opportunities available would be a beneficial marketing tool.

IV) Market Outreach

A) Target Marketing

The failure of the last direct mail campaign should not dissuade further use of this marketing technique. Limited, targeted direct mailings with a timely follow up phone call are an effective marketing technique. The 6100 firm list generated by RKG Associates, while somewhat dated, may still retain value. If the marketing staff culled 500 of the most likely companies from this list and mailed 25 companies every week, followed up with a telephone call within one weeks time, the results would probably compare favorably to the direct mail experience of 1994/95. At the end of 20 weeks, the results of this effort could be evaluated for its' effectiveness.

B) Trade Shows

Trade shows are an excellent way to introduce Pease to a specific industry and create a presence for the development. Trade shows are the embodiment of market outreach. The continued appearance by the marketing staff at a limited amount of target market industry trade shows is appropriate. An annual review of the results of these trade shows should be conducted in order to determine their effectiveness.

D) Networking

A newly adopted 'Memorandum' concerning the 'poaching' issue would provide a good reason for the staff to revisit various local and regional groups. A presentation on Pease in conjunction with an explanation on how the redevelopment of Pease will be a benefit to everyone in the area would be an excellent sales tool. The 'Memorandum' could be used as a way to

reinforce to local groups that Pease will benefit the entire area by attracting industry from outside the region. While Mr. Bald currently speaks at a number of functions it may be appropriate to try and establish a system in which a speech a month is the goal. Targeting groups that can potentially be of benefit to the marketing of Pease like accountants, lawyers and brokers would be an excellent way to systematically increase the networking effort.

E) Aviation

One of the goals of the redevelopment plan is to attract more aviation firms to Pease. A lack of staffing and resources has limited the amount of aviation oriented research and marketing that is being conducted. The Executive Director of Pease, a pilot and a 20 veteran of the United States Air Force, has created an 'aviation team' comprised of himself, the airport manager, the Fixed Base Operator and the proprietor of a bonded warehouse at Pease. This group has brought in speakers to talk about aviation issues.⁹⁴ Yet, without allotting additional resources, the aviation marketing campaign will continue to struggle. Aside from the recently approved Hampton Street Air cargo facility there has been a very limited amount of recent marketing success at Pease. If there truly is the potential for Pease to develop into a major air cargo facility a full time, year long marketing effort dedicated exclusively to achieving this goal should be undertaken. A consultant knowledgeable about the aviation industry should be given a one year contract and sufficient resources to aggressively market the airfield. Either the consultant will attract enough interest to make this effort financially worthwhile or it will become exceedingly clear that, for at least the time being, Pease will not become a major air cargo facility.

Summary

As the outline details above, aside from trade shows and some networking, there is not a lot of market outreach currently being undertaken. Limited staffing and resources are the primary constraints causing this situation. If additional outreach efforts are not commenced at some point in the future (through an expansion of the marketing staff, consultants or brokers) the next economic downturn may find Pease in a position where the 'pipeline' of potential clients runs dry.

⁹⁴ Telephone interview with George Meyer, July 25, 1997

A marketing campaign that constantly emphasizes the need to reach out to potential clients will help a redevelopment effort weather the inevitable downturns in the highly cyclical real estate industry

V) Marketing Organization and Staff

A) Board of Directors

A criticism of the Board of Directors has been a lack of real estate experience. While the Board has been and is comprised of a number of accomplished business people, real estate expertise would be beneficial to the redevelopment and marketing efforts. The long time reliance on advertising would probably have been questioned earlier by someone that had experience in the real estate industry. When appointments are made to the Board this issue should be given heightened consideration.

B) The Staff

The addition of George Bald and Marie Roth to the staff has been a tremendous benefit to the marketing efforts at Pease. Both people are experienced in real estate and economic development endeavors and they bring an increased level of credibility to Pease within the real estate industry. How the marketing staff is compensated should be reviewed. Aside from nominal bonuses, the staff is compensated on a modest and fixed basis. In private industry commercial loan officers, even with a fiduciary responsibility to their employer, are partially compensated by performance bonuses. It would be appropriate to provide incentives to the marketing staff with bonuses (up to 25% of their base pay), based upon some type of appropriate criteria. Permanent jobs paying more than \$25,000 per year, from companies locating at Pease from outside of New Hampshire, would mean a bonus of \$250/employee, (as an example). While this approach is almost unheard of in the public sector, it would more closely mirror the private sector approach. The amount of dedication, expertise and commitment that the entire staff demonstrates, given their level of compensation, is a tribute to the people working at the Pease International Tradeport.

VI) Consultants

A) *Economic Consultants*

Firms like RKG Associates, on a selective basis, should continue to serve as a resource for; examining structural changes in the economy, providing analysis and data on growing industries and for generating lists of prospective tenants. RKG's reports can be a valuable resource to with assisting the marketing staff in targeting specific industries. Having expert consultants provide the marketing staff with insights on where prospective clients may come from is one way of helping to keep a proactive marketing campaign headed in a specific direction.

B) *Brokers*

Pease has historically had difficulty communicating with the brokerage community. The year to date marketing budget at Pease shows that proportionately only 17% of the monies budgeted to Brokers fees have been paid out.⁹⁵ Presently I would describe this relationship as one that is not negative or positive but neutral. Two highly qualified economic development experts feel that brokers should be the primary method for marketing this type of development.^{96 97} Possibly because of the 'poaching' issue, there is the perception that the staff has never made a concerted effort to aggressively work with local brokers. The change in the brokerage commission policies and the realization that transactions are occurring at Pease has increased the visibility of the development within the local brokerage community. The implementation of a 'Memorandum' would be an excellent opportunity for the marketing staff to meet with the local brokerage community, explain the policy and how it affects them, and enlist their active cooperation and support.

The national brokerage firms may provide an excellent vehicle for achieving needed additional market outreach. As with the case at Devens, an international brokerage firm can supply national and international marketing contacts that the current staff doesn't have the time or resources to pursue. A close working relationship between the existing marketing staff and a large

⁹⁵ PDA Economic Development Budget for 10 month period ending April 30, 1997

⁹⁶ Interview with Richard K. Gsottschneider, June 5, 1997

⁹⁷ Interview with Steve Thomas, VHB, Inc. June 16, 1997

brokerage firm could, if properly structured, provide a significant level of synergy and exposure to the redevelopment efforts.

Lastly, the staff should try and build personal relationships with individual brokers. It is not enough to allow the brokerage community to bring clients to Pease, their participation and efforts must be encouraged and appreciated. In the final analysis, payment of a commission means that a transaction was successfully completed.

C) Aviation

See Section VI, part C.

5.44 A Final Word on the Renewed Marketing Efforts at Pease

The marketing process at Pease International Tradeport has made tremendous strides during the last three years. The introduction of experienced and professional marketing people, positive public relations, the successful completion of major transactions, an improving economy and refinements in the permitting process have all combined to produce a marketing organization that is beginning to get results. Continued review and improvements to the marketing process can only serve to strengthen the redevelopment efforts that are under way.

Chapter 6 - The Devens Commerce Center

6.1 The Closure Process At Fort Devens

In early 1991 the BRAC committee recommended that two of three Posts (Main and North Posts) at Fort Devens be closed while the remaining South Post continue to be utilized by the U.S. Army Reserves.⁹⁸ A three year planning process ensued. The three towns in which the portions of the base were closed are in Ayer, Harvard and Shirley Massachusetts. In conjunction with the Massachusetts Government Land Bank (Land Bank), these towns eventually reached a consensus on how to handle the redevelopment of Fort Devens. On December 7, 1994, the citizens of these towns simultaneously approved the Reuse plan and Bylaws governing the redevelopment of Fort Devens.⁹⁹

“On January 4, 1994, the Devens Enterprise Commission Legislation was passed by the Massachusetts State Legislature. The main objective of the legislation is to successfully redevelop Fort Devens through a consolidated regional approach..... (This) plan will set the course for development (at Devens) for the next forty years.”¹⁰⁰ In May of 1996 the Land Bank purchased 3,040 acres from the Army, including all utility systems, via an Economic Development Conveyance at a cost of \$17.9 million.¹⁰¹

6.2 The Base

Fort Devens, renamed as the ‘Devens Commerce Center’, is approximately 35 miles northwest of Boston and is located in Middlesex and Worcester Counties. Devens is approximately 4 miles west of Interstate 495, a major North/South highway. Devens’ main access from Interstate 495 is the Jackson Road exit off of Route 2. Route 2 is a major East/West highway in this part of Massachusetts. This portion of Route 2 is a two lane divided highway. ‘Fort Devens’ North and Main Posts, which occupy approximately 4,400 acres of the 9,310 acre military installation, will close in 1995, ...”¹⁰² “The Bureau of Prisons acquired 245 acres of the base for a regional prison medical facility.....The Department of the Interior requested

⁹⁸ Fort Devens Reuse Plan Update June 1994

⁹⁹ Background Study undertaken for MIT’s Research Project on Military Base Reuse, Karl Seidman 2/19/97

¹⁰⁰ Massachusetts Government Land Bank, Devens Enterprise Commission Legislation, Executive Summary, 1994

¹⁰¹ Office of Economic Adjustment (OEA) 4/18/97

¹⁰² Fort Devens Reuse Plan June 1994

approximately 890 acres of land for inclusion in the Oxbow National Wildlife refuge.”¹⁰³ There are two B&M rail lines that traverse a portion of the site. Devens is clearly located in the path of future development yet, it still is considered to be just on the fringe of a strong growth area. However, within a 40 mile radius of Devens is a tremendous concentration of existing businesses and industries.

There are a number of existing structures on the former base. Many of these buildings are former housing barracks that date back to World War Two. Many of the remaining structures have environmental issues including lead paint, asbestos and underground fuel storage tanks. While a number of the buildings can be reutilized, the early marketing emphasis will be on the creation of new building sites and much of this new construction will occur where obsolete structures have been demolished.

6.3 The Redevelopment Process and Findings

The Fort Devens Reuse Plan utilized a number of consultants to identify the major issues, obstacles and opportunities available with the redevelopment of this base. The Reuse Plan was coordinated by Vanasse Hangen Brustlin, Inc. (VHB), a multi-faceted engineering and planning company. The firms that had the greatest input concerning the marketing aspects of the Reuse Plan include; RKG Associates, an economic planning and real estate firm and Meredith & Grew, a real estate services company. The primary results of this 1994 Reuse Plan include:

A) Goals

- 1- Sustainable development by achieving a balance of economic, social, and environmental needs
- 2- A diversity of uses
- 3- Achieve Success
- 4- Balance local, regional, and state interests

B) Opportunities

- 1- Large, open, relatively flat developable sites which can accommodate large users.
- 2- Excellent regional and Interstate access
- 3- Existing infrastructure provides for complete utility services
- 4- Main line rail and rail inter-modal services

¹⁰³ Office of Economic Adjustment (OEA) 4/18/97

- 5- Several major buildings with reuse potential
- C) Constraints
 - 1- on site waste water plant needs upgrading
 - 2- The site has superfund sites and environmental hazards
 - 3- Many buildings need to be demolished
 - 4- Depressed economic conditions may require development incentives
- D) The Reuse Plan
 - 1- Encourage Innovation and Technology Business
 - 2- Emphasize Rail-related uses
 - 3- Provide open space and resource protection

The Reuse Plan is a comprehensive and well researched document. This plan provides an excellent format from which the redevelopment efforts can be implemented.

6.31 Key Redevelopment Powers and Responsibilities

The Devens Enterprise Commission Board of Directors, under the auspices of the Land Bank, has all of the powers of local boards and commissions and is solely responsible for issuing local permits. The DEC has the authority to regulate the following areas:

- A) One Stop Permitting (DEC handles all of the responsibilities)
 - 1- Planning Board
 - 2- Zoning board of Appeals
 - 3- Conservation Commission
 - 4- Board of Health
 - 5- Historic District Commission
- B) Develop and adopt zoning, subdivision and conservation commission regulations and control
- C) Implement the Reuse Plan- Marketing efforts, etc.
- D) Review all applications local permits and licenses for all individual proposals¹⁰⁴
- E) Bonding authority for up to \$200 million for the redevelopment of Devens, the payment of these bonds will come from the general revenue funds from the State of Massachusetts
- F) Submit an application for Federal Enterprise Zone
- G) Submit an application for Foreign Trade Zone
- H) Devens designated as a Economic Target Area
- I) Develop and enforce a property tax and user fee program
- J) At the end of a forty year term, the Boards of Selectmen of the surrounding communities, the commission, and the Land Bank will submit a report to the

¹⁰⁴ Devens Enterprise Commission Legislation

Governor and the Legislature that will provide an outline for the permanent political and governance structure for Devens.¹⁰⁵

When a client wants to construct a building at Devens the engineering staff works with the company to ensure that the plans conform to Deven's regulations. The engineering staff conducts a final review and upon acceptance by the staff a 30 day public notice period commences. The local papers run legal notices concerning the prospective plan. The DEC Board of Directors, at a public hearing, votes on the plan at the end of the 30 day period. There is a 30 day appeal period that commences immediately following the Board meeting. This one stop permitting process allows prospective clients the opportunity to complete the planning cycle in under 45 days.

6.4 The Marketing Effort Within the Context of the Outline

The marketing planning and implementation efforts to date, approximately three years in duration, will be analyzed within the context as outlined in Chapter 3.

I) Market Research

RKG Associates in cooperation with Meredith & Grew, completed a number of reports as part of the Reuse Plan. These reports detail a number of the leading industries in Massachusetts and their prospects for growth at Devens, while putting the overall economic period in perspective. A summary of the findings include:

A) Economic Development Opportunities Analysis;

- 1-The 1989-93 period was marked by the worst regional recession since world war two.
- 2-Massachusetts was just starting to rebound economically at the time the study was undertaken in 1994.
- 3-Structural and cyclical changes in the regional economy were examined.
- 4-The affect of Macroeconomic issues as they related to the redevelopment of Devens.
- 5-Labor market issues/trends were reviewed
- 6-A review of the regional economic base was completed along with the marketing implications of this analysis.
- 7- Socio-economic and demographic characteristics of the area were examined

¹⁰⁵ Ibid.

B) Target Industry Analysis

1- Reviewed Major Industry Clusters in the context of the State of Massachusetts competitive position and industry outlook, a regional overview, prospects for Devens with the emphasis on the following sectors:

- a-Health Care Cluster**
- b-Information Technology**
- c-Financial Services**
- d-Tourism**
- e-Rubber and plastics products**
- f-Industrial and Electrical Machinery**
- g-Instruments (non health care Related)**
- h-Food products**
- i-Transportation, Warehousing and Distribution- rail emphasis**
- j-Other Emerging Technologies**

These reports concluded the following:

- A large and skilled labor pool is a significant advantage to Devens**
- Finding ways to reduce operating costs for businesses locating to Devens would be a benefit to the marketing efforts**
- Devens has excellent highway access**
- The existing state economy's growth prospects lie in 'leading edge' industries and Devens should capitalize on this by targeting innovative and sophisticated industries.**

C) Real Estate Market Analysis

1-A review of vacant industrial parcels, industrial buildings and office and R&D comparable sales in the area and the demand for these types of land

This review, conducted in 1994, found that there was a large supply of all of these types of properties. Limited demand meant absorption timeframes of 5-20 years were predicted for existing buildings in the marketplace. Existing buildings were selling at below replacement cost, land was selling at greatly reduced prices and lease rents were insufficient to support new construction.

D) An inventory of Devens real estate was undertaken

This review found that many of the existing buildings were not readily marketable and that the greatest asset at Devens was the potential to create large industrial sites with utilities and rail access.

The primary conclusions of the real estate analysis are:

- 1-Clear title to the property and an approved Master plan are essential
 - 2-Need for a lead tenant may require price discounting
 - 3-Market conditions will change over the life of the project
 - 4-Building Demolition will be an important variable in establishing a pricing and absorption strategy
 - 5-Land use Regulations will be important elements of a land pricing strategy
 - 6-Ownership of the infrastructure should remain in the public sector
- With this research a price schedule for the land and buildings is detailed.¹⁰⁶

In April of 1995 RKG completed an analysis concerning the Recommended Pricing for land at Devens along with a review of other factors that can effect absorption rates at Devens. The conclusions from this study include:

- Aggressively demolish obsolete buildings to improve the projects image
- Prepare conceptual site plans and begin infrastructure improvements
- Be prepared to provide fit up allowances to tenants
- Defer sales of properties in the Business/Service until infrastructure improvements are made
- Have the Land Bank upgrade its' offices in order to provide future users with an opportunity to visualize retrofitted space.¹⁰⁷

The RKG reports provided an excellent basis for understanding the local market and how Deven's assets fit into the marketplace. A marketing strategy was needed to help provide a direction for the forthcoming marketing campaign. In May of 1995 another consulting group, PHH Fantus Consulting, was retained by the Massachusetts Government Land Bank to develop a report in regards to a potential marketing strategy for Devens.

F) Marketing Strategy for Fort Devens-PHH Fantus Consulting (PHH)

- 1-Price- Show benefits of location, don't get into a price war
- 2-Product Placement- Use the Land Bank, brokers, Consulting firms, the railroad, utility companies business networks and the economic development community to expose Devens to the market. Forge close relationships with these entities.
- 3-Market positioning- see section II
- 4-Product Promotion & Budget- see section III¹⁰⁸

¹⁰⁶ Fort Devens Reuse Plan June 1994

¹⁰⁷ RKG Associates, Inc. Real Estate Market Analysis update and Recommended Initial Pricing and Forecasted Absorption for Non- Residential Land & Buildings April, 1995

¹⁰⁸ PHH Fantus Consulting Marketing Strategy For Devens May 1995

The PHH report was received with mixed reviews by the Devens staff. The report contained "a lot of great material and ideas" unfortunately, some of the data that was generated was not entirely accurate.¹⁰⁹ The report used macro construction data to compare costs around the country. The data for New England showed the average cost of constructing a building in Boston (\$81 s.f.) and not the cost for a suburban market like Devens. These cost estimates were then used to analyze the potential viability of attracting certain industries to specific regions of the country. The inability of PHH to provide localized cost estimates called into question some of the results of this analysis. This report was never formally adopted by the staff but was reviewed closely.¹¹⁰ Even so, many ideas from the PHH marketing report can be found incorporated into the current Devens marketing campaign and this document continues to serve as a solid resource for the marketing staff.

II) Market Positioning

As Section I details, the Land Bank undertook a significant amount of research in order to help determine a market position for Devens.

A) The PHH Fantus Consulting Report

- 1- Devens strength is attracting manufacturing and Distribution firms
- 2- 'Military base reuse' not a good marketing position
- 3-Target Devens as a place where;
 - a- Targeted companies can achieve operational benefits
 - b- Define Devens in terms that signal its' future developed product, a; "Commerce Park" or "Market Access Center" or a "Technology and Innovation Center"¹¹¹

Devens utilized aspects of all three of these themes in their marketing program (See Part 6.61, Section II). The fact that the Devens staff had access to a report that details various potential market positioning ideas provided them with a significant advantage.

¹⁰⁹ Interview with Ken Willette, July 25, 1997

¹¹⁰ PHH Fantus

¹¹¹ PHH Fantus

B) The 'Poaching' Issue

In order to try and ameliorate the concerns of local communities Devens has implemented the use of a 'Memorandum' that dictates how the marketing staff will handle inquiries from local companies. This 'Memorandum' was produced by the DEC and applies to 22 towns in the immediate vicinity of Devens. If unsolicited interest in Devens from local companies occurs the Devens staff is to;

- 1-Contact the Community Development Director from the town in which the company is currently located and try to meet their needs in that community.
- 2-If the need cannot be met in that specific Town then local Chamber of Commerce's will be contacted in order to locate the company within the region
- 3-If no adequate location can be found in the surrounding communities then the staff at Devens can determine if the former base can meet their parameters.
- 4-The intent of the Reuse Plan is to create new jobs and to retain existing companies and jobs within the State of Massachusetts.
- 5-A quarterly meeting between the Devens staff and local economic development officials will be arranged in order to facilitate coordination among the various groups.¹¹²

These type of agreements provide the marketing staff with the ability to follow firm guidelines while providing 'political' cover if local companies desire to relocate to Devens. If a local company was insistent on locating an existing operation from a surrounding community to Devens, the staff can use this memorandum as a basis to legitimately deny the request.

III) Marketing Promotions: Materials, Advertising, Public Relations, Media, Singe

A) Materials

The marketing report by PHH Fantus Consulting recommended a "single, flexible brochure defining the Devens product concept and key benefits, supplemented with pages covering specific benefits for each targeted industry segment."¹¹³ In addition, the individual marketing sheets are printed in foreign languages including German. These recommendations were followed by the staff at Devens. A number of brochures that had pockets for holding inserts

¹¹² Steve Joncas, Director of Devens, Draft Memorandum Re: Local Companies Inquiries and Joint Marketing Efforts, 1 Nov. 1996

¹¹³ Ibid.

were produced. Individual sheets representing marketing efforts towards different industries were supplied. The quality of life of the surrounding area was a prominent theme.¹¹⁴ Most importantly, the brochures aggressively and aesthetically outline the benefits of a firm locating at Devens. Oftentimes these type of brochures tend to talk about features and not the benefits that companies derive from the features. References to one stop permitting, operational cost savings, cost saving development, financial assistance and regional amenities are highlighted prominently. PHH Fantus's concerns with typical development materials include;

- 1-Lack of a differentiated message
- 2-poor integration of copy and graphics
- 3-Failure to identify benefits and address target markets
- 4-Too complex¹¹⁵

Devens' materials avoid all of these pitfalls. A video is currently in production for Devens.

B) Advertising

The marketing consultants' report indicated that advertising should be used only to create brand identity for the project and that this " 'brand building' advertising should be targeted at prospects with the greatest likelihood of purchase."¹¹⁶ Ken Willette, the Assistant Director of Real Estate Development and Property Management at Devens, stated that because of the early nature of the marketing effort and because of budgetary constraints no advertising has been utilized in the Devens marketing effort to date. Advertising may be incorporated in the future but it will be utilized in a targeted and limited amount.¹¹⁷ Devens has established a website at Devenscenter.com.

C) Public Relations/Media

The initiation of the public relations portion of this project has proceeded quickly since the transfer in April of 1996. The large amount of positive press generated by the Gillette

¹¹⁴ Interview with Kathy Sousa Stratton, Director of Real Estate Development and Property Management at Devens Commerce Center, June 26, 1997

¹¹⁵ PHH Fantus

¹¹⁶ Ibid.

¹¹⁷ Interview with Ken Willette, June 9, 1997

announcement has been a tremendous benefit to the marketing effort at Devens. Completed transactions will serve as the basis for future press releases carried by local newspapers and television stations.

D) Signage

The Devens Enterprise Commission proposed a number of sign regulations in 1996. The standards were meant to regulate how internal signs are utilized in the interior of the development. These standards are not oriented to reviewing the type and need for marketing signs. Devens is utilizing a billboard sign in the rail industrial zone to highlight available land parcels.

IV) Market Outreach

A) Target Marketing

The staff at Devens has not undertaken any direct marketing efforts. The marketing consultant feels that working with a number of components, direct mail can be an effective marketing tool. Some highlights of the report include:

- 1- Identify 300 to 500 companies and initiate a marketing campaign that provides:
 - a- Informational pieces about the benefits of the base
 - b- A newsletter on a periodic basis
 - c- Quarterly contact with the company
- 2- Follow up the contact with a targeted telephone call
 - a- Make it easy to contact Devens through an automated hot line and a toll free numb

A brokerage direct marketing campaign will be reviewed in Section VI.

B) Trade Shows

Devens has the ability to utilize Massport's attendance at foreign trade shows to either personally represent the base or to have Massport personnel provide the information. One of the key marketing strategies for Devens is attracting European companies. The Massport trade shows and the exclusive brokerage efforts of Grubb & Ellis, from their London office, are two key ways

in which the European market will be targeted. A domestic trade show marketing campaign is anticipated but is not finalized as of the date of this thesis.¹¹⁸

C) Direct Company Visits

During the transaction process members of the staff have visited prospective client offices and factories. There is not a systematic marketing effort by the staff to cold call prospective users. The limited amount of staff effectively precludes widespread use of this technique.

D) Networking

Mr. Willette indicates that a substantial amount of his first proactive marketing efforts were spent networking with local community, economic development and professional associations and groups. In addition, early in the reuse planning process a focus group met in the Boston offices of Meredith & Grew. This focus group was designed to expose Devens to the real estate executives of the likes of Fidelity and Toys R Us , among others. The Devens staff used the input of these executives to gain a better understanding of what were the elements most important to specific types of real estate development. This process helped the marketing staff focus on the elements highlighted by these executives. The primary findings were:

- Demolition of more of the buildings than originally planned would create areas desirable for large corporations
- Prioritize the presentation on the basics. Available utilities, easily developable sites, good access and 'one stop' permitting were key items, the presence of the golf course (while a nice amenity) was not.¹¹⁹

Summary

The Director of Real Estate feels that brokers will serve as the sales people and that the staff will act as account managers for individual transactions.¹²⁰ This organizational structure contrasts with Pease's approach to marketing outreach where the brokerage community is not as actively involved.

¹¹⁸ Interview with Kathy Sousa Stratton, June 26, 1997

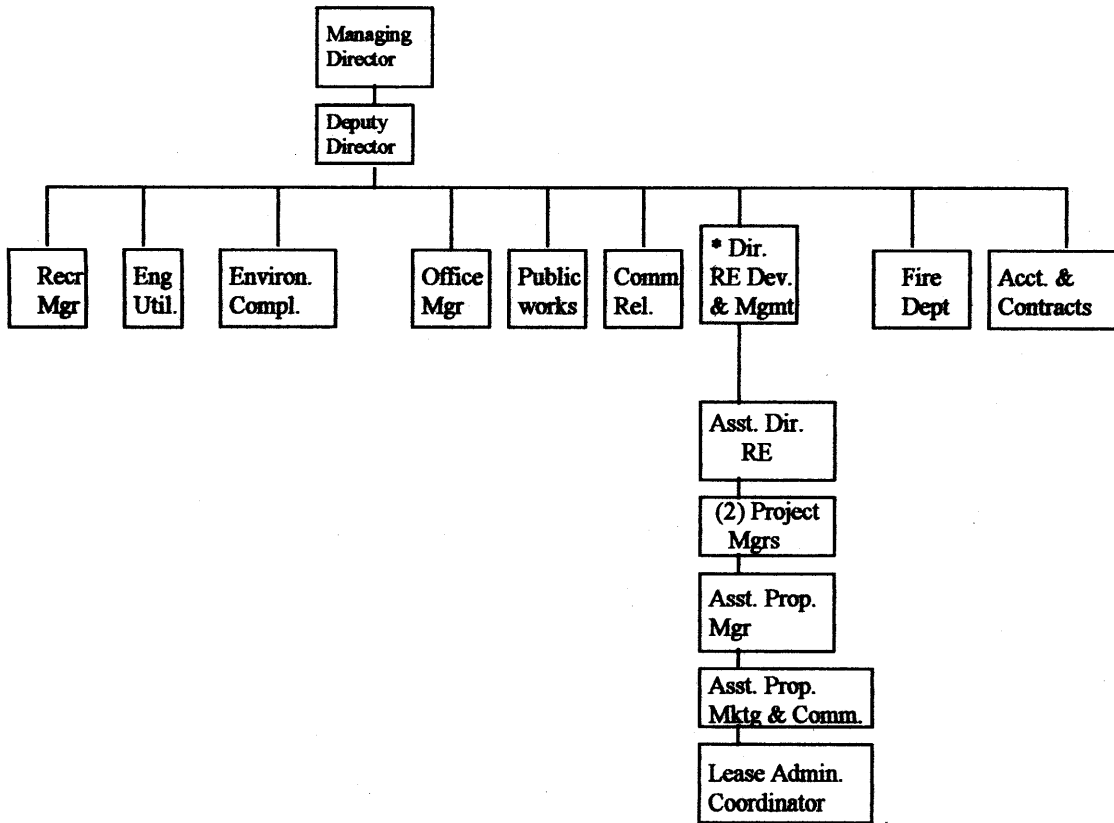
¹¹⁹ Interview with Ken Willette, July 25, 1997

¹²⁰ Interview with Kathy Sousa Stratton, June 26, 1997

V) Marketing Organization and Staff

In February of 1994 Ken Willette was hired to begin to put the systems and procedures in place for marketing Devens. From this lone hire a marketing staff has been constructed under the Director of Real Estate Development and Management as outlined below.

*A) The Entire Staff Organization Chart- simplified
With emphasis on Real Estate Development and Management staff*



B) Marketing Staff Compensation

The marketing personnel at Devens are compensated at levels below equivalent positions in the private sector. The Director of RE is paid approximately \$70,000/yr, the Assistant Director is paid \$63,000/yr and Project Managers receive \$40-55,000/yr. There is no performance bonus system currently in place.

This staff structure is designed to maximize the number of Real Estate Development personnel that coordinate and manage individual development projects. This allows for the

existing staff to handle ongoing and potential transactions; yet, it virtually precludes the staff from doing any proactive marketing on their own. This structure assumes that the brokerage community is the primary marketing outreach method.

C) How Devens Responds to Inquires

Initial inquiries are usually handled by Ken Willette or Kathy Stratton. Communication with brokers is generally handled by Mr. Willette.

D) Client Presentations

Mr. Willette handles many of the initial showings and presentations for companies seeking to construct buildings on the base. If the company is a large prospect then the Director of Real Estate and/or the Deputy Director of Devens will assist in the presentation.

E) Tenant Improvements

Because of the dilapidated state of many of the existing buildings, tenant improvements are negotiated early in the process. While Devens will consider improving the space, the preference is for the tenant to undertake the required improvements.

F) The Negotiating Process

Mr. Willette and Kathy Stratton conduct the initial negotiating sessions. If agreement in principle is reached with a tenant on the various issues then a Letter of Intent is generated. A lease and/or Purchase and Sales agreement is generated by Devens and is forwarded to the prospective client.

G) Permitting/Site Plan Approvals

The 'one stop' permitting process at Devens means that companies can get a simple site plan approved in as quick as 30 days. There is a 30 day appeal period after the approval is granted.¹²¹

¹²¹ Interview with Ken Willette, July 25, 1997

VI) Consultants

A) Economic

RKG Associate's various reports provide a strong base for review and analysis. Additional data base lists and marketing ideas may be required as time goes by. The PHH Fantus report, while not accepted by the DEC, provides a general guideline for formatting and implementing various marketing strategies.

B) Brokers

Input from the brokerage community was an early source of expertise in the Reuse Plan. Meredith & Grew assisted in the compilation of that plan. Devens intends for brokers to supply the majority of the marketing outreach efforts. The decision to market the base in different sections (Rail Industrial, Innovation & Technology, Environmental) means that individual marketing efforts can be conducted. The PHH report suggests that the DEC should "...contract with at least one national brokerage firm to sell tracts of land/available buildings; contracts with several national firms would be even better."¹²² This is exactly what the DEC intends to do. Because the Rail Industrial portion of the site was the easiest part of the base to begin marketing, a Request For Proposals (RFP) was put out to market this area. A number of firms responded and eventually Hank Amabile of Grubb & Ellis was selected to provide exclusive marketing services for this specific portion of the base. The staff at Devens wanted a firm that could provide an international marketing reach. There were two predominant reasons why Grubb & Ellis was chosen.¹²³

- 1- Grubb & Ellis had offices throughout the world while their competitors were only affiliated with international brokerage firms.
- 2- Grubb & Ellis exclusively utilizes an economic prospecting consultant by the name of Whittaker. This consultant has a method of updating and manipulating a database of national and international companies and

¹²² PHH Fantus

¹²³ Interview with Kathy Sousa Stratton, June 26, 1997

thereby generating a targeted prospect list to be used for direct marketing. A list of 750 prospects will be generated that can use the rail access. In batches of 250, these companies will be mailed information and then followed up with a telephone call. Grubb & Ellis will be responsible for undertaking all of these proactive marketing steps.¹²⁴

When the other areas of the base are ready for immediate marketing efforts, similar RFP's will be pursued. It is quite possible that a number of different brokerage firms may end up exclusively representing different areas of the base.¹²⁵ The Devens brokerage policy closely conforms to most private market commission structures. In general there is an Open Listing policy except in the cases where an Exclusive listing has been granted. Commissions for the sale of property are paid on the date of transfer. The land lease commission payments come in two installments, the first upon the full execution of the lease and the second upon the first anniversary of the lease execution. While this payment timing is longer than most private commission agreements, it is not so long a timeframe as to greatly inhibit a brokers motivations.¹²⁶ This policy remains the guiding document with Grubb & Ellis's exclusive listing being a prominent exception.

6.5 Major Transactions: Undertaken and Completed¹²⁷

A number of transactions were pursued and consummated from 1996 to the present. Some of the transactions over 10,000 s.f. include:

A) Campanelli/Gillette-1&2

Gillette 1

In 1996 a 410,000 s.f. Warehouse and Distribution facility was constructed by the Campanelli Company, a large regional developer, for a subsidiary of Gillette to lease. A large tract

¹²⁴ Interview with Hank Amabile, Grubb & Ellis, June 17, 1997

¹²⁵ Interview with Ken Willette, June 9, 1997

¹²⁶ Devens Commerce Center Brokerage Policy Transition Period, 7/7/94 to 3/30/96.

¹²⁷ Economic Activity at Devens, December 3, 1996

of industrial land with rail access (even though Gillette doesn't use rail), 'one stop', fast track permitting and the fact the land could be purchased on a fee simple basis (instead of leased land) were three prominent factors in this deal being consummated at Devens.¹²⁸ The timing of the base transfer was a critical issue with this transaction. Gillette's required occupancy date of 2/97 meant that construction had to commence by 5/96 and therefore delays in the base transfer past April of 1996 would have had a serious effect on the ability of this deal to come to fruition at Devens.¹²⁹

Gillette 2

In late 1996 Gillette decided to locate a 250,000 s.f. manufacturing plant at Devens. Once again, the Campanelli Companies will develop and own the plant while a subsidiary of Gillette will lease it. Gillette 1 & 2 will employ approximately 300 people.

Two major financial concessions were granted to Campanelli/Gillette. First, the land was sold for \$20,000/acre and secondly, the Municipal Fee (analogous to real estate taxes) for the first building were fixed at .31 s.f for the first five years, and .39 s.f. for the second building's first five years. These fee's will increase to .62 s.f. at the start of year 6. In addition, the land at Devens offered a high usability factor (50-60%) because the sewerage and water detention systems were located off site.¹³⁰

The process by which Gillette became introduced to Devens is informative. A developer with a unnamed client came to look at Devens in 1995. This developer could not get his client to seriously consider Devens. Six months went by and during that period Ken Willette made presentations to a number of large brokerage firms including Grubb & Ellis. One of the brokers (Hank Amabile) came out to Devens to view the base and this visit caused him to contact Campanelli. Campanelli viewed the site and ultimately a deal was consummated. Hank Amabile was the broker of record for both of the Gillette transactions.

¹²⁸ Interview with Dan DeMarco, Pres., Campanelli Companies, June 13, 1997

¹²⁹ Ibid.

¹³⁰ Ibid.

The signing of a major company like Gillette at the outset of the marketing campaign is a tremendous benefit for Devens. Gillette's decision to locate at Devens is like a corporate stamp of approval and this 'anchors' the development. The creation of these new jobs (through a contract manufacturer), the public relations bonanza from this announcement and construction activity on the site are all excellent forms of marketing.

B) Parker -Hannifin

This firm manufactures parts for the aerospace industry and is in the process of completing construction on a 55,000 s.f. production facility at Devens. They are scheduled to employ 180 people at this location. Eleven acres of land was sold for \$10,000/acre. A broker involved with the Reuse Plan was paid a 10% fee to arrange this transaction. This party was the first company to receive a proposal from the Devens staff.

C) Comcographics

This owner/occupant is in the process of building a 25,000 s.f. sales, administrative, warehousing and distribution facility. This firm is in the plastics manufacturing industry and is projected to employ 50 people. The Deputy Base Commander at Devens was a friend of the General Manager of this firm and that is how this firm was introduced to Devens.

D) Image Software

An existing 14,199 s.f. building was sold to this firm on an 'as is' basis for \$170,000. The buyer invested an additional \$400,000 to improve the building. A local broker introduced this company to Devens. Image Software is in the software duplication business and is expected to eventually employ 100 people.

E) Netstal Machinery

This Swiss based firm is involved in the manufacture of high end injection molding equipment. This location will serve as a training facility for the company and is expected to employ 60 people. This firm purchased a 5,000 s.f. existing building and is expanding it to a total

size of 25,000 s.f. A local broker introduced the property to the President of the Company and one year later the President returned without the broker and a transaction was completed.

F) CeCorr Inc.

This recently completed facility is 140,000 s.f. and was built to house a firm that manufactures corrugated packaging products. They are expected to employ 100 people. Ken Willette had made a presentation to a Worcester brokerage firm and one of their brokers contacted the staff at Devens. A large site with rail access was required for this company. CeCorr uses the rail to carry 90% of their raw materials to the plant.

G) Ellora Software

This software development firm leased 12,700 s.f. in an existing building. This company is a direct spin off from a Digital project. The engineers involved in producing software for the medical industry decided to start their own business after Digital decided to drop this line of business. The engineers contacted Devens directly, having heard about the project through the media. This firm is expected to employ 37 people.

H) Boston & Maine Railroad

B&M subleased this building in 1993 under an interim lease. B&M recently signed a five year lease and is in the process of renovating its' 107,208 s.f. for use as warehouse and distribution space. B&M's establishment of this inter-modal transportation facility in 1993, under the provisions of an interim lease, was the first successful economic development transaction at Devens. This lead was the result of B&M owning the existing rail line and needing an inter-modal facility. This warehouse operation employs 10 people.

I) Federal Activity on the Base

The primary Federal activity that involves a significant amount of new construction is the Federal Medical Facility, a 400,000 s.f., 350 bed, prison hospital. This hospital is currently under construction. This transaction came about as a result of the Federal base closing process.

J) Small Tenants

A total of 42,023 s.f. of smaller multi-tenant spaces and single tenant buildings have been leased.

K) Company X

The staff is currently in negotiations with a Hi Tech manufacturing firm that is seeking to build a 4 building, manufacturing and R&D complex. The first building will be approximately 138,000 s.f. and the entire complex, if fully built out, is planned to exceed 500,000 s.f. This lead was a result of a chance meeting at an Army OEA conference between the an executive of the firm and Steve Joncas, the Executive Director of the DEC. This firm is represented by a broker. A signed purchase and sales agreement is expected by the end of August, 1997. This firm is expected to employ hundreds of people upon the full build out of the project.

L) Company Y

A manufacturing company is expected to sign a purchase and sales agreement by the end of August 1997 to construct a 20,000 s.f. building. This company came to Devens directly, after having read newspaper articles in the local media. They will employ 40-50 people at Devens.

Jobs Created

The Federal facilities are projected to employ in excess of 400 full-time jobs. The larger private tenants outlined above (excluding Companies X and Y) are expected to employ approximately 907 people.

6.6 Conclusions- The Devens Marketing Effort Within the Context of the Outline

6.61 A Summary

The marketing efforts at the Devens Commerce Center have benefited from a number of significant factors:

A) Economic Development Conveyance

The purchase of the base allows land to be sold on a fee simple basis. This was an important element in being able to capture Gillette, an important lead tenant.

B) The Land Bank/Personnel

By having the resources and experienced personnel from the Land Bank available early in the redevelopment process, the decisions concerning the planning of the base's reuse were grounded in market reality. The experience gained by the staff at the Land Bank through their long record of successful projects was instrumental in putting a successful redevelopment plan in place. Hiring Ken Willette 26 months prior to the Economic Development conveyance allowed for marketing input during the planning phase.

C) The Economy

The three year period from 1994 to 1997 has seen an economic renaissance in the region and Massachusetts in particular. There is no single larger element assisting the marketing effort than a strong and growing economy.

I) Market Research

The research by RKG Associates, among others, provided a solid context from which Devens could be analyzed. RKG's report provided an excellent overview of the market in general and how Deven's assets fit into the region. Because the analysis was completed in the 1994/95 timeframe the results were very conservative. Current absorption rates and real estate values differ markedly; yet, real estate development is a cyclical business. The conclusions reached in these reports are sound and still provide the basis for many of the marketing decisions being made in 1997.

II) Market Positioning

The Massachusetts Government Land Bank's ability to have experienced real estate development professionals be involved early in the closure process means that reuse planning decisions are viewed in the context of how they can affect the marketing of the base. While the PHH Fantus report was not adopted by the Devens Enterprise Commission, primarily because of questions arising from some of the data, the methodology and conclusions reached by this consultant correspond exactly to the ULI observations. A report similar to this one should be an early and vital part of any bases marketing efforts. Sound ideas and advice prior to the start of a marketing campaign can be of tremendous benefit in ensuring that the marketing effort enjoys long term success.

III) Marketing Promotions

A) Marketing Materials

Devens marketing materials closely correspond to the ULI Handbook. Keep brochures and sheets simple while focusing on the benefits to companies by their decision to locate at Devens. The production of a video, which is currently being produced for Devens, probably is not a good use of resources.

B) Advertising

Devens has not implemented an advertising campaign, primarily because of a lack of funds yet, the staffs statements that advertising will not be a major component of the marketing effort, once again, this conforms closely to ULI observations. A targeted advertising effort in conjunction with other marketing methods would be one of the few good uses of advertising.

C) Public Relations/Media

Devens has benefited from a large amount of positive press. No significant changes in this area are recommended.

D) Signage

Devens should take advantage of the tremendous amount of exposure along Route 2 by installing a tastefully landscaped sign that says 'The Devens Commerce Center'. An aesthetic sign presentation will reconfirm the park like setting of Devens and the high quality development that is occurring there. Currently, the signs directing people to the Deven's marketing offices are confusing. A review and alteration of these directional signs should be completed immediately.

IV) Market Outreach

A) Target Marketing

The Grubb & Ellis target marketing efforts are the only systematic outreach efforts being undertaken. The retention of additional consultants and/or brokerage firms will be necessary to bring the amount of target marketing to a level that will be required to successfully complete this redevelopment project.

B) Trade shows

The ability to attend trade shows in person or through the auspices of Massport is a tremendous asset to the Devens marketing campaign. Targeted domestic trade shows on the order of 3-5/yr could be a valuable source of marketing leads.

C) Networking

The staff at Devens needs to redouble their efforts at networking with professional trade groups. A number of Boston brokers that I spoke with have never received anything from Devens. Frequent presentations at NAIOP, NACORE and Chamber of Commerce events are needed in order to keep Devens in the minds of relevant professionals. The staff should give a presentation to a group at least on a monthly basis.

Summary

The structure of the staff at Devens places an emphasis on project management duties and not marketing outreach. While this approach has many strengths, it may have the long term effect

of reducing the staffs' emphasis and acknowledgment of the importance of marketing outreach. It is important to place an equal emphasis on not only the completion of deals in the pipeline but on the generation of new clients and leads.

V) Marketing Organization and Staff

A) The Structure

The organizational structure is similar to the ULI structure as outlined in Chapter 3.

B) The Staff

The Real Estate development staff should receive some type of bonus in order to provide them with additional incentive. A bonus based on the revenues from the lease/sale of land/buildings or a bonus tied to the amount of permanent jobs created would be appropriate measures. While the staff is dedicated, over the long term it is important to provide sufficient incentives to be able to continue to attract and retain highly skilled and capable people.

C) The Negotiating/Client Presentation Process

A consistent approach as to how clients are introduced and presented the Devens Commerce Center must be delineated. While Mr. Willette professionally handles a majority of the presentations, personnel turnover does occur. Some sort of short outline and/or guidelines for the marketing staff concerning these presentations may provide a basis for some level of institutional memory. The ability to review and improve on any part of the marketing effort may provide long term benefits to the marketing campaign.

D) One Stop Permitting

One of the crowning achievements of the Devens reuse planning process was the creation and implementation of 'one stop' Permitting. The ability for prospective clients to benefit from an integrated and shortened planning and approval process provides a tremendous marketing advantage to Devens. This structure should be emulated in future base reuse planning efforts.

VI) Consultants

A) Economic

See Sections I and II of the conclusions.

B) Brokers

Devens decision to utilize the brokerage community as the primary source for the target marketing comes from a realization that limited staff size and resources dictate the need for private sector support. Exclusive brokerage agreements are a viable way to increase the market outreach portion of the marketing efforts. Exclusive agreements, in contrast to open listing agreements, reassure brokers that if they put significant effort into a successful project, they will be compensated. Brokers will not proactively and aggressively search out prospects for a project if they are operating only under an open listing.

It is important for the staff to continue to be the driving force behind disseminating information to the entire brokerage community. The staff should not rely on the exclusive brokerage firm(s) to inform the entire brokerage world of the various opportunities available at Devens. Informational breakfasts, broker open houses and receptions sponsored by Devens are still necessary to keep the available development opportunities at Devens in the forefront of their minds. If the market slows then it might be appropriate to consider offering cooperating brokers a full commission.

Because of the discounted land prices involved in the first couple of land transactions, the brokers received a drastically reduced commission. Devens' decision to use this type of financial concession should not grievously impact the broker in such a way as to take away the broker's incentive. Providing a minimum commission of .40/s.f. for the first 100,000 s.f. developed and .20/s.f. for every square foot above 100,000 s.f. would allow Devens the ability to continue to use price reductions as needed while ensuring adequate incentive for brokers.

6.62 A Final Word on the Marketing Efforts at Devens

The reuse planning process at Devens, from announcement to initial acquisition, took in excess of four years. The need for local and regional consensus, a well thought out Reuse Plan, and the expertise and resources to implement the redevelopment plan, require sufficient time to put this all together. A well thought out planning process, even if it takes a year or two longer than expected, may save time over the long run. In contrast to Devens, the Pease closure process proceeded too quickly and community consensus was never achieved before the base began its' marketing efforts. The lack of consensus at Pease resulted in lawsuits, bad press and an early reputation as a 'troubled' project. These types of redevelopment projects are inherently long term and while the public may be clamoring for action, this may very well be the time when thoughtful and careful planning is needed the most. Like all learning institutions the real estate staff at the Devens Commerce Center has room to improve; yet, they are off to a solid start.

Chapter 7 - The Naval Annex and Army Base In South Boston

7.1 An Overview

Following is a brief overview of the Naval Annex and Army Base in South Boston. Because the closing timeframes, closure processes and physical structures of these complexes are so disparate from Pease and Devens, the emphasis of this chapter will be in determining a number of lessons learned from this long time, successful redevelopment effort. In the late 1970's the Naval Annex and Army Base in South Boston was closed and the Economic Development and Industrial Corporation (EDIC) assumed ownership of it. Located on the South Boston waterfront, the Naval Annex consisted of 200 acres of land , two dry-docks and some buildings. The former Army Base was dominated by an 8 story, 1.6 million square foot warehouse building. The entire base needed significant upgrading as all of its' major systems were insufficient for modern commercial applications. Through the efforts of the EDIC a redevelopment process was commenced.

7.2 Utilizing the ULI/Swartz-Lloyd Outline

I) Market Research

In order to identify a marketing direction, an academic advisory board was set up to conduct research on the marketplace. Structural changes in the economy and growth industries were a focus of this research. An in-house industrial research department was established to research and identify industrial companies in Boston. This information was compiled into a database for the marketing effort. The research revealed that the garment and printing industries were being pushed out of the central business district by the rapidly expanding service industry.

II) Market Positioning

The need to 'position' the redevelopment project, now called the Marine Industrial Park (MIP), was evident very early on in the process. To engender political support, a campaign to position the redevelopment effort as a way to keep blue collar jobs in the City of Boston was undertaken. 'Saving neighborhoods' was one of the marketing mantras for the EDIC's efforts at

the MIP. This positioning campaign helped the EDIC gain important political momentum with applying for and receiving redevelopment grants.

III) Marketing Promotions: Materials, Advertising, Public Relations, Signage

A) Materials

Simple marketing brochures and sheets were developed for the marketing campaign.

B) Advertising

Advertising was not utilized by the marketing staff. The primary method in keeping the various constituencies informed was through a newsletter. This newsletter went out to bankers, politicians, the press and prospective tenants. A video and a slideshow were also used. Because of the dilapidated nature of the existing structures, these visual tools emphasized how the project would look upon completion.

C) Public Relations

The public and political nature of this redevelopment process required a proactive and positive public relations effort. Informing the press and politicians of milestones reached in the redevelopment project enabled a continuous stream of positive stories to emanate from the project.

D) Signage

A coordinated effort to provide some level of consistency to the various directional signs was implemented. Because of the tremendous size and disparate nature of the various structures, it is difficult for the sign program to have a significant aesthetic impact.

IV) Market Outreach

A) Target Marketing

Aside from the exclusive broker's efforts and the newsletter, the staff did not implement a target marketing campaign.

B) Trade shows

This approach was not extensively used.

C) Direct Company Visits

The exclusive broker for the entire base, Tom Walsh of the Codman Company, was responsible for initiating company visits and showings.

D) Networking

Networking was the responsibility of the staff, in conjunction with the exclusive broker. Local community groups, industry associations and financial institutions were provided presentations on the developments at the MIP.

V) Marketing Organization and Staff

A) The EDIC

The EDIC is a quasi-public economic development agency established in the 1970's. The Mayor of Boston and the City Council appoint a Director and the Board. The Board has primarily been comprised of private sector business people. The EDIC is authorized to buy and sell land and make loans. The EDIC handles a number of projects in addition to the MIP. The Boston Redevelopment Authority (BRA) and the EDIC merged and now jointly oversee the operations of the MIP.

B) The Staff

The organizational structure of the staff closely conforms to the ULI's observations. The staff initially was comprised of a large number of people with planning degrees but this has slowly evolved so that now most of the personnel have a business background. Political patronage has played a role in some hiring decisions.

C) The Deals

Long term leases for existing buildings were signed with companies, most of which were single tenant occupants. The 1.6 million square foot structure was master leased to three different developers on an 'as is' basis for 75 year terms. The individual developers are responsible for their own marketing efforts. These master leases are structured with a flat base rent and percentage rents for leases that exceed certain levels. Some of the percentage rents are based on the net rent that a subtenant pays, while others are based on a gross rent. Land is leased on a long-term basis for new construction projects.

VI) Consultants

A) Economic Consultants

Private sector business people and in-house staff served as a significant component of the economic consulting function. The market expertise of the Board and other volunteers meant that the redevelopment efforts were grounded in market reality.

B) Brokers

Tom Walsh, a principal in the Codman Company, was hired early in the redevelopment process to be the exclusive broker at the MIP. Mr. Walsh served as a buffer between the tenants and the EDIC and was responsible for the proactive marketing efforts. Mr. Walsh was responsible for virtually all of the tenants that located to the MIP.¹³¹

7.3 The Marine Industrial Park Today

A) The Status

A total of three million square feet of space has been renovated or constructed since the redevelopment effort began. The MIP is 97% occupied with the 80,000 s.f. (approx.) that is vacant primarily located in one building. The property is no longer listed with an exclusive broker. Most of the remaining real estate opportunities at the MIP requires the construction of new buildings. The high cost of construction near the waterfront (deep piers are required) means

¹³¹ Interview with Marilyn Swartz-Lloyd, Director of the EDIC 1984-1990, July 2, 1997

that large discounts in the land lease rates are needed to spur development. Commissions structured as a percentage of these greatly reduced land lease rates don't provide an adequate incentive for the brokerage community. The remaining parcels available for development are viewed as 'Economic Development' deals and not real estate transactions. The land lease rates are determined by taking market rate lease prices for buildings, calculating construction and financing costs,

and then 'backing' these costs out to arrive at a lease rate for the land.

B) A Development Direction?

The EDIC attempted to build a 40,000 s.f. multi-tenant building with 50% (approx.) of the building preleased. A number of issues arose during this process:

- 1- The public nature of the EDIC means;
 - a- Less flexibility with building design changes as the planning and approval process evolves
 - b- The requirement to publicly bid the construction contracts didn't allow for subsequent changes to be inexpensively incorporated. By not preselecting a contractor at a fixed price the construction costs were only estimates.
- 2- Financing
 - a- The high construction costs dictated multiple financing sources like grants, low interest loans, etc. The various sources of funds means that timeframes are extended and this makes retention of the original tenants difficult.

All of these factors combined to effectively 'kill' this planned development project.¹³²

¹³² Interview with Robert H. Baldwin, Deputy Director, Industrial Development, EDIC, July 10, 1997

Chapter 8 - Conclusion

8.10 A Comparison of Private Sector Marketing to the Devens and Pease Marketing Efforts Utilizing the Swartz-Lloyd Outline

I) Market Research

The ULI outlines a number of proactive steps that developers should undertake to better understand the marketplace in which the proposed development will be constructed. A careful analysis of the socio-economic characteristics of the area, and studies examining the projected demand are viewed as necessary elements. In practice only larger more sophisticated private developers conduct these type of studies. Most local developers rely more on instinct and preleasing, than on a thorough market analysis, to determine if a project should be developed. In the area of market research the public agency efforts have shown themselves to be at least the equal of, and in many cases superior to, the private sector. Devens and Pease, as part of the reuse planning process, retained consultants to complete extensive market research studies. These studies provided the underlying rationale from which the marketing strategy and implementation plans emerged.

Even though the regional real estate markets have changed dramatically since these research reports were initially completed, much of the analysis and conclusions that were reached continue to provide value to the staffs at these bases. It is interesting to note that both bases hired RKG Associates to complete a large portion of this research. RKG's market research for the Devens Reuse Plan is more applicable to the marketing effort than similar reports were for Pease. Clearly, here is a situation where Devens directly benefited from the experience gained by RKG Associate's exposure to the earlier closure at Pease.

II) Market Positioning

The need to survey the surrounding markets, in order to determine the project's marketability relative to the competition, is conducted by virtually every private developer. The depth of analysis in the private sector can range from local developers conducting an informal inventory of competing and planned projects, to sophisticated developers retaining a consultant to conduct the research. While private developers review the positioning of their proposed

developments carefully, the primary goal of the developments is to make money. By prioritizing the financial aspects of a project, above all other concerns, private developers look at development projects in a different context than public agencies.

The public agencies at Pease and Devens work very differently than the private sector when it comes to market positioning. The primary goals of these organizations revolve more around job creation and regional economic growth than making money. This is not to say that monetary considerations are not an important concern for the public agencies; yet, ultimately, making money is a secondary goal for these agencies. Two examples of this at Devens are the significant discount on land prices that Gillette and Parker-Hannifin received. Pease has also balanced their potential monetary return on specific projects with the amount of jobs that these firms will create for the region. The State Department Consular Center transaction at Pease resulted in the creation of 400 jobs at the base; yet, no substantive revenues for the PDA.

The establishment of a development direction during the reuse planning process plays a larger role with public agencies than with private developers. Pease was approached by a retail real estate developer in the early 1990's who wanted to site a regional mall at the base. This developer presented a lucrative offer but was turned down by the PDA. This type of use did not correspond to the PDA's original development reuse plan. The type of jobs created by retail development and the potential competition it would create for other area shopping centers were the primary reasons for not pursuing this transaction.¹³³ A private developer would not have been as constrained by these issues and would probably have taken the offer.

The 'poaching' issue is a very important topic that public agencies must address. State financial support and the public oversight that bases like Devens and Pease operate under, makes them susceptible to criticism if existing firms within the region move to these bases. This contrasts sharply with the private sector. Keeping a firm from locating at a private development, because that company is already from the area, is not a factor for a private developer.

Pease and Devens are trying to use the physical attributes of their respective sites to assist in their marketing efforts. An emphasis on the 'park like' qualities of the two bases is a common element in their marketing campaigns. The effort by the respective marketing staffs to distinguish these developments as high quality corporate parks closely mirrors the ideas expressed in the ULI

¹³³ Interview with George Jones, June 23, 1997

Handbook. Differentiating a development from its' competitors is a good practice for private and public developments.

III) Marketing Promotions: Materials, Advertising, Public Relations, Media, Signage

A) Marketing Materials

Through years of experience the private sector has learned that simple, easy to read marketing materials are the most appropriate method of conveying a development project's attributes. Pocket brochures with single page inserts offer target marketing flexibility that can be easily adapted over the course of the redevelopment process. The first marketing materials generated at Pease conflict with this straight forward method. A glossy brochure that emphasized features instead of benefits quickly became dated. With the hiring of experienced marketing staff at Pease the use of single page flyers and marketing sheets has increased tremendously. Deven's marketing materials are primarily pocket brochures with single sheet inserts that emphasize how specific features at the base will benefit companies locating there. Deven's marketing materials conform to the ULI Handbook.

Video's

The private sector does not place much credence with the use of videos as a marketing venue. Pease produced a video early in its' redevelopment effort and while that video was professionally produced, it is already dated. The current Economic Development Director at Pease uses the existing supply of videos on a limited basis but, in general, he is not an advocate of spending marketing monies to produce a video. Devens is currently producing a video for use in their marketing effort. I believe that a public agency's decision to produce a video represents more of a 'knee jerk' reaction than one of careful analysis. It seems as if a video is one of those things that you check off on a list in order to say that you've covered that angle.

B) Advertising

The ULI Handbook states that advertising should only be used, if at all, in a limited and targeted manner. When Pease first began its' marketing campaign, a heavy reliance on advertising was a cornerstone of their consultant's marketing plan. A review of the poor results from these expenditures led the current Economic Development Director at Pease to drastically reduce the

amount of monies spent on advertising. A limited amount of target advertising is still used at Pease. Devens has not spent any significant monies on advertising.

Pease and Devens maintain web sites on the internet. The ULI Handbook used in this comparison dates from 1988 and therefore a direct comparison cannot be made.

C) Public Relations and Media

The ULI Handbook does not address the use of public relations or the media for private sector real estate development. A review of the Pease and Devens reuse planning and marketing processes show that the proper use of public relations is a critical element in the positioning and promotion of military base redevelopment efforts. The public nature of redevelopment agencies and their potential impact on a region's economy ensures that the media will closely cover base closings.

Pease never achieved consensus within the community by the time their marketing campaign commenced. This lack of consensus resulted in opposing factions providing inside and conflicting information to the media. These issues, in combination with the lawsuits, created an early public relation disaster for the PDA. A continual stream of bad publicity gave the base a reputation as a 'troubled' development. This reputation negatively impacted the base's initial marketing efforts. Now that Pease is signing up tenants and completing transactions the publicity has turned around 180 degrees. Pease is now viewed as a booming development with a bright future.

Devens enjoyed early public relations success with Gillette's announcement of their decision to locate a facility at the base. A string of successful transactions has continued to provide Devens with outstanding media coverage. The need for a base to receive positive early media coverage cannot be overstated.

D) Signage

This is one area where there are significant differences between private and public sector approaches to this issue. The ULI Handbook states that highway signs can be an important marketing tool. The first thing a private developer does (often times before they even own the

site) is erect a sign on the property describing the forthcoming development. Billboard signs are an excellent way for developers to inexpensively and effectively market developments.

Conversely, Pease and Devens both enjoy excellent highway visibility; yet, neither public agency has seen fit to erect a sign that can be seen from the highway. The exclusive broker for a portion of the base at Devens recently installed a billboard sign within the park. This sign has a rendering of the industrial lots available and the broker's telephone number.

IV) Market Outreach

A) 'Target' Direct Marketing

Private sector development professionals utilize direct marketing efforts in a targeted and systematic manner. Typically, the exclusive broker for the project or an in house marketing person would arrange for a targeted mailer. This piece would be immediately followed up on with a telephone call. The time intensive nature of this effort precludes a massive mailer but one oriented to specific potential clients.

Pease has used the direct marketing approach in the past without any notable success. A specially designed mailer went out to 6100 prospects. A portion of the recipients of this mailer received follow up telephone calls. Devens will be target marketing rail industry users over the next six months. A consultant for the exclusive broker of the rail industrial area has generated a list of potential users, and in batches of 250, these firms will be mailed materials and a follow up telephone call will be placed.

While the direct marketing process does not offer any guarantee of success it is an important method of reaching out to potential customers. These marketing efforts by Pease and Devens correspond closely to private sector methods.

B) Trade Shows

Pease and Devens rely on trade shows much more heavily than the private sector. The ULI Handbook does not specifically address the use of trade shows for marketing of real estate developments. Most private sector developers don't use this technique but instead rely on more traditional outreach strategies that focus on the immediate region. Pease and Devens have utilized this method for a variety of reasons. The need to place significant emphasis on attracting

companies from outside the base's respective markets means that trade shows can provide exposure to companies not already in the area. In addition, state agencies like Massport and DRED already attend these shows and thus provide an easily accessed venue for displaying literature and materials about the bases.

C) Direct Company Visits

Both the private sector and the public sector recognize the need to meet directly with company officials. A broker may make the initial contact but the economic development officials or private company marketing personnel will meet personally with the prospects. In this regard there is virtually no difference between the public and private marketing.

D) Networking

One of the single most important marketing outreach methods is networking. Because of the high public profile of base redevelopments, the staff at these bases have a unique opportunity to network with a wide variety of trade groups and civic organizations. People in the region want to know what is going on at these bases and this provides the staff with the opportunity to give presentations to these groups. The ability for the public agencies to control how the public perceives the redevelopment project's marketing effort is a powerful tool. Speaking with various real estate trade groups and brokerage companies will result in increased activity at the base.

Networking is an important element with private real estate developers, especially within the brokerage community. Yet, private developers do not have as many opportunities to make presentations to civic groups, etc. The basic concept of networking is consistent within the public and private sectors but clearly the public sector has an opportunity to capitalize on their development's notoriety by reaching out into the market and networking on a larger scale.

V) Marketing Organization and Staff

A) Organizational Structure

All of the public and private organizational structures shown in this thesis are similar in form. A flattened hierarchy that is divided into individual departments like; marketing, engineering, finance and legal, comprise this consistent format. The main difference between

public and private organizations lies within the decision making process. The private organizational chart starts with the project owner. With input from experts, the owner solely makes the decision. There is no need for a regularly scheduled Board meeting and a public vote.

Public agencies rely on a majority vote from a regularly scheduled meeting of the Board of Directors. In the fast paced world of real estate, it is critical for public agencies to streamline their decision making processes in order to make them competitive with the private marketplace. A streamlined approval process can go along way to offsetting any trepidation a private company may have about dealing with a public agency. The differences between the public and private sectors organizational charts don't appear significant but the operational differences between these two structures can have an effect on the marketing effort.

B) Staff Compensation

Private sector marketing employees are generally compensated more than public sector marketing staffs. In addition, a significant portion of the compensation received by private sector marketing personnel is directly dependent upon how successful the project is. Public agencies have not historically provided large performance bonuses to their marketing people and instead rely on established salaries for 95%+ of their compensation.

C) Permitting Approvals

There can be sharp differences between how the private sector receive permits for their projects and the various ways that public agencies go about it. Private developers must conform with local, state and federal rules and regulations. This process can be extremely long and burdensome depending upon the particular project seeking approval and the issues attendant with it.

Pease and Devens, while both public agencies, have very different permitting processes. Pease's permitting process most closely resembles the private sector. An individual project must conform to the regulations in the specific town in which it will be located. The engineering staff at Pease coordinates the process and ensures that the applicant conforms with that town's particular requirements. Devens was able to usurp the power from the local town boards that control the permitting process in which the development is located. This enables Devens to offer

'one stop' permitting and this allows site plans to be approved in 30-45 days. This type of expedited permitting has been a powerful sales tool for Devens. Future bases closing should examine how Devens incorporated this important element into their reuse planning process.

VI) Consultants: Brokers and Economic Consultants

A) Economic Consultants

As detailed in Section I of this Chapter, there are substantive differences between the private and public sectors in their use of consultants. Smaller private developers tend not to utilize marketing consultants while larger developers often retain professionals for market research. Devens and Pease retained the same consultant (RKG Associates) to prepare extensive market analyses.

B) Brokers

Private sector developers rely very heavily on brokers to bring prospects to their projects. Exclusive and open brokerage agreements are utilized depending upon the project and the status of the market. It is important for developers to network with brokerage community and keep them informed of any changes effecting the development.

Pease and Devens approach the use of brokers in very different ways. Devens' utilization of brokers closely corresponds to the private sector's approach. The marketing staff effectively functions as project managers, overseeing specific projects and networking with various groups. An exclusive Brokerage agreement provides the majority of the proactive marketing outreach at Devens. Limited personnel precludes the marketing staff from successfully overseeing development projects and performing substantive market outreach.

Pease relies on their in-house staff to oversee development projects and perform market outreach. Aside from networking and trade shows, the marketing staff at Pease does not have the time or resources to perform a significant amount of market outreach. Pease uses an open listing brokerage policy with the entire brokerage community. While open listing are often used in the private sector, in-house staffs are also needed to proactively attract tenants.

8.2 A Review

The ULI/Swartz-Lloyd outline provided a strong basis for analyzing the various components of the marketing process. The elements that have proved most successful for these redevelopment marketing campaigns conform with ULI observations. This should not be surprising. The private sector is a tremendous reservoir for experience and talent, in regards to real estate development, and these strengths are reflected in the ULI Handbook. This experience does not need to be relearned every time a public agency begins a military base redevelopment effort. Private sector talent, expertise and input should provide the basis for the planning and implementation of the marketing efforts for redeveloping military bases.

8.3 The Bases are Different

Marketing strategies that work for one base may not be appropriate for other installations. If every redeveloping military base with an airfield implements the same marketing strategy there would be a significant amount of marketing campaign failures. Professional research and a candid review of the relative strengths and weaknesses of a particular base is essential. The tendency for people or agencies to delude themselves as to the competitive advantages of a specific base can provide the basis for unrealized expectations. When you are selling a product it is at least as important to know the weaknesses of the product as the strengths. Every base is not going to be the engine of economic growth for every area. It might be enough for a base to be a piece of the economic puzzle and not the entire puzzle.

8.4 Time to Plan

Even with the strong start that Devens has experienced Ken Willette mentioned to me that he almost wished he had another year of planning time prior to marketing the property. The need to; conduct research, strategize a marketing direction, create systems, establish procedures, hire qualified staff and implement a systematic marketing campaign, require a significant amount of time. Many of these bases will take decades to fully develop. Even if the original planning process takes four years instead of three (as an example), if that extra year is spent completing a more effective marketing strategy then I believe that this extra year could save significant time over the entire redevelopment timeframe.

8.5 A Look Back at an Older Military Base Reuse Project - Lessons Learned at the MIP

A) Retain Development Flexibility

The establishment of strict zoning guidelines at the onset of this project helped the 'blue collar' sales pitch. These same guidelines are now acting as a constraint for increased utilization of some parts of the development. The market changes over time and development processes and criteria need to be able to change with them. Avoid implementing zoning or subdivision rules that are overly stringent. Maintaining flexibility is a key ingredient in being able to capitalize on real estate opportunities.

B) Marketing

Keep the marketing 'pitch' and materials straightforward and simple. Utilize exclusive brokers to provide a majority of the initial market outreach. The contacts that brokers spend all of their time and effort cultivating, cannot be quickly or effectively duplicated by marketing staffs. In addition, marketing gets easier over time as a project develops. Significant projects completed early in the redevelopment process, followed by more transactions, provide for a momentum to the marketing campaign that is invaluable. Eventually exclusive brokerage agreements will not be needed once the project becomes fully developed.

C) Public Relations

Positive public relation efforts are a critical element in helping to establish the initial perceptions of a redevelopment project. A proactive and aggressive media campaign that controls and shapes the public's view of the project can have beneficial results.

D) Lease Rates

The need to establish initial base rents at low values should not mean that developers or third parties receive all of the appreciation in values. The use of percentage rents based upon gross rents (not net rents) provides for an easy way for the public agency to monitor and account for the appreciation in values. Indexing the rents may be another way to protect the public agency from allowing the private sector to receive all of the rental appreciation.

E) Public Agencies - Development & Management

Public Agencies are ill-suited to developing individual buildings. In addition, once the redevelopment process is complete the private sector should manage and run the project. The private sector is more efficient at developing individual buildings and managing the completed project than the public sector.

F) Exit Strategy

Provide for an exit strategy at the commencement of the project. While the timeframes initially appear to preclude having to plan for it, time passes relentlessly. The MIP should be sold to a more efficient private operator. The absence of an exit strategy contributed to the failure of a recent effort to sell the MIP. Political considerations have a way of producing acrimony and gridlock if an exit strategy isn't already in place.¹³⁴

8.6 Points To Remember

During the researching of this thesis there were two thoughts that resonated with me.

A) Where Marketing Comes Into the Reuse Process

Ken Willette stated that throughout the reuse planning and implementation process at Devens it was always kept in mind that "marketing is a priority for every decision that is made and the goal is to provide the highest quality service at the lowest possible cost."¹³⁵

B) What's Required for Marketing and Redevelopment Success?

The first Executive Director of Pease International Tradeport felt that there were three essential elements to achieving redevelopment success:

- 1- "A bright numbers person"
- 2- "A bright real estate person"
- 3- "A bright marketing person"

¹³⁴ Interview with Robert Baldwin, July 10, 1997

¹³⁵ Interview with Ken Willette, June 16, 1997

Even if it took 'big bucks' to hire them it would be well worth it. They would provide the experience and talent that is needed to help ensure success during the redevelopment process.¹³⁶

8.7 Final Thought

It appears as if the base closure process will continue well into the next century. It may become increasingly important for the staffs of future redevelopment efforts to look back at the base closures from this period and learn from these experiences.

¹³⁶ Interview with George Jones, June 23, 1997

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