

COMMUNITY REUSE ORGANIZATION OF EAST TENNESSEE – THE VEHICLE FOR COMMUNITY DIVERSIFICATION

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ABSTRACT

Two years ago, the Department of Energy Oak Ridge Operations Office (DOE-ORO) initiated a unique first-of-its-kind program to convert surplus DOE Oak Ridge properties for use by private sector businesses. To achieve this transformation, DOE-ORO established the Community Reuse Organization of East Tennessee (CROET), granting it the right to lease underutilized land, facilities, and assets to private businesses. CROET negotiates lease rates for these facilities based on economic barter arrangements, for example, the exchange of cleanup services for favorable lease rates. Several successful examples of this approach are ongoing, proving that cleanup can be accelerated through the leveraging of private funds. In addition, CROET has 40+ leases in place with 20+ distinct companies that have created 250+ jobs. This paper provides details on the mechanisms employed that can serve as a model for other government and municipal organizations seeking to not only clean up formerly operational facilities, but also to restore those facilities, create new jobs, and expand the community tax base.

INTRODUCTION

On April 21, 1993, the Secretary of Energy created a task force “to coordinate worker and community transition assistance as the Department goes through periods of changing priorities.” In large measure, the task force was created to implement Section 3161 of the National Defense Authorization Act for Fiscal Year 1993 to minimize the social and economic impacts from this change in priorities on communities hosting Department of Energy (DOE) facilities. Section 3161 requires the development of a plan, in consultation with local, state, and national stakeholders, for restructuring the work force for the communities. The Community Reuse Organization of East Tennessee (CROET) was chartered in late 1995 as a 501(c) 3 (not-for-profit) organization authorized by Congress to help ease the pain of federal budget cutbacks by making use of idle federal land, buildings, technologies, equipment, and utilities. It is a key and unique player in efforts to transform the East Tennessee region’s economic base.

Few, if any, models currently exist for accomplishing this very complex task, and CROET is becoming the national model as it moves forward. In its brief existence, CROET has attracted 21 new companies to the DOE Oak Ridge Complex, overseen an \$18.7 million grant program focused on local economic development efforts, and begun the development of a greenfield industrial park that integrates and protects the natural beauty of the area. CROET’s early success is due in great part to a clear sense of mission, an organizational approach to decisionmaking that accommodates a wide range of viewpoints, and an innovative method of doing business that allows CROET to be responsive to business and creative in its approach.

HISTORY AND MISSION

CROET is an outgrowth of a series of initiatives to ensure the continued economic health of regions formerly heavily reliant on DOE-associated jobs, which are now potentially significant job losses due to decreased government spending. In 1993, Congress mandated DOE to establish regional community reuse and transition organizations to assist with the transition from economic dependence on the federal government to reliance on private industry. In the Oak Ridge area, the East Tennessee Economic Council (out of which CROET was organized), local chambers of commerce, and county and city officials worked with the DOE Office of Worker and Community Transition to develop a concept for a community reuse organization. CROET was originally established with a 15 member, all-volunteer board of directors. To provide a larger voice for affected stakeholders, the Board was expanded to 41 members in 1996.

All actions taken by CROET are in support of its mission to assist the private sector in creating quality jobs in the region by using the underutilized land, facilities, equipment, personnel, and technologies available in the Oak Ridge Complex. To achieve this mission, CROET focuses on

- leasing of excess DOE facilities and equipment,
- developing industrial sites,
- administering grants, and
- administering a revolving loan fund.

While underutilized facilities are located at all the sites that make up the Oak Ridge Complex [Oak Ridge National Laboratory, the Oak Ridge Y-12 Plant, and East Tennessee Technology Park (ETTP)], CROET's current emphasis is on ETTP.

ORGANIZATION

Because CROET is in a unique position as the point of contact between the DOE and local communities and businesses, it must incorporate a wide range of views. The organization's 41-member board includes representatives from the business community, organized labor, displaced workers, environmental groups, area colleges and universities, local governments, and the Governor of the State of Tennessee's office. Federal officials, as well, have taken a close interest.

The CROET board is unusually large and diverse, a combination that would typically inhibit progress rather than encourage it. Contrary to conventional wisdom, the board has been successful in achieving CROET's mission because of its effective organization and management and a shared commitment to the region's economic and environmental well-being. Four standing committees (Reuse, Land Use, Grants, and Nominating) and the Strategic Planning Committee are charged with bringing issues before the full CROET board for approval, ensuring that all viewpoints are represented in the final decisions. The board is supported by seven full-time equivalent staff members that provide administrative and business operations support, including managing industrial recruiting, administering grants, overseeing a small business loan program, and fulfilling landlord and management responsibilities.

Like most other economic development organizations, CROET does not accomplish its mission alone. It works as part of an integrated team made up of the DOE Oak Ridge Operations Office (DOE-ORO) and its Oak Ridge management and integration contractor, Bechtel Jacobs Company LLC. Each team member is responsible for critical parts of the site redevelopment process. DOE-ORO's guidance and support is essential in facilitating the transfer of assets, such as buildings, machinery, and recyclable materials, from DOE to CROET, which in turn leases the assets to new tenants. Key to this transfer is the completion of all necessary environmental, safety, and health reviews and protective actions, performed to assess risks and ensure the safety of all personnel at the site. Bechtel Jacobs Company prepares facilities for occupancy and provides technical support during the leasing process.

Additionally, CROET has strategic partnerships with numerous academic, industrial development, and community organizations that provide parts of the total "package" presented to companies considering starting up or relocating in the Oak Ridge region. For example, CROET can draw upon the offerings of universities (e.g., the University of Tennessee, Oak Ridge Associated Universities), community colleges (e.g., Pellissippi State Technical Community College, Roane State Community College), Oak Ridge National Laboratory, the Tennessee Valley Authority, and high-tech consortiums (e.g., Technology 2020, Oak Ridge Centers for Manufacturing Technology) to address the financial, technical, and workforce issues facing high-growth industries, such as information technology.

DOING BUSINESS

In bringing new industry to the Oak Ridge Complex, CROET generally follows standard economic development practices not unlike those used by communities across the nation. More traditional methods, such as national advertising, recruiting trips, trade shows, targeted mailings, etc., have been used extensively in the Oak Ridge-region. More recently, many of the economic development agencies of the region are using fax-data-on-demand systems and web sites with extensive links to other regional resources of import to industry. The renewed emphasis on technology transfer programs and support for new product commercialization represent part of the region's foremost weaponry in the hunt for economic expansion. Considering the number of economic organizations in the region and the increase of specialization within the broader economic development mission, a successful partnership approach to "marketing the region" has emerged, with CROET assisting and serving as the regional model.

ETTP and other areas of the Complex present unique redevelopment challenges in regard to past usage as government-owned facilities. Built in the early 1940s to enrich uranium for nuclear weapons, the site (formerly known as the Oak Ridge Gaseous Diffusion Plant or the K-25 Site) is home to numerous buildings that are ideal for industrial reuse. Infrastructure and utilities are in place, and transportation is enhanced by easy access to rail lines, Interstate 40, and the Clinch River. In addition, the East Tennessee region boasts a highly trained and motivated work force. The age of many of the buildings located on the ETTP site and the site's history with nuclear materials, present challenges

different from those related to selling or leasing other types of commercial properties to industry. CROET has developed innovative leasing arrangements and barter exchanges for clean-up exchanges to serve as incentives for attracting private industry to the ETTP and other areas of the Oak Ridge Complex.

Related to past usage, many of the buildings available to house new industry contain valuable assets, such as machinery, metal, and other recyclable materials. The presence of these assets is attractive to many leasing prospects, and many lessees are given possession of these assets under their lease terms. For example, Machine Kinetics, a company that builds high-precision industrial equipment and machinery, is operating a twenty-one person operation in Building K-1401 using heavy-duty equipment that was left unused and in place following closure of the former DOE machine shop.

In the case of buildings containing legacy radioactive contamination, interested companies frequently exchange cleanup services for favorable lease terms. Many of these buildings, because of minimal amounts of contamination and the low environmental, health, and safety risk posed, are often given low priority in DOE's risk-based cleanup plans. The cleanup-for-lease-terms exchange, then, accelerates cleanup of these buildings by many years and saves taxpayer dollars in terms of the actual cleanup costs and avoided long-term surveillance and maintenance costs. A successful application of this approach is CROET's lease with East Tennessee Materials and Energy Corporation (M&EC) for 53,000 square feet in the Building K-1200 Complex. M&EC, which plans to establish a hazardous, radioactive, and mixed-waste treatment center at ETTP, is performing decontamination and decommissioning of Building K-1200 and removing all classification concerns in exchange for favorable lease terms and commercial use of the facility. Another example is Materials and Chemistry Laboratory (MCL), a company formed by a group of displaced workers who incorporated and leased a laboratory and its contents, including five electron microscopes. MCL is performing cleanup in Building K-1006, removing radioactively contaminated laboratory hoods in exchange for reduced lease payments.

In some cases, even leasing of uncontaminated facilities eventually benefits the DOE site cleanup program. In a barter arrangement, a business incubator made advanced, reduced lease payments to CROET for use of two uncontaminated buildings. With the advanced lease payment, CROET was able to contract with another tenant leasing space at ETTP to decontaminate an area in a different building for lease to a manufacturing company, Dienamic Tooling Systems. This tool-and-die maker is now providing needed jobs for machinists and other skilled employees. Thus, cleanup was accelerated without the use of federal funds, and comparable private-sector jobs were created to replace some of those lost through DOE downsizing.

The role of accelerating cleanup while also fostering economic development is unique to community reuse organizations. Because community reuse organizations are in the economic development business and not the environmental management business, this accelerated cleanup approach should only be viewed as supplemental to the overall DOE cleanup program.

As an alternative to existing facilities, CROET can offer incoming industries the option of locating at a greenfield industrial park, known as Horizon Center, that is being developed adjacent to ETTP. About 500 of 1000 acres of land, owned by DOE and leased by CROET, are being developed. One of the objectives in the development of this land is to meet specific requirements for preserving a variety of environmental characteristics – wetlands, stands of old-growth hardwood, and wildlife, making it an aesthetically pleasing, state-of-the-art location for business. Revenues from leases at Horizon Center will fund additional cleanup activities at ETTP, making still more space available there for job creation and growth.

CROET's commitment extends beyond the boundaries of the Oak Ridge Complex to a 15-county region in East Tennessee. In addition to several major initiatives that are being successfully started utilizing programmatic grant funding, CROET administers two other types of grants – Regional Economic Development (RED) and Regional Workforce Development (RWD) – to foster economic and community improvements among the regional municipalities. RED grants are used to assist affected communities in bringing new industry to the area, frequently in the form of assistance in building and preparing new industrial parks or marketing existing assets. RWD grants augment community resources and other funding for the purpose of educating and retraining displaced workers.

In addition, the CROET manages a Small Business Development Program, which comprises a comprehensive business assistance network. This program is designed to strengthen and expand existing technology transfer and small business development efforts and incubation programs in the region so as to generate investment and employment to replace jobs being lost due to Federal defense industry downsizing. The program was developed out of the recognition that creation and expansion of small business, particularly technology-oriented ventures utilizing the world-class talent and resources unique to East Tennessee, will continue to be the region's best opportunity to retain and increase its high-quality employment base. The Financial Assistance Fund, which is a revolving loan program, functions as an integral component of the Small Business Development Program to leverage critical start-up and expansion capital for regional business ventures. This program targets small- and medium-sized businesses engaged in manufacturing products or providing technology-based services that will create new jobs and represent new economic activity in the area.

CONCLUSION

CROET fills a niche not taken by traditional economic development organizations – serving as the leasing entity and property manager of underutilized government properties. Taking on the challenges of such a program has resulted in large rewards, including new jobs for the region in a range of industries and a “recycled” industrial park that is being cleaned up at a faster schedule and with fewer taxpayer dollars than thought possible. In accomplishing its mission, CROET serves to supplant, not replace, the efforts of other business and regional development organizations to ensure the future long-term economic health of the Oak Ridge and East Tennessee region.