

**Minutes**  
**Board of Directors**  
**Virginia National Defense Industrial Authority**  
**January 10, 2006**  
**Virginia Economic Development Partnership**  
**Riverfront Plaza – West Tower**  
**20<sup>th</sup> Floor Presentation Center**  
**901 East Byrd Street**  
**Richmond, Virginia**

Robert P. Crouch Jr., Counselor to Governor Warner, called the meeting to order at 10:10 a.m. and welcomed all of the Authority Board members, staff, and guests in attendance.

The following Authority Board members were in attendance:

Gen. John N. Abrams, USA-Ret.  
Mr. John B. Adams, Jr.  
Mr. G. William Beale  
Mr. Mark D. Betts  
Ms. Reta R. Busher  
Rear Adm. Robert R. Fountain, Jr. USN-Ret.  
Mr. Stuart A. Heaton  
Chief Alfred M. Jacocks, Jr.  
The Honorable John W. Knapp, Sr.  
Adm. J. Paul Reason, USN-Ret.  
The Honorable Joe R. Reeder  
Dr. Roseann O. Runte  
Mr. Cord A. Sterling  
Mr. Kurt H. Tripp  
Mr. William L. Welch, Jr.

Mr. Crouch explained that while he serves as Counselor to Governor Warner, he will continue his Executive Branch service in the Kaine Administration as the Assistant to the Governor for Commonwealth Preparedness.

After brief individual introductions by each Authority Board member, Mr. Crouch introduced the Clerk of the Supreme Court of Virginia, Patricia Harrington. Ms. Harrington administered the Oath of Office to the Authority Board members.

Following the oath, Mr. Crouch explained the purpose of the Authority to its Board members. He said that as explained in the Code of Virginia, the Virginia National Defense Industrial Authority was created to support the efforts of the U.S. Department of

Defense and its activities located in Virginia. During the BRAC 2005 process, it was recognized that there needs to be an orchestrated effort to promote cooperation between the Commonwealth, its localities, and U.S. military activities, said Mr. Crouch. He said there exists a need for a statewide coordinator's role to promote Virginia's interests with the Department of Defense (DoD).

The powers of the Authority offer a menu of options from which to craft a program of work, he said, and added that more operational details will be sorted out as the transition between administrations is completed.

Mr. Crouch explained that he expected the key administration players in the collective effort of interfacing with the DoD will include the Secretary of Commerce and Trade and himself. He said he expected to rely heavily on the Virginia Congressional delegation for intelligence, opportunity identification and problem solving.

He asked if there were any questions. There were none.

Mr. Crouch concluded by calling for the nomination and election of the Chairman of the Board of Directors for the Authority. Admiral Reason nominated Joe Reeder to serve as Chairman.

Second: General Abrams.

Mr. Reeder was elected Chairman of the Authority by a unanimous voice vote.

He then thanked the Directors for their confidence in his abilities to lead the Authority. He called for the nomination and election of the Vice Chairman of the Board of Directors for the Authority.

Dr. Runte nominated Ms. Busher to serve as Vice Chairman.

Second: Mr. Sterling.

Ms. Busher was elected Vice Chairman of the Authority by a unanimous voice vote.

She then thanked the Directors for their support.

Chairman Reeder said that the Directors would need to determine a schedule for future meetings and locations. He called on David G. Dickson, Executive Director of the Virginia Commission on Military Bases, for suggestions. Mr. Dickson recommended that the Directors hold meetings on a quarterly basis at locations around the state. Mr. Sterling agreed that meetings should be held around the state in order to accommodate travel demands on Directors, as well as take advantage of opportunities to hear from a variety of regional interests. There was general discussion in support of quarterly meetings at regional locations.

Chairman Reeder said that a schedule would be developed around that premise for the Directors' consideration.

Chairman Reeder then introduced Dr. Ann M. Battle, Senior Economist for the Virginia Economic Development Partnership, to present information on the economic importance for federal and DoD spending in Virginia.

Dr. Battle thanked Chairman Reeder and the Directors for the opportunity to address them.

She said the federal government is both a producer of services, as well as an employer and a purchaser of goods and services from other industries.

She said we can look at the impact of the federal government in terms of its production in Virginia, its employment of Virginia residents, and its purchases of Virginia goods and services. Multiple data sources allow us to gauge the dollar values and job numbers in Virginia and to compare Virginia to other states, she said.

Gross State Product (GSP) is the state counterpart of the Nation's Gross Domestic Product (GDP), the Bureau's featured and most comprehensive measure of U.S. economic activity. GSP for a state is derived as the sum of the GSP originating in all the industries in the state.

An industry's GSP, or its value added, is equal to its gross output (sales or receipts and other operating income, commodity taxes, and inventory change) minus its intermediate inputs (consumption of goods and services purchased from other U.S. industries or imported). The GSP accounts provide data by industry and state that are consistent with GDP in the national income and product accounts, and with the GDP by industry accounts.

In Virginia, the government portion of Gross State Product or GSP was \$56.9 in 2004. That includes federal, state, and local statistics. In previous years, the federal portion was broken out and was around 9.3% of GSP, which would give an estimated 2004 figure of just over \$30 billion for the federal contribution, she said.

Dr. Battle said that when we look at the nation as a whole, Government sector is a smaller share of the economic pie than in Virginia with a 17% share for Virginia versus 12% share in U.S. overall.

By agency, the DoD accounts for 73% of total government procurement in the U.S. Federal procurement for homeland security products and services is a much smaller share, at 1.6% of total procurement in 2004. However, the Washington DC MSA accounts for 51.9% of the nation's total procurement in homeland security in 2004. Additionally, private companies benefit – 15% of DHS' budget was spent on purchases of products and services from the private sector, Dr. Battle said.

For overall Federal procurement, Virginia, with more than \$33 billion in FY 2004, ranks second only to California on an absolute dollar basis and second to the District on a per capita basis, she said.

Dr. Battle said the top five counties and cities for Federal procurement in Virginia, all in Northern Virginia, accounted for over \$23 billion in federal procurement, or 68% of Virginia's total. Much of this is because of the strength of DoD spending in the region.

She said that type of Federal procurement in Virginia is largely services which represent about 65 percent of the procurement dollars spent. Services are mostly data processing and telecommunication services, and professional administration & management support services.

These products and services are purchased throughout Virginia, but certainly Northern Virginia and Hampton Roads get the largest share, she said.

In the Washington, D.C. area alone, \$14.1 billion was spent on data processing and telecommunication services; another \$11.9 billion was spent on professional administration and management support services.

Dr. Battle said that Arizona, Maryland, Florida, Texas, Virginia and California are the top six states for aggregate DoD expenditures for payroll and contracts. In Virginia, those expenditures were just under \$40 billion in FY 2004. On a per capita basis, DoD expenditures are greatest in Virginia, she said.

By location, the largest DoD expenditures in Virginia occur in Norfolk with \$4.55 billion in FY 2004. Second to Norfolk, is Arlington at \$4.52 billion, said Dr. Battle. When payroll is taken into account along with procurement, we see that Norfolk, with the naval base, certainly gets its share of DoD spending in Virginia, she said.

Virginia's total civilian and military employment fell by 1% in FY 2004. During the ten years from 1994 to 2004, total DoD employment declined by 10.6% in Virginia and by over 14% nationally, she said.

This decade has seen military employment increase significantly relative to civilian employment, Dr. Battle said.

The Navy, in combination with the Marine Corps, is the largest service branch in Virginia, accounting for over half of total DoD employment. However, in FY 2004, employment in the Navy and Marine Corps decreased by 3.8%.

Army employment accounts for over 27 % of total DoD employment. Army employment has been in decline for more than a decade.

Air Force employment accounts for less than 12 % of total DoD employment. All but a few hundred of the Air Force's employment is in Hampton Roads and Northern Virginia, with over 35 percent in Langley AFB.

Employment totals do not include the Navy and Marine Corps military personnel afloat of 45,000 in Virginia for FY 2004.

Dr. Battle said that the Federal Government plays a sizable role in Virginia, as employer and purchaser in both defense and non-defense areas. She said the multiplier effect from this spending provides even more activity in Virginia's economy. In summary, the Federal Government offers stability through economic downturns and a stimulative effect, particularly in relation to defense and homeland security.

Chairman Reeder thanked Dr. Battle for her presentation.

He then recognized Mr. Dickson for a BRAC results overview.

Mr. Dickson then presented a statewide synopsis of BRAC 2005 actions, which became law on November 9, 2005.

In comparing the previous rounds with the current announcement; the recommended action is by far the most aggressive. There were well over 800 separate actions voted on, which was by far the most separate considerations ever considered by a BRAC round. The BRAC Commission made 182 site visits to 173 separate installations. Virginia testified at four of the 20 regional hearings conducted by the BRAC Commission. Upon completion of its work, the BRAC Commission approved 86 percent of DoD's original recommendations for this round, Mr. Dickson said.

He further noted that of the BRAC actions, the BRAC 2005 actions including the vacated leased space in Northern Virginia, the growth at Fort Belvoir and Quantico and the limbo status of NAS Oceana are the most challenging set of recommendations to implement. He said that Virginia had the most separate BRAC actions than any other state. This is principally caused by the movement out of Leased Space in Northern Virginia.

On the positive side, Mr. Dickson reported that given the complexities posed throughout the BRAC process, Virginia has come out ahead gaining 3,000 to 4,000 military jobs. The growth is realized principally from classified positions, he said.

He stated that the closing of Fort Monroe will cause a number of challenges. While it is spectacular property and offers great promise for the future, getting there will take considerable effort, he said. The key challenges involve real estate ownership, environmental clean-up and historic preservation. Mr. Dickson said that approximately two-thirds of the real estate is owned by the Commonwealth. The remainder is owned by the federal government. He pointed out that in order to properly master plan the property, it needs to be considered as a whole and not piecemeal.

He reported that environmental cleanup cost estimates have varied widely. These costs depend on the level it is cleaned - to suit residential or industrial. Mr. Dickson said that he has seen estimates that range from \$30 million by the Army in 1995 to \$200 million by the installation staff reported this year.

He pointed out that Fort Monroe has the highest historic status – as a National Historic Landmark. In addition to its stone fort, this includes 138 buildings and 11 archeological sites.

Mr. Dickson also noted that Langley AFB in Hampton is growing by more than 1,000 full time and 700 part time jobs.

In Northern Virginia, Mr. Dickson reported that approximately 21,000 military personnel will be affected by the leased space shuffle of BRAC 2005. Of those, 10,000 jobs would be moving out of state with 11,000 moving elsewhere in Virginia. He said that the action was driven by three principles:

- Leased costs and savings to be gained by occupying owned facilities
- Property and DoD employee security post-9/11 attacks
- Preferred locations are either behind the fence of a military installation or 100 miles away from the National Capital Region

While the Missile Defense Agency headquarters will remain at Fort Belvoir, the bulk of the employees in leased space – about 700 jobs – will move to Redstone Arsenal in Huntsville, Alabama, Mr. Dickson said. The Defense Information Systems Agency – including about 2,700 jobs - will move to Fort Meade, Maryland.

On the positive side, he pointed out that Fort Lee in the Petersburg area will gain 7,600 personnel as a result of BRAC. This is in addition to a growth of 1,600 personnel in a prior action outside of BRAC.

Fort Eustis experienced a major turnaround during the BRAC process. Fort Eustis will retain its Aviation Logistics School with an estimated 2,800 jobs and will add the Army's Training and Doctrine Command from Fort Monroe, Mr. Dickson said.

He said that upper level research jobs will remain in Arlington County for DARPA, ONR, ARO and AFOSR. Saving these jobs took quite a bi-partisan effort from Arlington County, the Congressional delegation and our State efforts, Mr. Dickson pointed out. He cautioned that we are not out of the woods yet as we need to comply with DoD's new building and security standards. Two options are being pursued including at Arlington Hall, which is a U.S. State Department property and Ballston redevelopment of the Bus Yard site which can meet the 82-foot setback requirement from the street.

Efforts to retain Navy activities at Dahlgren were similar, Mr. Dickson said. The team approach saved the Naval "Big Guns," a new chemical-biological laboratory and electronic sensor work from going to New Jersey, Maryland and South Carolina.

At Fort Belvoir, retaining the Night Vision Laboratory and its estimated 800 jobs was a big victory, Mr. Dickson said. A recent briefing by the new base Commander Brian Lauritzen, indicated that in spite of the loss of the 1,300 jobs associated with the Army Materiel Command, a four star command which is going to the Redstone Arsenal in

Alabama, Fort Belvoir may in reality grow by 22,000 direct jobs which include some actions outside of the BRAC process, he said.

He reported that there are a number of transportation-related concerns surrounding this projected growth. The base's 800-acre Engineering Proving Grounds situated northwest of I-95 from the main base will be used. Further, Mr. Dickson pointed out that Fort Belvoir is one of two installations which will absorb health services now provided by Walter Reed Hospital, which is being closed. For Fort Belvoir, this means serving an estimated population of 450,000.

Charlottesville will gain the new location of the Defense Intelligence Analysis Center. The DoD's capital investment estimate for the new facility is \$46 million to \$85 million. This center will complement the existing National Ground Intelligence Center.

With regard to Virginia's positive outcomes, we can expect a minimum of \$4 billion new construction as a result of the BRAC 2005 actions. Ft. Belvoir alone will experience \$3 billion in the construction of 6 million square feet. These construction figures do not include state or federal public infrastructure funding, particularly for needed transportation improvements, Mr. Dickson said. The Northern Virginia work group has estimated a total need for about \$2.5 billion over a six year period for such improvements. This estimate does not include the cost of extending Metrorail to serve Ft. Belvoir, he said.

The locations for the Medical Command Headquarters, miscellaneous Department of the Navy functions and the Defense finance and Accounting Service in the National Capital Region have yet to be determined, Mr. Dickson said. There could be as many as 3,000 jobs attached to these missions.

For Naval Air Station Oceana, the proposed action is a realignment not a closure, Mr. Dickson said. NAS Oceana occupies about 5,300 acres in Virginia Beach. In addition to this, there are 3,680 acres of restrictive easements and the OLF Fentress occupies about 3,600 acres. The Air Wing included in the proposed realignment to a former Navy airfield in Jacksonville, FL includes about 8,500 military jobs, he said.

The BRAC Commission set out a number of mandates for both Virginia and Florida to meet, said Mr. Dickson. Virginia's requirements focus on the issue of land use planning and rolling back perceived residential and business encroachment. Our deadline for meeting the BRAC requirements is March 31, 2006.

On October 20, 2005, the mayor of Jacksonville announced that they were no longer pursuing the Air Wing at NAS Oceana, Mr. Dickson explained. He added that the BRAC Commission action requires Jacksonville to meet a number of requirements, as well, before the jets could relocate there. Florida's deadline, if pursued, is December 31, 2006.

Chairman Reeder thanked Mr. Dickson for his report. He then announced that Mr. William T. Harvey, President of the Public Private Solutions Group would present his report “Virginia – The Way Ahead” about the post-BRAC 2005 environment.

Mr. Harvey said his organization, the Public Private Solutions Group, Inc. (PPSG), is a two person, veteran-owned business. He said he and his partner have more than 35 years experience in DoD and Base Realignment and Closure (BRAC) decision-making as well as all facets of implementation and infrastructure rationalization.

He said the Virginia National Defense Industrial Authority (VNDIA) appears to mirror efforts of other states to sustain and grow the defense industry.

Virginia’s “Defense Industry” represented approximately \$40 billion and 206,000 direct jobs in FY 2004, he said.

The DoD rationalizes infrastructure and jobs in numerous ways, he said. BRAC is the most visible, as it is open to public participation. Programmatic and budget actions are least visible and open but most numerous, said Mr. Harvey.

The Quadrennial Defense Review (QDR) provides the DoD’s overarching strategy for National Defense by identifying capabilities, forces and required resources.

Mr. Harvey said sustaining, supporting and enabling the strongest military value in Virginia and its communities is the surest way to remain a go-to partner for DoD.

He said the DoD’s BRAC 2005 data and analysis of its installations and functions provides tremendous updated insight into military value strengths and weaknesses and opportunities for mitigation based on economic development principles.

The Commonwealth and its communities can find innovative ways to partner with the DoD to increase efficiencies and leverage activities and installations for growth. He recommended that the Commonwealth have a single focal point for DoD matters and the Commonwealth and DoD relationship.

Mr. Harvey said the Commonwealth’s fundamental philosophy should be to maintain and improve the viability of military installations and activities by supporting, not directing, communities with military functions.

Community and regional initiatives should be integrated into an all-inclusive Virginia effort that focuses on a partnership relationship with the DoD and fosters a shared-interest relationship between Commonwealth agencies and DoD/Service staffs, he said.

Mr. Harvey said a future BRAC is not the only, or most serious, threat to Virginia Military Installations and activities. He said changing national budget priorities, technology enhancements, business re-engineering and a changing national security strategy, represent greater threats.

He said the Commonwealth-regional-local team offers a formidable force to sustain and enhance the DoD functions in Virginia.

Chairman Reeder thanked Mr. Harvey for his presentation. He then recognized Mr. Dickson.

Mr. Dickson reported that there were several administrative items for the Directors to address. He said that Governor Warner had submitted a letter of intent to provide \$510,000 in each year of the biennium for the staffing and operations of the Authority. He suggested that the Directors make a resolution to address interim staffing until such time as permanent funding can be secured.

Chairman Reeder recognized General Abrams.

General Abrams made a motion that the Authority request that the two staff members of the Virginia Economic Development Partnership who served the Virginia Commission on Military Bases be asked to continue their work on BRAC-related issues. In this regard, we are asking that David G. Dickson continue to work with this Authority as Acting Executive Director and that Valerie D. Hubbard continue to serve as Communications Manager. These arrangements will continue until such time as this Authority's operations are funded by the Virginia General Assembly and permanent personnel arrangements are made.

Second: Mr. Knapp.

The motion passed by a unanimous voice vote.

Chairman Reeder then said that he and Vice Chairman Busher would confer with Mr. Dickson to develop a work plan for the coming year to include securing budget, develop a personnel structure, determine office location, consider the need for bylaws or rules for operating and determining how to integrate the Authority's efforts into Governor Kaine's plans to respond BRAC and other military-related issues.

He said that the Authority would submit a letter asking for Governor Kaine's support of the Authority's budget.

Chairman Reeder asked for each Director to submit a profile in order to provide the Authority with each colleague's background. He said that Directors must comply with state Freedom of Information Act provisions and pointed out that information about the Act is included in notebooks distributed to Directors.

Chairman Reeder then adjourned the meeting.

The meeting concluded at 12:20 p.m.

