
EXECUTIVE SUMMARY

Communities surrounding Fort Riley will experience a significant rate of population growth and economic expansion during the next six to ten years due to a variety of Department of Defense initiatives. A key element in this change involves the relocation of approximately 9,700 troops and the hiring of approximately 2,000 civilian workers at the installation.

State and local officials, in conjunction with Departments of Defense and Army personnel, have been discussing and evaluating how expansion at Fort Riley might impact communities in the vicinity of the installation. In order to define the range of growth related concerns, the Kansas Department of Commerce obtained funding from the U.S. Department of Labor to evaluate possible economic, employment and social service impacts associated with the expansion of Fort Riley, as well as identify key actions required to address future growth needs.

In October 2006, a report entitled *Strategic Action Plan and Growth Impact Assessment for the Flint Hills Region* was prepared to identify concerns relating to the expansion of Fort Riley and provided recommendations for dealing with community growth impacts. This summary provides a brief overview of key findings and recommendations contained in that report.

A. Location and Study Area

Fort Riley is located in Riley and Geary Counties, in the State of Kansas. The installation is adjacent to the Cities of Junction City and Ogden, and has significant impacts on other neighboring cities including Grandview Plaza, Manhattan, Milford, Riley, St. George, and Wamego. Highway I-70, adjacent to Fort Riley, provides a direct link to the Interstate Highway system. The Kansas City International Airport (MCI) is approximately three hours east of the installation and the Manhattan Regional Airport (MHK) is located within five miles of Fort Riley.

Seven counties were identified by local officials and the Kansas Department of Commerce as part of the Study Area. These include Clay, Dickinson, Geary, Morris, Pottawatomie, Riley and Wabaunsee Counties. Within the Study Area, three counties, Geary, Pottawatomie, and Riley, are expected to receive the most significant growth impacts, and have thus been identified as the Primary Impact Area (PIA). Clay, Dickinson, Morris and Wabaunsee are referred to as the Surrounding Counties (SC) and are expected to receive mostly secondary impacts relating to base expansion.

B. Background

Fort Riley has a rich and expansive history. Established in 1852, Fort Riley initially served as a key western military base for a number of legendary Army units including the 7th Cavalry Regiment, the famed “Buffalo Soldiers,” the 9th and 10th Cavalry Regiments, and the United States Army Cavalry School. The 1st Infantry Division was also located at

Fort Riley until the spring of 1996 when the headquarters of the Big Red One was transferred to Germany.

In 2005, the Department of the Army announced that troops stationed at Fort Riley would expand significantly due to three Department of Defense initiatives: the transformation of units in the Army to Modular Forces (AMF), the implementation of 2005 Base Realignment and Closure (BRAC) decisions, and stationing changes based on the Integrated Global Presence and Basing Strategy (IGPBS). It is projected that these three initiatives will result in an additional 9,700 military personnel, and approximately 2,000 new civilian workers at Fort Riley. It is assumed that these new personnel will be phased in over the next five to six years, with a stabilization date of 2012.

As Fort Riley expands and military personnel and civilian workers relocate to the base, military dependents and economic migrants will also move into the region. Growth forecasts related to the expansion of Fort Riley, under expected conditions, are estimated to be approximately 28,000 new people by 2012. The expansion at Fort Riley, plus baseline growth, will increase the population within the seven county study area between 26% and 32% by 2012.

The increase in population will have significant impacts to all aspects of life for the communities within the Study Area. As new residents relocate to the region, they will affect the economy, housing markets, employment, retail businesses, social services, and governmental institutions. The Strategic Action Plan assesses these and other areas of impact, and provides guidance to local communities about managing future growth and demands for services.

C. Process and Evaluation

RKG Associates, Inc. (RKG) initiated work on the Strategic Action Plan in February of 2006 under a contract with the Kansas Department of Commerce. RKG partnered with Regional Economic Models, Inc. (REMI) to provide economic modeling related to possible changes associated with the expansion of Fort Riley.

RKG was provided guidance and direction during the preparation of the Strategic Action Plan by a Steering Committee and a Task Force composed of local officials from Geary, Pottawatomie and Riley Counties, as well as representatives of various public organizations, state officials and representatives from Fort Riley. Data from various federal, state and local organizations, as well as interviews with local government officials, members of the business community and other stakeholders provided the basis for this analysis.

The economic model prepared by REMI was used to generate a range of data projections for this analysis. The model produced forecasts for demographics, gross regional product, output (sales), wages and salaries, personal income, employment, and labor force. Several of these projections, chiefly demographics, supplied the basis for the analysis related to housing, retail, schools, social services, and local governmental impacts.

Two forecasts were created in order to provide a range of possible impacts. One forecast, referred to as the “Expected Growth Scenario” assumes the increase in direct population to be 9,700 military personnel and approximately 2,000 civilian workers. Indirect growth (i.e., military spouses and economic migrants) would add an additional 17,000 persons, for a total of approximately 28,000 additional persons in the Study Area by 2012.

The “Alternative Growth Scenario” assumes 13,000 military personnel and 2,000 civilian workers are added to the local communities. Under the Alternative Growth Scenario, a total of 39,000 new persons would be added to the region, including direct and indirect population growth.

As noted earlier, a Steering Committee and Task Force provided direction regarding research efforts and guidance related to growth management approaches. Steering Committee and Task Force members were presented with draft sections of the report and were asked to review and offer recommendations for the analysis. This guidance was then incorporated as each draft section was further refined.

D. Major Recommendations and Summary of Findings

This section provides a summary of general recommendations for local communities, as well as findings and recommendations for each impact area discussed in the Strategic Action Plan. Major recommendations represent actions that local communities should consider in order to adequately plan for and accommodate growth related to base expansion. Following the presentation of general impacts, there is a summary of findings in the following areas: economic impacts, housing impacts, retail and business impacts, school impacts, post secondary education, childcare, recreation, youth services and community activities, healthcare, and local government fiscal impacts.

1. Major Recommendations

Several local and regional groups have been examining, during the past year, possible growth impacts related to the expansion of Fort Riley. Many identified impacts will affect multiple communities and overlap various jurisdictional borders. While a number of communities are proactively preparing for growth, a permanent organization responsible for coordinating regional efforts should be established to assist in areas where impacts affect multiple communities, as well as provide a unified organization to interface with state, federal, and military agencies.

Funding from both state and federal agencies will be crucial in the management of expected growth impacts. It is unrealistic to assume that local communities will be able to independently fund new infrastructure, schools, social services, governmental operations, and other vital components required to maintain the current levels of service within the region. Furthermore, the Department of Defense, in the recently released *Base Redevelopment and Realignment Manual* (March 2006), specifies that one point of contact will be essential in acquiring technical and financial assistance from the Office of Economic Adjustment (OEA), a Department of Defense (DoD) agency established to assist local communities in growth management efforts related to changes at military installations.

It is suggested that local communities form a regional organization, tentatively referred to as the Flint Hills Regional Planning Organization (FHRPO). The FHRPO would be established to provide leadership during the period of expansion at Fort Riley. However, it is also envisioned that the organization would also be able to address other regional issues (e.g., Kansas State University development initiatives and possible enhancements at the Manhattan Regional Airport).

The FHRPO should have four major roles: information sharing, pursuit of outside funding, regional planning, and marketing of the growing region. Other roles may also be considered as necessary.

- FHRPO can act as a conduit for information exchange as the base expands. Both public and private sector parties will benefit from the sharing of information related to the expansion at Fort Riley. Private sector organizations require information related to troop arrivals in order to plan and implement actions required to meet increased demand for goods and services. Government officials also need information regarding market trends, labor, housing and infrastructure needs in order to ensure that soldiers stationed at Fort Riley will be absorbed into the local communities.
- Outside funds from state and federal sources will be required to finance regional studies and other evaluations related to all areas impacted by base expansion. Community representatives elected to the FHRPO would determine priorities for the allocation of funds throughout the region.
- The level of regional planning required within the next decade will be greater than any planning and development efforts previously made by local communities. A list of priorities and improvements relevant to the region's expansion will be required, and working groups should be established to deal with specific long-term issues. These may include housing, healthcare, regional infrastructure, and other identified areas of possible impacts. Any land use planning recommendations would be suggestive in nature, and local communities would ultimately have the final decision-making power.
- As the local communities grow closer together, as well as in size, they will begin to evolve into a regional market. Regional marketing efforts should be funded that collect and share information to better promote the region as a unique entity. This may include collection of demographic information, as well as assisting local organizations (e.g., Chambers of Commerce) in marketing the region to new retailers, wholesalers and other businesses.

It is envisioned that local communities, including Fort Riley, Junction City, Manhattan, Wamego, Geary County, Riley County, and Pottawatomie County should immediately form a temporary organization to address these issues. The goal of this temporary organization is to formalize planning for immediate impacts as well as provide a foundation for a permanent organization. Funding from the Office of Economic Adjustment (OEA) through the Department of Defense has provided initial monies that could be used for the proposed temporary organization, and local communities may be asked to provide temporary financing until a stabilized source of revenues is identified.

A permanent organization should then be created with a formal structure that includes local community representatives and at least two full-time staff persons. Funding for this formal organization will likely come from additional OEA grants, as well as membership dues and other financial sources identified as the organization is formed.

2. Summary of Findings

The following represents findings related to the areas of impacts as identified within the Strategic Action Plan. The areas of impacts that will present the largest challenge to the region, as identified by the Steering Committee and Task Force include housing, local government fiscal impacts, and healthcare.

a) Economic Impacts

The region's major economic drivers are military operations at Fort Riley and education-related services at Kansas State University. Economic indicators suggest that the entire Study Area functions in a manner similar to a tourist destination due to the fact that Gross Regional Product (GRP) exceeds output as a result of the injection of personal income from outside the region.

The economic growth associated with Fort Riley's expansion will begin to plateau in 2012, and the economy will return to existing growth rates. Overall, existing industries such as retail, service sectors, and manufacturing will increase as the installation expands, which will serve to strengthen the current economic base. The construction industry is expected to grow dramatically within the next few years, but taper off by 2009/2010. Approximately 40% of spending related to construction will be captured locally.

The region's population, which has traditionally grown at 1% on an average annual basis, will experience a total growth rate of 26% to 32% from 2006 to 2012. This rapid increase in population is primarily due to the absorption of military personnel and their dependents. These new individuals will require additional community and local government services, as well as new housing, retail shopping alternatives, childcare and healthcare. In addition, preliminary assessments of the type of expected military personnel indicate a slightly higher rate of marriage and dependents. The demographic characteristics of military personnel, military dependents, civilian contractors, and economic migrants should be monitored during the next several years in order to anticipate future shifts in demand by new residents.

Gross Regional Product is a value-added concept similar to Gross Domestic Product and illustrates the expansion of the regional economy. The growth of Fort Riley will result in an increase in the regional GRP of \$721 million by 2012, equivalent to a 22% increase in the regional economy. Thus, the total regional economy will be approximately \$4.77 billion by 2012. This includes existing growth trends plus growth due to the expansion of Fort Riley. Under the Alternative Growth Scenario, an increase of approximately 25% is projected, or \$851 million by 2012. This amount, plus baseline growth, will increase the regional economy to \$4.90 billion.

Disposable income, which is essentially consumer spending after taxes, will increase by approximately 16% within the region by 2012 under the Expected Growth Scenario, and 21% by 2012 under the Alternative Growth Scenario. Regional sales by businesses will increase by \$709 million under the Expected Growth Scenario, with \$90 million of the increase attributable to sales by regional retail and wholesale businesses. Growth in retail businesses in the region could reduce the leakage of retail sales to other locations, thus enabling a greater percentage of spending to be captured locally.

Direct jobs related to Fort Riley's expansion will be 9,700 military personnel and 2,000 civilian worker positions on-post. Indirect job growth is expected to be 6,940, with the total increase in employment estimated at 18,640 under the Expected Growth Scenario. Under the Alternative Growth Scenario, 23,910 jobs will be added to the regional economy, with 15,000 jobs directly related to base expansion, and 8,910 indirect jobs. Additionally, the region will experience a decrease in the unemployment rate during the expansion period.

Major Economic Impacts For the Region by 2012 for the Expected Growth Scenario

2012	Baseline	Expected Growth Scenario	Net Change Attributable to Fort Riley Expansion
Population	158,780	186,240	27,460
Employment	100,969	119,607	18,640
Total GRP (\$ Millions)	\$4,048	\$4,769	\$721
Total Output (\$ Millions)	\$4,813	\$5,522	\$709
Personal Income (\$ Millions)	\$5,842	\$6,671	\$829
Disposable Income (\$ Millions)	\$3,882	\$4,414	\$532

Source: REMI

b) Housing

Existing housing indicators such as price, sales volume, vacancy rates and turnover, indicate that the regional housing market has sustained a significant increase in demand for housing. Both single-family housing and multi-family housing have experienced an increase in the number of building starts, as well as an increase in pricing. The majority of housing for new military personnel is expected to occur off-post. A number of existing dwelling units at Fort Riley will be upgraded, resulting in a minor net gain of units over the next several years. Thus, military personnel and dependents will be seeking housing in communities within the region.

It appears that the projected mix of housing may shift slightly to more single-family housing, which will primarily be due to the demographic trend of more families associated with military personnel assigned to Fort Riley.

Affordability will be an area to monitor as the housing market matures. Currently, it is estimated that military personnel with the rank of E-4 and above can afford homes priced between \$150,000 and \$200,000, assuming the soldier's entire Basic Allowance for Housing (BAH) is used, plus a portion of their salaries. Military personnel with the rank of E-6 and above can afford homes up to \$225,000 and

above. In addition, if these personnel have spouses who are employed, levels of affordability may increase.

Housing affordability for military personnel, as well as other members of the community, will be vital as the region grows. Housing for low-income and low- to moderate-income individuals may also become an issue as the region expands and will require additional research and planning as housing demand increases within specific communities.

Essentially, the housing market appears to be building the right mix of housing with a slight oversupply of single-family units anticipated under the Expected Growth Scenario. This slight oversupply of single-family projects will occur if all projects in the preliminary stages of planning (i.e., those currently “on paper”) are built. Projected demand for multi-family housing appears to match the estimated future supply of multi-family housing.

Under the Alternative Growth Scenario, however, forecasts indicate that there may be a shortage of multi-family housing unless additional projects are initiated within the next several years. The supply of single-family housing under the Alternative Growth Scenario appears to match the forecast demand.

These two evaluations of supply and demand are the first snapshot of the forthcoming housing market and will require consistent review of market forces and changes. In addition, many local builders and developers are small- to medium-sized businesses, which often operate on a limited cash flow. Discussions with the development community indicate that smaller sized firms do not start construction of new housing units until previous units are sold. Thus, if a short-term slowdown in sales occurs, there may be a temporary decline in the rate of housing construction. The relocation schedules of Fort Riley military personnel, conversely, are expected to come in a series of small waves over time rather than incrementally. Thus, there is a possibility of short-term shortages, as well as cash flow pressure on local builders.

The FHRPO, discussed earlier, can assist housing developers by creating a communications link between developers and the military in order to provide accurate and timely information related to troop arrival. In addition, the FHRPO can assist military officials and military personnel with information related to housing forecasts, pricing, and availability. This type of communication has begun informally between the building community and Fort Riley; however, a regular and consistent exchange of information could improve decision-making within the housing market.

Workforce labor and construction material shortages are not apparent at this time. However, this is an area that will also need consistent monitoring to ensure that labor and materials are available during this period of rapid housing expansion.

Housing choices made by military personnel and new residents are difficult to predict. Soldiers and their families may begin to make housing decisions on a

regional basis based on availability and affordability. Thus, the FHRPO should monitor the health of the regional housing market, and assist in information sharing between the suppliers of housing and the buyers of housing. In addition, the FHRPO could provide assistance with land use recommendations related to regional infrastructure, possibility of land encroachment on military operations, and the identification of land use planning alternatives.

c) Retail

The existing retail market for the region is expected to grow dramatically as the expansion of Fort Riley occurs. Retail markets in Topeka and Kansas City offer regional shopping options that do not currently exist within the study area. As the regional population and spending power grows, it is likely that retail establishments within the study area will increase their sales capture rate and expand the number of local retail jobs, sales, and tax revenues. The increased demand for retail is equivalent to about 400,000 to 550,000 square feet of additional retail space over the next several years, under the Expected Growth Scenario.

Junction City, Manhattan, and Wamego all have functioning downtowns that are currently going through or are considering additional improvements. These areas represent the heart of each community, and each downtown should be the focus of continued economic development efforts, especially related to small and local business. The expected increase in population and spending related to Fort Riley's expansion should provide a reasonable impetus for continued downtown and other types of retail and business development.

d) Schools

The local school districts have prepared well for the initial wave of additional students occurring in the 2005/2006 and 2006/2007 school years. However, a significant increase in the number of students is forecast for the next six years, and each school district will need to expand and examine its facilities, as well as find creative solutions for short-term space deficits. Many school districts will be required to build new facilities within the next few years in order to maintain existing class size and accessibility. New housing areas are also being developed along the Highway 24 corridor in Pottawatomie County, and USD 383 (Manhattan School District) and/or USD 323 (Rock Creek School District) will be required to provide transportation and/or facilities for these new students.

The U.S. Congress may appropriate funds for communities experiencing dramatic change associated with military base expansion within the next several years. As noted earlier, the Department of Defense has indicated that it will work through one regional coalition or organization to address these types of issues. The FHRPO could assist the school districts in pursuing federal funds, especially those earmarked for special education and facilities expansion. Tracking and monitoring the evolving housing market will also assist school officials in verifying student population changes and the need for additional facilities.

Teacher training may also be an area of concern in the future, as Kansas has reasonably high standards for educational accreditation. Other state accreditation may not be accepted by Kansas, and additional coursework or experience may be required. Educational consultants or training opportunities may be funded or offered with FHRPO assistance, and local workforce centers may be able to offer training assistance for other types of education related employment opportunities.

e) Post Secondary Education

The Army has worked with a number of colleges, universities, and educational institutions to provide a variety of flexible programs for military personnel and spouses. Fort Riley residents interested in post secondary education should be able to pursue their educational goals through on-base learning opportunities, as well as at Barton Community College, Cloud County Community College, and Kansas State University, which offer a wide variety of educational opportunities. As data is gathered through a recently initiated Educational Needs Assessment at Fort Riley, programs will be modified and expanded to meet the various needs of base personnel and family members.

f) Childcare

Demand for childcare spaces is forecast to increase by 27% to 50% over the next six years, or roughly 800 to 1,600 new spaces. This expected need for childcare is based on the current limited number of childcare spaces as well as funding issues.

Approximately 23% of military personnel utilize some form of childcare. On-post childcare appears to be the preferred option for military parents in terms of convenience, affordability, and hours of operation. The high demand for on-post childcare is illustrated by the waiting list for enrollment at the recently constructed on-post childcare facility that existed even prior to its construction. Affordability also plays a significant role in childcare decisions. On-post childcare is generally \$200 per month, while off-post programs range from \$270 to \$720. A pilot program was recently launched that provides a subsidy for off-post childcare programs for military dependents.

The regional community has begun working to address this issue. A working group was recently created to initiate discussions about current and future childcare needs, and Kansas State University recently completed a review of regional childcare options. Additional studies may be required, and the subsidy program has proven to be valuable. The FHRPO may be able to provide assistance in identifying funding for both studies and long-term subsidy programs.

g) Recreation, Youth Services and Community Activities

Recreation, youth services and community organizations are vital in maintaining the well-being of the region's quality of life. There are several examples of creative funding and organizational solutions that have been used to satisfy current demands for these types of services.

Many of the recreation, youth services and community organizations within the region have created unique partnerships with non-governmental and governmental organizations such as the Boys and Girls Clubs, the YMCA, and local school districts that are funded through a combination of grants and other financial mechanisms. Due to these partnerships, the level of service, added staff, and expanded programs has increased significantly. As communities within the region grow, they will need to add additional programs in order to maintain current levels of service.

Communication regarding these programs will require some additional efforts in the future, and the FHRPO may be able to assist in identifying funding or provide additional avenues for information sharing in the future.

h) Healthcare

Healthcare represents one of the more difficult challenges related to base expansion and will require significant long-term action in order to meet the healthcare needs of military dependents. The current healthcare system may be unable to meet the demand for additional healthcare services in terms of facilities, staffing, and insurance/payment programs.

An informal working group of hospital administrators meets periodically to discuss issues related to the region's healthcare system. A formal working group will need to involve all members of the medical community, including administration, medical staff, insurance companies, military representatives, and other healthcare providers.

i) Fiscal Impacts

Services provided by local and county governments will be impacted by increases in population and housing due to the expansion of Fort Riley. Specifically, services that cross community lines may not be optimally configured under current methods of operations. For example, regional transportation patterns are likely to change. A comprehensive review of these patterns from a regional perspective may provide insights into evolving traffic demands that affect many of the region's communities. Federal and state funding may also be required to assist communities within the region. The FHRPO should work with local communities in identifying infrastructure operations that could be shared regionally, as well as suggest possible funding solutions in order to maximize the efficiency of operations associated with local infrastructure.

A key step to creating an organization that can assist with regional transportation planning involves the formation of a Metropolitan Planning Organization (MPO). This MPO can function as an independent entity that receives funding for regional and local transportation initiatives. In addition, the MPO could examine other areas where intra-regional infrastructure sharing may occur, such as emergency response, the creation of a regional-wide geographic information system (GIS), water supply and wastewater treatment.

In addition, each of the communities will experience new challenges associated with growth management. While most communities have begun to plan for possible infrastructure expansion, each community will at some point require assistance from outside sources, whether it be for funding, planning assistance, or management. The FHRPO may be able to assist local communities in identifying grant monies, as well as fund individual projects for communities in need of consulting or planning assistance.

The current method of taxation through sales and property tax revenues provides a reasonable system to fund operations for local governments in the long term. However, there may be short-term shortages of funding as there is a lag between service delivery and the collection of new tax revenues (i.e., services begin immediately and prior to a new home being occupied; however, property tax may come at a later time). Thus, local governments should examine operational budgets, utilize reserve funds, consider postponement of purchases, and when necessary, take on short-term debt.

In addition, most communities will be involved in some form of long-term debt associated with new infrastructure development. Financing trends occurring in other states may provide some best practices to managing these challenges, and may include impact fees, threshold buybacks, and other best practices for assessment districts.

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