Wilmington Air Park

Airport Property Development Plan
Executive Summary

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WILMINGTON
AIR • PARK
Clinton County Port Authority

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I. Introduction

On behalf of the Clinton County Port Authority (herein the "Authority"), Jones Lang LaSalle, Woolpert, Inc., Landrum and Brown, and Unison Consulting, Inc. (herein the "Consultant Team") are pleased to present the Development Plan (herein the "Plan") for the Wilmington Air Park in Clinton County, Wilmington, Ohio (herein the "Property"). The overarching goal of this plan is to:

a) Identify potential economic development opportunities at the Property; and

b) Provide a series of recommended action steps that will enable the Authority to capitalize on these economic development opportunities.

This process began with the issuance of a request for proposals by the City of Wilmington and Clinton County, Ohio in August of 2010; and resulted in the selection of the Consultant Team in April of 2011.

Over the past six months, the Consultant Team has gathered and reviewed detailed site, market, and regulatory information to formulate preliminary development concepts and associated next step recommendations. In addition, throughout the planning process the Consultant Team solicited public and stakeholder input via the planning website, two public meetings, and more than 30 interviews with local elected officials and area business leaders. The Authority, as well as a "work group" (herein the "Work Group") consisting of leadership from Highland County, Clinton County, Dayton Development Corporation, Clinton County Regional Planning Commission, the City of Wilmington, R+L Carriers, and Air Transport Services Group (ATSG), guided the efforts of the Consultant Team throughout the planning process to ensure that proposed uses and next step recommendations were aligned with the community's economic development objectives for the Property.

II. Methodology

To achieve the goals of the planning effort, the Consultant Team worked with the Authority, the Work Group, and key stakeholders to conduct Property analyses activities. The team conducted a physical site analysis of the facilities and on-site infrastructure, a market analysis of the market demand for the types of facilities at the Property, a market assessment of the economic strengths of the region, a rates and charges evaluation, an ownership structure analysis, and a SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats) that culminated in the development of the Development Plan. The intent was to develop a market-driven development strategy.

The Consultant Team's conclusions and key observations for each of these seven focus areas, described below, provides the basis for the Summary Conclusions and Next Step recommendations called for in Section IV of this document.

a) **Current-Use Analysis:** Current tenants and uses at the Property were investigated to identify potential future trends and / or development opportunities.

b) **Previous Study Analysis**: Previous economic growth strategy reports - the Comprehensive Economic Development Strategy for Clinton County (March 2009) and the Clinton County Recovery Strategy Guidelines (April 2009) - were reviewed and key themes were incorporated into the Plan.

c) **Physical Site Analysis:** The Property's ability to accommodate development was investigated. More specifically, the Consultant Team analyzed preferred approaches to site accessibility and internal circulation, aviation infrastructure and existing on-site facilities, potential environmental considerations, and access points to utilities.

d) **Market Analysis:** Macro and micro level market data pertaining to the supply and demand for 1) air cargo, 2) military air defense research, development and manufacturing, 3) other civil / commercial aviation uses (maintenance repair and overhaul – "MRO", passenger, flight training, and general aviation), and 4) non-aviation specific commercial real estate product such as warehouse / distribution, office, and general manufacturing.

e) **Regulatory Analysis:** Regulatory issues that may impact development including the status of the current FAA operating certificate (Part 139), development restrictions, economic incentives, and federal airport funding opportunities and associated administrative requirements.

f) **Stakeholder Input:** Stakeholder thoughts and perspectives on potential uses.

g) **Financial Analysis:** Current and projected cash flows for the Property as well as projected development economics.

III. Summary of Findings

A.) Current Use Analysis

There are currently two main tenants that occupy the Property, Air Transport Services Group (ATSG) and Cargill. ATSG is the largest tenant, occupying nearly 518,000 square feet of warehouse, office, flex, and hangar space under a nine-year lease. The Property serves as ATSG's headquarters and is their base of operations for their MRO service. The MRO service is operated through an ATSG subsidiary - Airborne Maintenance and Engineering Services (AMES) - which it plans to expand through the addition of a new maintenance hangar scheduled for completion in 2013. In aggregate, ATSG and its subsidiary companies employ approximately 750 people at the Property. This number is expected to grow to nearly 1,000 employees with the addition of the new hangar. Cargill is the second largest tenant and occupies approximately 7,200 square feet of office space in the Administration Building under a five-year lease. Most of the facilities occupied by the previous owner remain vacant, including all of the buildings used for sorting purposes – or "Sort" buildings (over 2 million square feet). It should be noted that the Authority continues to provide utility service to these vacant properties – including heating during the winter months.

> Conclusion: There is substantial vacant space on the Property which could enable the Authority to accommodate a tenant with a significant space requirement; however, utility costs associated with the heating and lighting of these vacant structures should be carefully managed to reduce operating expenses incurred by the Authority. Given the relatively large scale of current ATSG operations, near-term future uses may benefit from partnerships and / or synergies with ATSG.

B.) Previous Study Analysis

In the spring of 2009, the *Clinton County Recovery Strategy Guidelines* recommended that future development at the Property focus on 1) Agri-business, 2) Manufacturing, and 3) Transportation and Logistics.

Also in 2009, a *Comprehensive Economic Development Strategy for Clinton County, Ohio (herein the "CEDS")* report was completed. The CEDS report proposed the following objectives, among others, to catalyze the broader economy of the Clinton County region:

- Develop a comprehensive marketing plan to target advanced energy, biotech, bioscience, and biomass industries;
- Retrain the workforce to meet the needs of a diverse economy; and
- Create Wilmington College and Southern State Community College incubators and training centers which target key business and industry sectors.

> Conclusion: Where appropriate, the Plan should leverage the key findings of these reports.

C.) Site Analysis

Accessibility	Environmental
The Property is located roughly 10 miles from I-71. The travel time to I-71 has been reduced (from 20 to 10 minutes) with the recent completion of the SR 73 bypass; however, the Property will remain at a disadvantage compared to other development sites in the region that offer more direct access to I-71 or I-75. Further, the Property is not accessible by rail. Conclusion: Relative to other development sites in the region, the Property is not well served by road / rail infrastructure. The opportunity for air access is the key distinguishing feature of the Property.	The Property was reviewed for potential issues pertaining to wetlands, natural features, and floodplains, and was found to be relatively unencumbered by environmental considerations. There are some wetland areas on the southern portion of the site, but these areas should not dramatically impact future development. Conclusion: The Property is not significantly encumbered by environmental considerations which allows future development to grow and expand virtually anywhere on the Property.
Ownership	**Utilities & Aviation Infrastructure**
The Property is owned by the Clinton County Port Authority with no encumbrances or debt obligations. Conclusion: The Property is not encumbered by disputes of ownership or debt obligations, providing the Authority with a great amount of flexibility to negotiate with potential users / tenants.	The "greenfield" (undeveloped grassland) on the outer perimeter of the south runway is encumbered by a lack of utility infrastructure which will delay the timeline for potential development in those areas. Aviation infrastructure, including parallel runways and instrument landing systems, is modern. Conclusion: The perimeter of the Property lacks basic utility infrastructure, meaning long-term development opportunities should be reserved for this portion of the Property (which will most likely need annexation to the City of Wilmington).
Facilities	**Land Use and Zoning**
The Property is improved with a variety of office (217,000 square feet), warehouse / sorting / hangars (2.8 million square feet), and special use space (10,000 square feet) that could be converted for other uses. The sorting equipment within the Sort Buildings is designed for the very specific purpose of processing express freight for packages weighing less than 150 lbs. Conclusion: The interiors and exteriors of the facilities may need to be modified to accommodate alternate uses and / or multiple users. This may involve the removal of one or more of the Sort Buildings. The presence of the sorting equipment severely limits the potential uses of the Sort Buildings, and may need to be removed. Taking into account ATSG and Cargill leases, approximately 83% (2.5 million square feet) of the facilities are currently vacant.	Much of the Authority - owned Property is unimproved ramp space or "greenfield" which provides potential future users with unique airside access capabilities. Zoning is compatible with potential re-use alternatives which can work to expedite future development. "Greenfield" sites on the perimeter of the Property offer privacy and security features that could be attractive to certain users such as the military or military contractors. Conclusion: Current land uses are conducive to a variety of potential development opportunities. Future development should not require zoning changes. A large portion of the Property's acreage consists of runways, taxiways, apron, or grassland – some of which may not be necessary to accommodate near-term economic development opportunities.

D.) Market Analysis

Analysis Sector	Rating	Comments
Air Cargo	◍	<u>International -</u> Over the next 20 years, within the air cargo sector, the North America / Asia route is expected be one of the fastest growing international trade routes (6.7% per year - trailing only intra-Asia growth of 7.9% per year). Asian air cargo carriers may have interest in capitalizing on the anticipated growth of these air trade routes by establishing a hub of operations in North America.
	○	<u>Domestic -</u> Over the next 20 years, growth rates for domestic air cargo traffic are forecasted to grow at a relatively meager 3% per year. Within the region, Dayton International Airport (herein "DAY") and Cincinnati/Northern Kentucky International Airport (herein "CVG") are marketing approximately 1,000,000 square feet of vacant air cargo facilities. In addition, express freight operators (UPS / FedEx) have established primary and secondary hub networks that are highly unlikely to relocate in the foreseeable future.
Military / Aerospace	●	<u>Military / Aerospace Manufacturing and R&D:</u> Research and Development for unmanned aerial systems (UAS) is a major strategic initiative for the United States Military. Over the next two years, research and development and procurement spend related to UAS' is anticipated to increase by nearly $2 billion. In addition, the aerospace industry in Ohio is expected to grow 7% over the next four years. Lastly, the Air Force Research Lab (AFRL) has already expressed interest in utilizing the Property for UAS research and testing.
Other Commercial and Civilian Aviation Uses	◍	<u>MRO:</u> Over the next ten years, the worldwide demand for Maintenance Repair and Overhaul (MRO) services is forecasted to grow at a relatively slow 3.3% per year. Domestic demand for MRO is projected to grow at an even slower rate (1.1%). Nevertheless, MRO is a proven business model at the Property and could help spur other aviation uses in the long-term. <u>Passenger and General Aviation / Flight Training:</u> Passenger air travel at nearby airports is declining (down 40% and 2% since 2008 at CVG and DAY, respectively); and, since 2000, general aviation operations for the region are down nearly 20%. However, according to market surveys of nearby flight schools, interest in establishing pilot training activities at the Property is strong.
Non Aviation (Traditional Office, Manufacturing, and Distribution Market)	◌	<u>Distribution:</u> There is an overabundance of available commercial warehouse and distribution space in the region. For example, directly adjacent to the Property, over 1,000,000 square feet of warehouse and distribution space is vacant and is being marketed to potential tenants. <u>Manufacturing:</u> Four-year growth projections for the metals, machining and advanced materials industries (the two core industries within region) are not positive (-5%). However, growth is expected within the healthcare industry which is forecasted to grow 2% by 2016. <u>Office:</u> The majority of Class A office space within the Wilmington area is located at the Property. As a result, the Property could garner interest from tenants looking for Class A space in the Wilmington area, such as regional businesses looking to expand.

● High ◍ Moderate ◌ Low ○ Unlikely

E.) Regulatory Analysis

The analysis of regulatory considerations pertaining to the potential development of the Property focuses on three key issues related to 1) the Federal Aviation Administration Part 139 operating certificate, 2) public funding sources, and 3) incentives. Each of these issues is discussed in greater detail below.

1) <u>Federal Aviation Administration (FAA) Part 139 Certificate:</u> The FAA Part 139 operating certificate is required for most existing and potential future aviation uses. The regulatory focus of FAA Part 139 certification is on passenger service; however, the certificate is a reflection of the safety standards of the airport and is of critical importance to air carrier insurance companies. The existing MRO operator at the airport, Airborne Maintenance and Engineering Services (AMES), has indicated that they would be unable to continue operations at the Property without a FAA Part 139 certificate.

   Currently, the Property does have a valid Part 139 certificate; however, the long-term viability of the certificate is unclear as many safety and security upgrades are required by the FAA to remain eligible for certification. (See Section G below for some of the cost factors.) Losing the certificate could jeopardize future development opportunities and threaten the viability of AMES / ATSG and the 700+ employees that currently work at the Property.

   <u>Conclusion:</u> Maintaining the FAA Part 139 certificate is a critical component of the Plan.

2) <u>Public Funding Sources</u>*:* The most common source of public funding for airports is the national Airport Improvement Program (herein "AIP"). The AIP distributes grants to airports to help improve safety and efficiency and is a major source of funds for airport capital improvement projects. For example, for qualifying airports, AIP funds can typically cover up to 95% of the costs associated with the maintenance of Part 139 certification for eligible airports comparable to the Air Park. In order to qualify for AIP funding, the Property i) must be included on the National Plan of Integrated Airport Systems (NPIAS) list; ii) complete an airport layout plan and the associated master plan; and iii) adhere to ongoing land use, business operating, and development requirements administered by the FAA. These requirements are imposed by the AIP funding statute. Each of these qualifying factors is discussed in detail below.

   i. NPIAS List Status: Currently, the Property is not on the NPIAS list which makes it ineligible to receive AIP funding. Based upon discussions with the FAA, in order to be included on the NPIAS list, the Authority will need to work with neighboring commercial and general aviation airports as well as the state department of transportation to develop a regional aviation plan that calls for the use of the Property to meet the region's aviation needs. Based upon preliminary feedback from the Work Group, a consolidation of general aviation activities in the region would likely require structured negotiations with stakeholders, neighboring communities, and elected officials.

   ii. Airport Layout Plan / Master Plan: Once the Property has been designated as a "NPIAS Airport", the Authority will need to develop and obtain FAA approval for a formal Airport Layout Plan (ALP), supported by a master plan (to be procured by the Authority). Traditionally, the FAA may fund up to 95% of the cost for the ALP / master planning effort at airports comparable to the Property. It is possible that the ALP and the NPIAS designation efforts could occur simultaneously.

iii. Ongoing Oversight: Regarding airport utilization and conveyance for development, once AIP funds have been received, the Authority would be subject to FAA oversight over how airport property is utilized and conveyed for development to ensure that i) the Authority is maintaining proper control over the safety and security of the airport and ii) federal funds are utilized in a manner that maximizes public benefit and equal opportunity. For example, the Authority would be required to follow an administrative process to obtain approvals from the FAA to utilize portions of the Property for economic development purposes. In addition, the FAA would limit the terms of ground leases to third party developers / end users and would likely require that a Request for Proposal ("RFP") be used to ensure fair and open competition to potential third party partners. The Authority could not grant exclusive rights to conduct aeronautical activities on the Property, and would be required to develop fees and rental structures that are reasonable and avoid unjust discrimination.

Conclusion: The absence of AIP funding could provide the Authority with the unique ability to negotiate with developers and investors without federal regulatory oversight. In addition, based upon preliminary discussions with the Work Group, securing NPIAS status through general aviation airport consolidation may require a time consuming process to negotiate with general aviation stakeholders within the region. On the other hand, based upon a review of the Authority's current and projected cash flow from operations (discussed in Section G below), it appears unlikely that the Authority can feasibly manage the cost of i) upgrading security items per Part 139 requirements, and ii) maintaining the Property's core aviation assets without access to AIP funding. As a result, obtaining access to AIP funding is a critical component of the Plan.

3) Incentives: The State of Ohio and the Authority have access to a multitude of tax incentives that can be employed to stimulate investment. The majority of these incentives come in the form of grants, loans, and tax credits that help companies offset the costs of training, hiring, and purchasing equipment. Many of these programs are also used by other states to spur economic development. In addition to traditional grants and tax credits, Tax Increment Financing (herein "TIF") is also available in Ohio. When used effectively across a district, TIF can help absorb the significant costs associated with providing infrastructure or modifying existing facilities to accommodate new tenants / end users.

Conclusion: TIF is a useful tool in spurring economic development in areas that require significant infrastructure – such as the "greenfield" sites on the southern edge of the Property. Grants, loans, and tax credits are critical to remaining competitive with other states and regions looking to secure and retain economic development activity. At the same time, the Authority should exercise caution when deploying incentives in efforts to win a "bidding war" with other jurisdictions. Using incentives to subsidize risky businesses endeavors is not recommended, and could jeopardize the Authority's efforts to generate long-term, sustainable economic development at the Property.

F.) Stakeholder Input

The Consultant Team interviewed more than 30 organizations, companies, and stakeholders to gain insight into expectations and thoughts for the future development of the Property. The following is a summary of the key highlights of these discussions:

- Value-added food processing was brought up on several occasions, and is seen as a high probability opportunity due to Wilmington's rich agricultural base.
- Many interviewees indicated that the Authority should work with nearby colleges to investigate and promote agricultural uses, as well as aviation uses such as flight training and MRO. Partnership opportunities with Wright Patterson Air Force base should also be fully vetted.
- A few respondents indicated that the Property should be marketed to foreign carriers because airport fees are cheaper, and the Air Park is not as crowded as nearby regional airports.

- Lastly, business and community leaders expressed a strong reluctance to attract businesses to Wilmington based on financial incentives and / or inexpensive, available square footage. The Property should not subsidize the operation of poor businesses.

Conclusion: Where appropriate, the Plan should incorporate these considerations into the analysis of potential uses and recommendations for next steps.

G.) Financial Analysis

The financial analysis is focused on the evaluation of i) “day-to-day” operational cash flow of the Property and ii) financial feasibility of prospective development opportunities. The analysis of financial feasibility also examines potential financing structures that the Authority could utilize to facilitate development.

1. Operational Cash Flow Analysis: The operational cash flow analysis focuses on three elements, a) current revenue and expenses, b) capital repair and replacement, and c) rates and charges.

   a) Current Revenue and Expenses: The long-term financial viability of the Property is of critical concern as the Authority continues to cover costs associated with utilities and maintenance of the buildings and grounds. As of September 2011, the cash flow budget for the Property projected an approximate year end surplus of $200,000. This surplus will result in a “cash on hand” surplus of approximately $760,000 at the conclusion of 2011. The budget for 2012 projects a shortfall of approximately $280,000 – driven largely by property taxes ($1.4 million), utilities ($2.6 million), and building grounds and maintenance costs ($1.4 million). It should be noted that building, grounds and maintenance costs do not account for a Capital Repair and Replacement reserve (“CRR”) to fund anticipated capital expense items. Projections for future revenue and expense items include the following:

      Future Revenue Generation: In addition to lease income from ATSG and Cargill, preliminary estimates for near term - one time - revenue generating events include the potential sale of the sorting equipment and related infrastructure which is estimated to generate roughly $2 million to the Authority (pending the outcome of negotiations with the previous owner over revenue sharing agreements).

      Future Operating Costs: For tax savings purposes, the Authority is currently working to reassess the Property to reflect the current taxable value, and to reflect the fact that the Property is now owned by a public entity. The Authority estimates that up to $400,000 in annual property tax savings may be realized as a result of these activities.

   b) Capital Repair and Replacement: While a formal inventory of future capital repair needs for facilities and aviation infrastructure has not been completed as part of this Plan, the Consultant Team has generated a rough cost estimate for the items the FAA has indicated would be required to maintain the FAA Part 139 certificate including i) replacing the current fence with a ten foot fence (approximately $3.6 million***), ii) replacing the functionally obsolete Aircraft Rescue Fire Fighter (herein “ARFF”) trucks (approximately $1 million), and 3) conducting a wildlife study to understand potential nuisances to aviation activity at the Property (approximately $60,000) - for a total cost of approximately $4.7 million. As the table below shows, based upon preliminary analysis, the Authority would likely run a deficit of approximately $2 million if it were to attempt to fund these costs without financial support from the FAA.

c) **Rates and Charges:** An analysis of landing and fueling fees at the Property indicated that the Authority utilizes three different types of charges for air carriers. In addition to the landing and fueling fees, the Authority also charges a ten cent per gallon "airport fee". The "airport fee" is not typically included in the rates and charges schedule at other similarly sized airports, and may discourage potential air carriers from looking to establish operations at the Property.

Operational Cash Flow Analysis Conclusion: While the sale of the sorting equipment may generate sufficient revenue to cover Part 139 enhancements, the lack of a CRR reserve fund leaves the Authority vulnerable to unexpected capital costs. The Authority should take steps to generate revenue and / or reduce costs in the near term to become more financially stable. Based upon preliminary analysis of current cash flow projections, cost estimates for FAA Part 139 enhancements, and revenue projections for selling the sorting equipment, the Authority may not be able to address capital repair costs or invest in other facility improvements if costs for the FAA Part 139 improvements are not shared by the FAA via AIP funding. In addition to these efforts, the Authority should consider consolidating the airport fee into the landing or fuel flowage fee.

Wilmington Air Park Operational Cash Flow Summary						
		ESTIMATED				
Revenue / Expense Items*	2010	2011	2012	2013	2014	2015
Cash flow from operations**	$560,000	$200,000	-$283,080	$52,514	$70,000	87,575
Revenue from Sort Equipment				$1,000,000	$1,000,000	
Costs of Part 139***				-$2,380,000	-$2,320,000	
NET INCOME / (LOSS)		$200,000	-$283,080	-$1,327,486	-$1,250,000	
BALANCE	$560,000	$760,000	$476,920	-$850,567	-$2,100,566	-$2,012,991

Rates and Charges	
Landing Fees	Varies by weight of aircraft
Fuel Flowage Fees	$0.45/ gallon
Airport Fee	$.10 / gallon

*Rounded to the nearest 1,000
**Assumes 25% reduction in property tax liability, .5% annual lease income growth, and 1.5% annual operating expense growth beginning in 2013
***Assumes $65/linear foot * 56,000 linear feet

2. **Development Finance:** The analysis of financial feasibility for prospective development projects at the Property was driven largely by development costs (construction and land) and vacancies for office and warehouse product in the Wilmington region.

Construction costs, which have remained high despite the steep decline in building activity in the United States during the current recession, have resulted in a poor development environment characterized by elevated construction costs as well as declining rents and increasing vacancy. This has led to a severe slowdown in development activity in the United States (down nearly 90% since 2008) and corresponding decreases in land costs (trending at roughly $0.50 per square foot in the Wilmington area).

Vacancies for office and warehouse space within Wilmington are elevated (19% and 71%) respectively, while hangar space is in short supply on the Property. Therefore, demand for new development on the Property, will likely be driven by a need for an additional hangar with ancillary office space. For comparison purposes, the Authority recently completed an agreement with ATSG for the development of a new 100,000 square foot maintenance hangar at a cost of $16 million or $160 per square foot. This hangar is 100% financed / funded through public loans and grants and ATSG will be leasing the facility for $4 per square foot. In addition, Cargill recently signed a new lease for 7,200 square feet in the Administration Building for office space at a rate of $12.50 per square foot.

Source: Turner Construction

Example: Hypothetical Development Project

The following analysis utilizes the construction cost and rent figures established by the ATSG and Cargill leases to illustrate the potential economics of accommodating a new flight training center which, for the purposes of this analysis, would include the development of a 40,000 square foot hangar with 10,000 square feet of office and training space ("hypothetical development project").

As the table shows, the basic fundamentals of the hypothetical development project are weak with a return on assets figure of 5.17%, which compares negatively to the market average of 8%. Looking at the financial results after financing costs are considered, this type of project would not result in a positive cash flow when financed by the private sector.

<u>Development Finance Conclusion:</u> Based upon an assumption that the State and the Authority could borrow money at a rate that is 200 basis points below private rates, a publicly financed project would result in a positive cash flow. Given this preliminary and high level analysis, it appears that the Authority and the State of Ohio will need to provide some form of public financing assistance to future development projects in the foreseeable future, due primarily to a real estate market that is suffering from relatively high construction costs coupled with high vacancy rates and depressed rents.

Flight School Training Center – Prospective Development	
Assumptions	
Hangar Space	40,000
Office Space	10,000
Land costs ($.50/sf)	$35,000
Construction Costs	$7M
Total Development Costs / psf	$7.1M / $142
Operating Income	$367,500
Private Developer Financing Rate	6%
Public Finance Rate	4%
Results	
Return on Assets (Yield on Cost)	5.17%
Cash flow after financing – Private Developer (80% Financed)	-$46,018
Cash flow after financing – Publicly Financed (100%)	$8,025

IV. Conclusions and Recommended Next Steps

The following is a summary of the Consultant Team's critical observations and recommended near-term and long-term action items that will help position the Property to serve as an economic engine for the regional economy once again. For reference purposes, it should be noted that "near-term" action items should be addressed within two-to-four years while "long - term" action items should be completed within five-to-ten years. The action items are ordered according to highest and lowest priority.

1.) Maintaining the financial viability of the Property in light of FAA Part 139 certificate requirements and long-term capital repair and replacement needs is a key concern. As such, the Authority should take steps to stabilize its cash flows while pursuing NPIAS designation and AIP funding.

a) Near-Term Action Items:

i. Generate revenue by leasing marketable spaces including office, flex, and warehouse space. Structure leases in a way that will allow for flexibility in pursuing long-term economic development opportunities.

ii. Pursue opportunities to sell obsolete sorting equipment and associated infrastructure and utilize the revenue to fund current or future capital improvements to the Property - including FAA Part 139 requirements.

iii. Reduce operating expenses by implementing cost savings strategies such as:
1. Separately metering utility service to tenant spaces;
2. "Mothballing" facilities that may not be utilized in the near term (i.e. large Sort Buildings); and
3. Investigating the basis for the current property tax obligation to ensure that the assessed value is accurate.

b) Long -Term Action Items: Based upon the substantial vacant land and underutilized facilities on the Property, as well as the findings of the aviation market analysis, the Authority should work to "right size" the Property and identify the appropriate portions that should be allocated for aviation uses ("airside") and non-aviation uses ("landside"). In effect, the "airside" portion of the Property would serve as the footprint of the airport, with boundary areas demarcated by the placement of the upgraded security fence necessary to satisfy FAA Part 139 requirements. The balance of the Property could be used for a variety of economic development purposes – some of which may be related to aviation. The effort to identify appropriate boundaries for the landside and airside portions of the Property would traditionally be incorporated into the two-step master planning process that is required to secure AIP funding - summarized as follows:

i. Secure NPIAS Status: Engage in a productive dialogue with neighboring AIP-funded general aviation (herein "GA") airports in Highland and Clinton counties to explore opportunities to consolidate GA activities at the Property. Establishing GA activity at the Property is a critical milestone to securing NPIAS status which, in turn, is a prerequisite to becoming AIP eligible. In addition, GA activity at the Property would serve as a critical baseline for forecasting future aviation demand as part of the Airport Layout Plan ("ALP") / master planning effort.

ii. **Develop an Airport Layout Plan:** Concurrent with ongoing discussions with the FAA and the State of Ohio Department of Transportation, and neighboring GA airports

1. Procure an Airport Layout Plan (ALP) and associated master plan that will build upon the findings of this Plan to identify the appropriate boundaries of the airport portion of the Property. If the Property is successful in securing NPIAS list status, the FAA may share in a portion of the costs associated with procuring the ALP and master plan;
2. Quantify future aviation demand at the airport (including general aviation activity);
3. Analyze future capital repair and maintenance costs for aviation and non-aviation infrastructure and facilities, and
4. Confirm the financial viability of the airport (current and projected cash flows).

2.) Given the proximity to Wright Patterson Air Force Base – the region's largest employer – partnership opportunities should be explored.

a) <u>Near-Term Action Item:</u>

Research and Development for unmanned aerial systems (UAS) is a major strategic initiative within the military. Pursue opportunities to accommodate research and development / manufacturing activities with the Air Force Research Lab. As UAS development initiatives are aggressively pursued, the Property's ability to provide relatively unobstructed airspace and secure operations could be attractive to the military and its contractors.

b) <u>Long -Term Action Item:</u>

Investigate costs associated with providing infrastructure and utilities to potential military research and development operations on the Property.

3.) Demand for domestic commercial aviation uses may grow from local and regional companies such as the existing maintenance repair and overhaul (MRO) business, regional pilot training programs, general aviation operations, and aviation maintenance schools.

a) <u>Near-Term Action Items:</u>

i. Meet with regional flight training schools to discuss the potential to utilize the Property for training purposes. Forge strong partnerships with Southern State Community College and Wilmington College to collectively identify potential synergies between academic coursework and career tracks that may be available at the Property with tenants such as ATSG, Cargill, or other future tenants.

ii. Make the Property available for general aviation activities.

b) Long -Term Action Items:

i. Proactively monitor the success of the new aviation maintenance hangar. Work to ensure the competitiveness of MRO operations by structuring appropriate rates and charges.

ii. Develop formal internship / externship programs with neighboring colleges so that course offerings are aligned with the job skills needed at the Property.

4.) Future commercial aviation uses at the Property will likely be derived from growth in international air cargo volumes over the next 20 years.

a) Near-Term Action Items:

i. Engage in outreach efforts with international trade agencies at the state and federal level as well as cargo carriers based in Asia and / or South America that are looking to expand their North American route networks.

ii. Identify products that are produced in Ohio and exported to Asia or South America by air such as pharmaceuticals and medical equipment, high value agriculture, aeronautical parts, and high value automotive parts and electronics. Engage with the local producers of these products to explore opportunities to utilize the Property as a distribution point for air shipments to Asia and South America.

iii. Consolidate the "airport fee" into the landing and fueling fee to make the overall fee schedule more comparable to other airports and therefore more attractive to potential air carriers.

iv. Because trucking will be the major ground linkage for the Property, it is recommended that the facility consider teaming with local and regional trucking companies to explore potential synergies, co-marketing and incentive-pricing structures - as access to reliable ground transportation will be of critical interest to air cargo carriers.

b) Long -Term Action Items:

i. Develop a marketing plan that will lay the framework for discussions with major international air cargo carriers. The Plan should highlight:

1. The modern aviation infrastructure and relatively open airspace;
2. Existing facilities;
3. Skilled workforce;
4. Accessibility to products that are exported by Ohio companies;

5. Complementary aviation uses at the Property (MRO);
6. Opportunity to expand;
7. Available economic incentives;
8. Potential connecting point between Asia and South America;
9. Competitive landing fueling fees;
10. The new SR State Road 73 bypass; and
11. Proximity to major regional trucking companies.

5.) If macroeconomic conditions improve, opportunities for the Property to accommodate non-aviation and aviation related manufacturing and distribution / warehouse uses may surface.

a) Near-Term Action Items:

i. If discussions with the AFRL gain momentum, engage ancillary contractors / manufacturers that may be in a position to fulfill orders for new air defense parts / systems.

ii. Consider partnership opportunities with regional trucking carriers to accommodate future logistics / warehousing needs.

iii. As part of the plan to attract Asian air cargo carriers, discussions with traditional manufacturing users could be arranged in tandem with efforts to provide products for export to Asia and / or South America.

b) Long -Term Action Items:

i. Generate a marketing plan to pursue non-aviation / aviation-related manufacturing, distribution / logistics, and office uses. The plan should highlight:

1. Proximity to Wright Patterson Air Force Base;
2. The new State Road (SR) 73 bypass;
3. Potential to acquire fee simple development rights or long term leases for certain “landside” portions of the Property;
4. Skilled workforce;
5. Secure location;
6. Synergies with existing aviation uses;

7. Proximity to education institutions (Southern State, Wilmington College, and Laurel Oaks);
8. Available economic incentives such as TIF, low interest loans, and various tax credit programs;
9. Available infrastructure; and
10. Existing facilities.

6.) The Sort Buildings are configured for use by a single tenant and for the sole purpose of processing packages and small freight. As such, these buildings may require investment, modification, or in some instances demolition in order to accommodate multiple tenants and different types of uses.

a) Near-Term Action Items:

i. Generate a preliminary conceptual layout plan that illustrates how the layout of the "sort" buildings could be modified. This plan could be included as part of the marketing collateral for the Property that would be provided to prospective end users and tenants.

b) Long -Term Action Items:

i. In the event a potential end-user expressed interest in one or more of the sort facilities, identify potential economic incentives that could be used to offset the costs associated with the reconfiguration of existing structures. Incentives could include tax increment financing and economic development grants and loans among others.

7.) Economic incentives should be used as a public finance tool to fund future investment in facilities and infrastructure.

a) Near-Term Action Item:

The interior core areas will likely require less investment to accommodate future users and therefore could be the focus of near-term efforts to utilize TIF.

b) Long -Term Action Item:

Relative to the "greenfield" areas on the perimeter of the Property, identify specific TIF district zones correlated with areas of the Property that will likely require significant investment in infrastructure to accommodate future development.

V. Land Use Plan

1.) **Air Cargo:** Located adjacent to the end of the runway, existing warehouse / distribution facilities, off airport logistics park, and easily accessible from State Road (SR) 73 bypass.

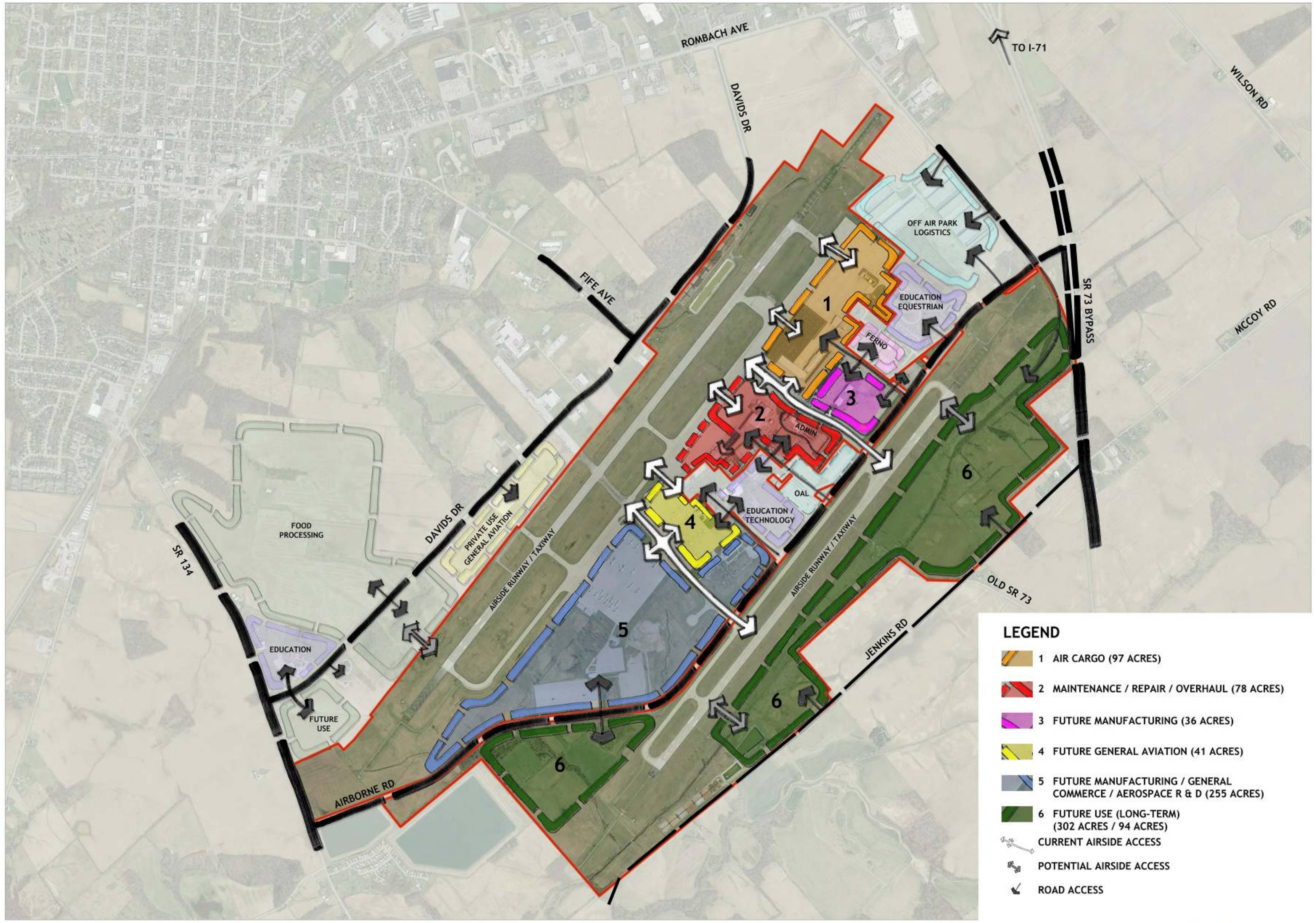
2.) **Maintenance / Repair / Overhaul (MRO):** Located over existing MRO facilities with expansion areas along the taxiways.

3.) **Future Manufacturing:** Located adjacent to Airborne Road. Proximity to air cargo will facilitate expedient inbound / outbound shipping.

4.) **General Aviation:** Located adjacent to MRO and Laurel Oaks Career Development Campus to facilitate partnership opportunities. Ample ramp space is available for parking planes.

5.) **Future Manufacturing:** Location provides potential for airside access with the opportunity to secure from other areas of the Property. This location may be attractive to aerospace manufacturing and research and development firms.

6.) **Future Use:** Multiple uses could be accommodated here. Timeline for development may be protracted given lack of available infrastructure.



Preferred Plan
Wilmington Air Park
Clinton County Port Authority Owned Property

0 850 1,700 3,400 5,100 Feet

N