

ADDENDUM E

Summarizing the Market Assessment, Opportunities and Recommendations for PBC DOA's Collateral Land

Palm Beach International Airport

**Summarizing the Market
Assessment, Opportunities and
Recommendations for PBC DOA's
Collateral Land**

Prepared for:
Palm Beach County Department of Airports

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CH2MHILL

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Summary of Recommendations

1.1 Development Recommendations

1.1.1 Process

The process for making a property ready for construction is complex and lengthy, and involves many actions by the Palm Beach County Department of Airports (PBC DOA). These include the collection of information, initiation of applications for regulatory approvals, minimal investment in preparing the site (“soft development”), soliciting interest from developers or tenants, and negotiating lease terms.

The recommended sequence of such actions is as follows:

1. Make an inventory of existing studies:
 - a. Survey
 - b. Environmental audit (Phase 1 Environmental Site Assessment [ESA])
 - c. Road access
 - d. Other (including geotechnical)
2. Conduct necessary concurrency and environmental studies prior to the comprehensive plan amendment application:
 - a. Traffic study
 - b. Water/sewer, etc.
3. Initiate soft development projects.
4. Determine the need for Development Regional Impact approvals.
5. Prepare and submit a land release request to the Federal Aviation Administration (FAA).
6. Investigate the need for National Environmental Policy Act of 1969 (NEPA) compliance for the release of land for the proposed use.
7. Submit comprehensive plan amendment application.
8. Submit zoning application (concurrent with Step 6).
9. Issue Request for Qualifications (RFQs) or Request for Proposals (RFPs) for real estate broker/advisor; alternatively, invite interested developers to declare interest.
10. Negotiate ground-lease terms.
11. Developer submits applications for:
 - a. Development Order
 - b. Building permits

The timeline for the process described above, from the moment of the Comprehensive Plan amendment application to the start of construction, is a minimum of 15 months, with several of the separate actions occurring concurrently.

1.1.2 Recommendations on Properties

Recommendations for properties on Palm Beach International (PBI) Airport, Palm Beach County Park Airport (LNA), North Palm Beach County General Aviation Airport (F45), and Palm Beach County Glades Airport (PHK) are listed below. They are also summarized in Exhibits 4-1 and 4-2, Section 4.2.4.

Aerial maps of PBI and LNA are provided on Exhibits 1-1 and 1-2, respectively.

PBI: Vacant Properties

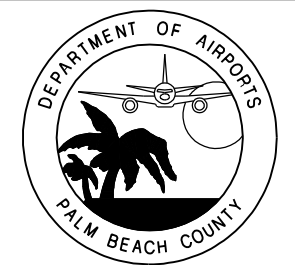
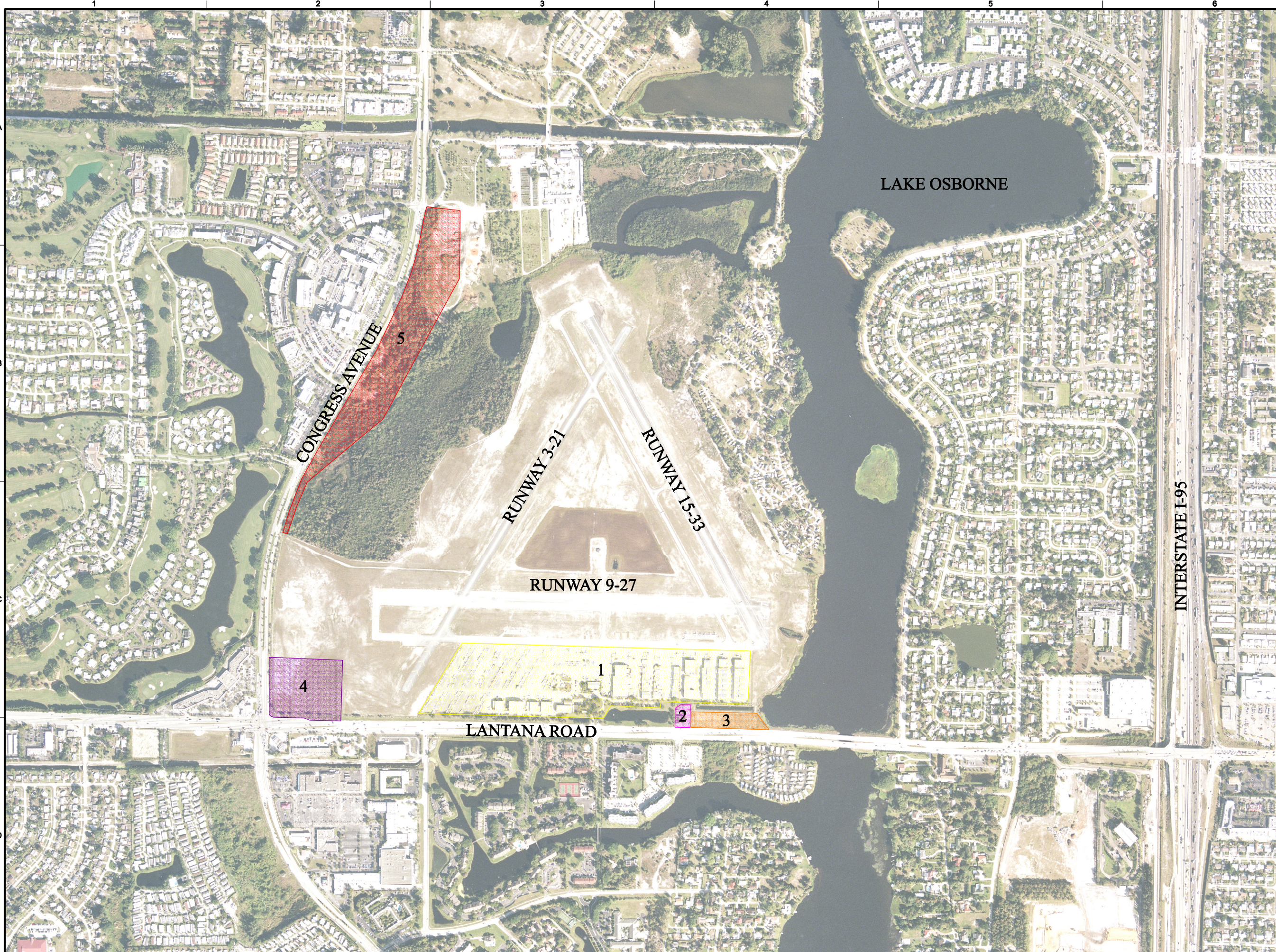
- ➔ Based on a combination of regulatory restrictions, existing commitments, future aviation uses, and potential revenue streams, the PBC DOA should develop vacant properties 1, 2, 7, 9, 10, 11, 17, 18, 22, 35, and 37. The remaining vacant properties are needed for Airport use or have other restrictions, or have specific planned uses that do not lend themselves to development.
- ➔ Recommended uses by property range from aviation-related (such as rental car operations) to retail, hotel, restaurant, low-rise office and light industrial/logistics.
- ➔ Estimated achievable ground rents range from about \$0.75 to \$1.00 per square foot per year.

PBI: Properties with Existing Tenants

- ➔ Based on a combination on regulatory restrictions, existing commitments, future aviation uses, and potential revenue streams, CH2M HILL recommends that the PBC DOA seek different tenants for properties 3, 4, 5, 19, 21, and 25 to 30. The remaining occupied properties are needed for Airport use or receive near market rents.
- ➔ Parcels 3, 4, and 5 should be consolidated with a purchase of contiguous land as necessary. Parcel 18 should be consolidated with vacant parcel 19; and 21 consolidated with vacant parcel 22.
- ➔ Parcels 25 to 29, now occupied by fixed base operators (FBOs), are slated for losing hangars and apron space as part of Airport expansion. The remaining narrow frontage space should be offered for commercial development.
- ➔ Recommended uses by property range from aviation-related (such as rental car operations) to retail, hotel, restaurant, low-rise office, and light industrial/logistics.
- ➔ Estimated achievable ground rents (as with vacant properties) range from approximately \$0.75 to \$1.00 per square foot per year.

Palm Beach County Airport Park (LNA)

- ➔ Parcel 5 should be the top priority. Preferably, it should be offered for development as a medical office complex. Phased development is recommended so as not to saturate the market.



PALM BEACH COUNTY PARK AIRPORT



One Harvard Circle
West Palm Beach, Florida 33409
Tel. 561-515-6500
Fax 561-515-6502
LB 0002934
AA 0000656

| NO. | REVISION | DATE |
|-----|----------|------|
| | | |
| | | |
| | | |
| | | |

LANTANA AIRPORT

| NO. | REVISION | DATE |
|-----|----------|------|
| | | |
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| | | |
| | | |
| | | |

AERIAL MAP

DATE:
PROJECT: 326417
FILE:
DESIGN BY:
DRAWN BY:
CHECKED BY:

SHEET

EXHIBIT 1-2

THIS DOCUMENT AND THE IDEAS AND DESIGNS INCORPORATED HEREIN, AS AN INSTRUMENT OF PROFESSIONAL SERVICE, IS THE PROPERTY OF CH2M HILL AND IS NOT TO BE USED, IN WHOLE OR IN PART, FOR ANY OTHER PROJECT WITHOUT THE WRITTEN AUTHORIZATION OF CH2M HILL. © CH2M HILL 2004. ALL RIGHTS RESERVED.

Vacant property 4 is the next priority and is a good candidate for retail, restaurant, low-rise office, and low-traffic logistics development. Property 3 has good frontage and could be offered for retail, restaurant and recreational use.

- ➔ Aviation-related existing tenants in remaining properties represent good uses for them.
- ➔ Ground rents that range from \$0.85 to \$1.20 per square foot per year are achievable.

North Palm Beach County General Aviation Airport (F45)

- ➔ The vacant space of the Subsidiary Development Area is well-suited for light industrial and logistics development.
- ➔ Ground rents in the region of \$0.50 to \$0.65 per square foot per year should be achievable if the property is developed.
- ➔ However, environmental issues associated with wetlands are complex and are expected to delay development for at least 2.5 years, and political opposition is expected.
- ➔ Other properties are needed for Airport use.

Palm Beach County Glades Airport (PHK)

- ➔ The property that is free for development is small and the potential for any kind of development is very limited.
- ➔ Land values are low, and any potential income stream is limited.
- ➔ The PBC DOA should give this property the lowest priority and wait for long-term changes in land-use patterns in this part of the County.

1.2 Marketing Plan Recommendations

The CH2M HILL team conducts surveys of highly successful economic development organizations to identify best practices. Marketing best practices are then adapted to the PBC DOA's objectives and specific situation. The relevant set of marketing activities is listed in Exhibit 1-3. This list of best practices leads to specific recommendations for a marketing plan for the development of the collateral properties.

EXHIBIT 1-3 Marketing "Best Practices"

| | |
|---|---|
| ➔ Write and frequently review a marketing plan, with clear priorities and timelines. | ➔ Develop and implement a system for evaluating the progress in implementing the marketing plan. |
| ➔ Take the preparatory actions necessary to bring the properties to market. | ➔ Identify a list of reputable real estate developers and pre-qualify a subset of them. |
| ➔ Develop and maintain good relationships with other County departments and state and federal regulators. | ➔ Leverage relationships with civic, business and trade organizations, especially ones with an interest in air travel and transportation. |
| ➔ Develop off-the-shelf materials with an effective, flexible system of customer response. | ➔ Develop internet-based materials centered around a comprehensive property database. |

SECTION 2

Introduction

In April 2006, CH2M HILL's Economic Development and Business Location Consulting group was tasked with completing Task 3 of the Phase I System Wide Airport Master Planning Study. The scope of work completed includes analyses of development trends related to PBC DOA's collateral property, and recommendations for development and marketing of the collateral properties.

An Executive Summary has been provided in Section 1. This section provides background information on Palm Beach County as a basis for this analysis. In this section, the report focuses on the results of primary research performed in Palm Beach County with economic development stakeholders. Interviewees gave their opinions of market segment trends and described what they thought the future holds. Section 3 discusses development trends as they relate to airport collateral land. Section 4 discusses the development process in Palm Beach County, and provides a timeline for development and recommendations for each of the properties at each of the Authority's airports. Two additional reports are provided in Appendices A and B. Appendix A provides a synopsis of the Target Industry Analysis completed for Palm Beach County upon which the recommendations were based. Appendix B includes a Best Practices Analysis for property development around airports.

2.1 General Background

2.1.1 Geography

Palm Beach County is the largest county east of the Mississippi River in terms of surface area. It extends from the Atlantic Ocean in the east to the south and southeast shore of Lake Okeechobee in the west. It borders Martin County to the north, Broward County to the south, and Hendry and Glades Counties to the west. The terrain is flat, with elevation seldom more than 20 feet. The Atlantic Intracoastal Waterway runs along the coast, separating the mainland from barrier islands.

2.1.2 Population

With a population of 1,270,000¹ in 2005, Palm Beach County is the 29th largest county in the U.S. and the third largest in Florida. Its population growth rate, a cumulative 12 percent from 2000 to 2005, is average for Florida, which grew a total of 11.3 percent in the same period. The County's population growth rate is twice as fast as the national average.

The demographics of the County is different from the national average in small but significant ways. When compared to the national average, the County combines:

- ➔ A higher percentage of African Americans and Hispanics
- ➔ Almost twice as many people over the age of 65
- ➔ More foreign-born residents
- ➔ Higher educational attainments

¹U.S. Bureau of the Census.

- ➔ Higher per capita income
- ➔ Lower poverty rates
- ➔ More expensive housing and real estate

2.1.3 Land Use

The vast majority of Palm Beach County's surface area is the unincorporated county. The County's 37 municipalities, with only a few exceptions, congregate on the eastern edge of the County near the ocean in an almost uninterrupted strip, traversed by I-95 and zoned mostly residential and commercial. The vast majority of residential development occurs in the eastern fifth of the County. About three quarters of the County are zoned for conservation and/or agricultural use.

Fewer areas are zoned commercial than the local market will bear, and the shortage is even worse for industrial-zoned land. Of the industrial zones, the largest is in the northern area of the County, around the Pratt & Whitney facilities. In conversations with CH2M HILL, public officials, civic and business leaders, and land-use experts observed that zoning regulations and policy create land use patterns in the County that leave little room for commercial and industrial development. This is confirmed by the minimal amount of land zoned for this purpose and the high values and lease rates for commercial property. Ultimately, high property values are driven by residential real estate, which is itself driven by population growth, the socioeconomic level of new County residents, a complex regulatory system, and limited land availability in the eastern residential corridor.

The four County-owned airports, including contiguous land parcels owned by the Palm Beach County Department of Airports, are all zoned Public Ownership, and comprise approximately two-thirds of all the land zoned that way in the unincorporated County.

2.1.4 Economic Profile

The labor force participation rate of people 16 and over is 59 percent, as compared to a national average of 66 percent. This statistic reflects the fact that people over 65 make up 21 percent of the population in Palm Beach County, as opposed to 12 percent in the U.S. as a whole.

Among the County residents that participate in the labor force, the unemployment rate is lower than the national average: 3.8 percent in the metro area versus 4.6 percent nationally. The latest data on employment shows approximately 460,000 jobs in the County, and employment is growing very rapidly, at close to 3% a year. Employment is dominated by the service sector industries (95 percent), compared with 84 percent in the U.S. Manufacturing employment in the County is only 16,400 people or 3.5 percent, compared with 10 percent nationally. Although 75 percent of the County is zoned for agricultural use, only 1,700 people are employed in agricultural activities year-round, with seasonal workers brought in at times.

The largest industry is retail, with about 70,000 employees, followed by health care (61,000), hotels and restaurants (49,000), and in administrative and support services (where the 48,000 jobs include temporary workers, security and landscaping). Governments at all levels employ approximately another 45,000. Professional services employ 37,000 and construction another 35,000. Finance, insurance, and real estate together employ another 39,000.

The County's economic lifeblood is services for its residents and visitors, which are supported by a steady stream of people relocating there (especially retirees), as well as tourists – all taking advantage of the climate, nature, and amenities. The population growth has raised property prices, but many of the service jobs available are low-paid. The result is a dilemma that the County shares with most of South Florida and other affluent tourist and retirement areas – how to provide good paying jobs and affordable housing for its residents and how to find the labor to provide the services that everyone needs.

2.1.5 Industry Profile

Palm Beach County's small manufacturing sector is definitely concentrated in light manufacturing sectors. The largest manufacturing industry in the County is food and beverages, employing approximately 4,000 employees, with sugar processing, bakeries, and soft drinks being the largest employers. The second largest is transportation equipment with more than 1,600 employees, most in aerospace and defense, and in boatbuilding. Much of the remaining manufacturing is construction-related: wood products (700, mainly trusses and flooring), cement products (1,000), furniture and cabinetry (700), plastic products (450), and glass products (200). Other sizeable sectors include printing (900), appliances (300), instruments (300), machinery (300), engines (150), and telecommunications equipment (150).

Pharmaceutical facilities employ about 470 people. Development in the highly promising biomedical field in a geographic area requires a combination of factors such as medical research resources and a critical mass of companies. The County's potential has been limited by the lack of a medical university and related research facilities. When the Scripps facility locates in Palm Beach County, its presence is likely to attract related research and manufacturing activity.

Another high-tech, high-paying industry is semiconductors and related electronic devices, which employs 430 people in the County. IBM was a major employer in the area but has reduced its presence. The high cost of land and the lack of research facilities are obstacles to the development of this sector.

2.1.6 Transportation Infrastructure

Ports

The Port of Palm Beach is relatively small by national standards. It is the 4th busiest in Florida, and the 18th busiest in the continental U.S. out of about 350. It is a mixed-use port, servicing container ships, bulk and break-bulk shipping, and cruise ships to the Caribbean, although Fort Lauderdale's Port Everglades and Port Canaveral are much larger cruise ship ports. The Port of Palm Beach cannot handle the largest ships (maximum length is 700 feet). It is served by the Florida East Coast Railroad Co., but intermodal capability is limited by poor road access to the interstate system through residential areas. The port faces competition from Port Canaveral (118 miles north), Port Everglades (46 miles south), and Port of Miami (69 miles south).

Railroads

The Florida East Coast Railroad Co. (FEC) was built in the late 19th Century as a passenger and freight railroad from St. Augustine to Key West. It now handles only freight and

services the Atlantic Coast ports, including the Port of Palm Beach. The line closely follows the coast, and consequently runs through the most heavily populated residential parts of Palm Beach County and other counties in South Florida. Meanwhile, passenger service is provided by Amtrak and the Tri-Rail commuter rail line from Mangonia Park to Miami Airport, using the CSX lines further west. Tri-Rail is run by the South Florida Regional Transportation Authority (SFRTA). Based on its proposed long-term transit development plan, the SFRTA has ambitions to expand service, increase the speed of the line, and perhaps move the corridor to the FEC line to create a South Florida high-speed rail corridor, as part of a larger plan for Florida transportation, but the effort is hampered by a lack of funding.

Roads

I-95 and the Florida Turnpike run north-south through the most heavily populated eastern part of the County, and are the major arteries for transportation, both freight and passenger. Palm Beach County residents commute long distances and lose more than 50 hours a year per driver in peak-travel delays. The County is expected to have the largest increases in vehicle miles traveled in all of South Florida.

2.1.7 Governance and Community Profile

Approximately 87 percent of the land surface lies in the unincorporated County. The remainder is in a patchwork of 37 municipalities, covering approximately half of all the residential land in the east of the County, from Jupiter in the north to Boca Raton in the south. Some of the municipalities, such as Haverhill and Atlantis, are very small. In addition, the County has 31 Special Taxing Districts that levy taxes, control resources, and provide such services as water and sewer, parks, and waterway maintenance.

Residents of the County cover a wide spectrum of race, age, and socioeconomic status. The upward movement of real estate values and the wide disparities in the cost of property (depending primarily on distance from the ocean) have created a socioeconomic stratification that is location-specific. As a result, residents of different areas and businesses have varied and sometimes conflicting preferences and agendas. For example, wealthy retirees want to limit development to maintain the natural beauty and amenities that drew them to the area, but young families need jobs and affordable housing.

This combination of fragmented government, divergent interests, complex planning and environmental rules, and affluent, engaged, and well-educated citizens makes for a development process that can be more complex, litigious, and slow compared to much of the U.S., and even other parts of Florida.

SECTION 3

Development Trends Related to Airport Collateral Property

Palm Beach County is currently one of the tightest real estate markets in the country. This is true for all market segments, and conditions in the residential segment (both single and multi-family) have been getting most of the attention. However, the tightness is even more pronounced in the office, retail, and industrial (including warehousing and logistics) segments, and of course each segment affects the rest.

3.1 Discussion by Market Segment

3.1.1 Residential

Buoyant housing prices have had direct effects on housing affordability as well as wealth creation for current owners. Median home prices in the County peaked at \$415,800 in late 2005, having doubled in three and a half years. Prices have cooled since then to \$386,000, but still remain much higher than the national median, which is currently \$227,500. The cooling of the market is clear, with three times as many homes on the market as a year ago. However, this is not expected to last very long. Florida as a whole is the recipient of tremendous migration (mainly from the rest of the U.S.), averaging over 300,000 a year, and due to zoning and planning restrictions there is no glut of housing. However, the cooling of the housing market, especially on the multi-family rental and condominium side, may have indirect implications for the development of PBC DOA collateral properties (see Section 3.1.2).

3.1.2 Commercial (General Trends)

Vacancy rates for commercial real estate, which includes retail, office, restaurant, and hotel, have been pushed down and lease rates pushed up by the dearth of properties for development combined with strong growth. Buoyant conditions in the residential market have also contributed by absorbing most of the land. When condominiums can be sold for \$150 per square foot, the economics of housing development push up the price of land and consequently the cost of bringing commercial real estate to the market. Because of the dearth of properties and strong returns in commercial real estate, 2005 and 2006 so far saw a large increase in construction. However, the demand for additional space is still strong, and population and economic growth is expected to keep this demand going for many years.

3.1.3 Office

CB Richard Ellis (CBRE), a national commercial real estate analyst, describes conditions as follows: "Palm Beach County's office market has the lowest vacancy rates in the state. The shortage of developable land is a challenge facing all areas. Rents are rising in response."² The report goes on to say that "rents are climbing throughout South Florida, which bodes

² Kelly, Jeff, CBRE Managing Director. Boca Raton: *CBRE MarketView, Palm Beach Office*.

well for builders planning new offices.” It is thought that most of the new demand is coming from the expansion of existing businesses, and is due to strong population, economic, and employment growth. Office employment has grown 5 percent over the past year, probably the fastest in the nation. Office vacancy rates are approximately 8 percent, which ranks them in the lowest 10 percent in the U.S. As a consequence, lease rates for Class A properties have climbed over \$20 per square foot triple-net (tenant pays taxes, insurance, and maintenance costs). The same or higher rates apply to medical office space. Health services is the largest industry in Palm Beach County, and given demographic and technology trends, demand for such space is likely to continue growing.

3.1.4 Retail

Vacancy rates are even lower for retail properties, and have fallen to about 3 percent. South Florida is the hottest retail real estate sub-market in the state and within the region. Palm Beach County is the most expensive, with average lease rates of approximately \$24 per square foot triple net. This is an average of rates that differ widely by location; retail space rates reflect the affluence of the area. As an example, Lantana area retail space leases for about \$15, compared with about \$28 for Palm Beach and approximately \$30 for Boca Raton.

3.1.5 Industrial

Of the 46 local industrial real estate markets that CBRE tracks in the U.S., Palm Beach is the smallest. In Palm Beach, the industrial property availability or vacancy rate is an extremely tight 2.6 percent, compared with a national average of 8 percent, which may make it the lowest in the nation. As a result, land prices and lease rates have risen substantially. According to local real estate brokers, recent sales records and appraisals, industrial-zoned land in new growth areas sells for approximately \$10 per square foot. Industrial space leases for \$8 to as much as \$15 per square foot triple net, depending on location and type. Such prices and rates are almost double the national average. The difference in lease rates between Palm Beach County and areas away from big cities and the coasts is even more pronounced.

3.2 Forecast Conditions

As mentioned already, as in other overheated parts of the country, the residential market in Palm Beach County is cooling from very tight conditions. This will have some short- and long-term effects on PBC DOA properties. The first market segment to be affected by a housing slowdown and the one that experiences the biggest swings in price and investor confidence is condominiums because so many units are built and bought speculatively for investment purposes. As a result, a drop in condominium building activity should reduce overall speculative demand for land and push down prices and lease rates for office, retail and industrial properties. However, this is true only in general terms, and the downward pressure will be blunted by zoning and planning realities, which will continue to create a shortage of non-residential properties.

3.3 Lease Terms

The PBC DOA has stated that it is not willing or able to sell the properties in question, or to develop them itself. This leaves the option of ground lease to developers, who tend to prefer longer terms, with 50 to 99 years being the standard. These are usually in the form of an initial term with several renewal options. Generally, the larger the investment in improvements, the longer the preferred entire lease length, because a large investment requires longer to amortize. However, leases can be structured in many ways and terms are negotiable. Negotiations need to balance several competing goals and interests: the lessor wants to maximize revenue, limit downside risks, and allow for upside potential, while lessees want stability and insurance against unforeseen upward revisions to terms.

3.4 Conclusions

The PBC DOA has developable properties in a market that is tight and buoyant. Prospects for future growth in demand are excellent. The cooling of residential real estate markets will likely take some of the “froth” out of all real estate transactions. In a different locality this may have indicated that prospects for profitable development are worse now than 6 months or a year ago. However, the following conclusions should be considered:

- ➔ Economic conditions in Palm Beach County and in the state will continue to be favorable for the foreseeable future.
- ➔ Zoning and planning realities combine to limit available land for non-residential development.
- ➔ Due to planning and market constraints, implementation lead times for development are on average over a year, and the long-term ground leases that are the relevant option for the PBC DOA do place the emphasis on long-term realities.
- ➔ Consequently, the PBC DOA needs to concentrate on long-term trends and needs in the County, rather than short-term fluctuations in prices and terms.

Development Recommendations

4.1 Methodology and Process

This section will:

- ➔ Review the regulatory hurdles that the PBC DOA and/or any developer/ leaseholder will have to overcome before starting construction on a piece of collateral property.
- ➔ Examine the process of bringing a property to market and the constraints and choices market conditions impose.
- ➔ Based on regulatory and market constraints and choices, outline a recommended and prioritized set of actions necessary to successfully develop properties, with an associated timeline.
- ➔ Provide a summary of available properties, grouping them around each airport. The summary contains descriptions and summary information, with references to the full inventory of properties.
- ➔ Provide recommendations on the type of development appropriate to each property based on location, zoning, economic conditions, and land use patterns in the surrounding area; regulatory restrictions (including FAA and environmental); access to infrastructure, and other factors.
- ➔ Provide a priority list for the development of properties, listing the projects with the maximum potential revenue and fewest obstacles to development on top.

The methodology used included:

- ➔ Review of the regulatory process with in-house experts
- ➔ Extensive use of PBC DOA- provided information
- ➔ Interviews with real estate experts and developers
- ➔ Site visits
- ➔ Analysis of land-use patterns, economic activity patterns, economic forecasts, a regional economic impact model, and financial modeling

4.2 Palm Beach County Development Process

4.2.1 Summary

The development of the properties belonging to the PBC DOA is contingent on several regulatory and market hurdles. At the regulatory level, at minimum the PBC DOA may need amendments to the County Comprehensive Plan, zoning changes, land releases from the FAA, site plan review, permits, and changes to Development Orders. At the market level, the PBC DOA should define a process for choosing developers and negotiating leases. The regulatory and market processes are described below.

4.2.2 Regulatory Process

To develop the properties, the PBC DOA should follow these regulatory steps:

1. *Comprehensive Plan:* Building on a PBC DOA property may require a change in its Comprehensive Plan, in compliance with the 1985 Florida's Growth Management Act. The Comprehensive Plan covers land use and density/intensity of uses, and sets levels of service of sanitary sewer, solid waste, drainage, potable water, parks and recreation, schools, and transportation facilities, including mass transit, so that "concurrency" requirements are met. In other words, the additional demands on such services from the proposed development must either be small enough so that adequate level-of-service standards are maintained, or additional public facilities must be built and services provided to do so. If the proposed use is not allowed under the future land use element of the Comprehensive Plan, a Comprehensive Plan amendment is required.

The Comprehensive Plan includes small and large scale plan amendments. A small scale amendment is less than 10 acres and can be handled locally, but a yearly cap of 60 acres is placed on such small scale plan changes. Large scale amendments are handled at the state level, with plans submitted to the Florida Department of Community Affairs. A review is conducted by many state agencies, including the regional planning council, water management districts, the Departments of State, Transportation, Environmental Protection, Agriculture and Consumer Affairs, and the Florida Fish and Wildlife Conservation Commission. The Comprehensive Plan includes a provision for regional planning councils and interested individuals to review the proposed plan changes, culminating in an Objections, Recommendations and Comments (ORC) report, to which Palm Beach County would have to respond. Generally, traffic studies are needed, and the issue of traffic tends to be one of the most important. Once this process is initiated, it is time consuming and may take a minimum of 9 months for a large scale amendment.

2. *Zoning:* All properties in question belong to the PBC DOA, and are zoned Public Ownership (PO). This zoning is restrictive, and the PBC DOA has initiated the process with the Palm Beach County Planning, Zoning and Building Department to amend it to accommodate additional uses. If a desired use is not allowed under the PO zoning, requesting a change of the zoning to commercial or industrial is possible. It is not believed that zoning is a significant obstacle to the development of the properties, and should not add any significant delays to the development process. If a rezoning is

required, the zoning process needs to be initiated pending the comprehensive plan amendments (see Step 1).

3. *Airport-related Restrictions:* The properties in question are subject to numerous and varied restrictions related to air traffic safety and security. First, the FAA restricts land uses in flight paths to protect runways and their approaches. There are severe height restrictions in the flight paths, restrictions on radio transmissions, and restrictions on uses that are incompatible. Next, to protect against noise-sensitive land uses, Palm Beach County has noise ordinances in its Land Development Regulations, and also prohibits locating flight paths over schools. These restrictions will affect the allowable land uses and may require amendments or waivers from the FAA, the state Department of Transportation or other agencies. Finally, the land is Airport property and is federally obligated. For non-aviation uses, the land must be released by the FAA, which must approve the amended Airport Layout Plan (ALP). This is particularly important with land parcels purchased with FAA funds. In addition, because the property is federally obligated, any change in use would require compliance with NEPA, which could range from a simple environmental checklist to an environmental assessment (EA) or even an environmental impact statement (EIS).
4. *Environmental Restrictions:* The most important restriction would be wetlands protection and mitigation, pursuant to federal law and administered by the U.S. Army Corps of Engineers. The wetlands issue is particularly important in the North Palm Beach County General Aviation Airport area.
5. *Site Plans:* Once the comprehensive plan, zoning and other restriction or waivers are met, the PBC DOA should start the site plan approval process for the commercial development of properties. If it is planning to develop the properties, the PCB DOA must submit the plans itself. A developer would be required to submit the site plans if the PBC DOA prefers that route, but in this case leases must be signed ahead of time. The lease process would take 4 to 6 months, and the site plan approval approximately 6 months more.
6. *Other Permits:* Development of the properties is contingent on several permits, including permits for connection to water and sewer lines, state roads, and stormwater permits.
7. *Development of Regional Impact Development Orders:* Large scale developments that impact two or more counties are required to undergo a Development of Regional Impact (DRI) review. At the completion of the review process a proposed development is issued a Development Order (DO) providing what can be built and all conditions. At one time airports were considered DRIs. A new development order defining the proposed land use, structures, infrastructure, etc., may need to be issued, or the existing DO modified. This process would take up to 6 to 9 months, but could be concurrent to other processes outlined above.

4.2.3 Market Process

The PBC DOA is limited by statute, regulations, practices and its own preferences in what it can do to create a revenue stream from collateral properties. The PBC DOA has stated that it does not intend to sell any of the land, and does not intend to develop the properties itself. CH2M HILL concurs with the latter decision because public bodies with no experience in

developing commercial properties and subject to political supervision and constraints are not well suited to being private developers.

This leaves only one option to the PBC DOA – signing ground leases with developers, who will build on the property, lease it to final users and create a revenue stream, of which the PBC DOA receives a contractually determined part.

Many options should be considered at various steps to determine timing, cost, and the potential size and risks of the revenue stream. Factors to be considered include:

- ➔ *Timing:* The process of bringing some properties to market can start immediately. Given diverse market conditions, regulatory limitations, potential revenue streams, and potential uses for the properties, it is clear that a phased approach is needed. A recommended phased priority list for the properties in question is provided in exhibits 4-1 and 4-2, section 4.2.4.
- ➔ *Regulatory Preparation:* A critical precondition for the development of the properties is regulatory approvals and permits. This process should start with an inventory of the studies and surveys that have been completed on each property (and that are still current), the status of current Development Orders, the amendments needed to the Comprehensive Plans, encumbrances the FAA places on each property, the extent of regional impact, etc. This inventory process is followed by the necessary studies as appropriate, including traffic and Phase 1 and 2 Environmental Site Assessments (ESAs). Next, the necessary applications for comprehensive plan amendments, FAA approval and land release, zoning, and finally all necessary permits, must be completed and submitted. While developers may be willing to shoulder most of this burden, the PBC DOA is well-suited for undertaking some of these actions, and would benefit by doing so. Good preparation, clarity on property status, and as many regulatory pre-approvals as possible would reduce delays and uncertainty for the developer. In consequence, such actions would help obtain better terms and a more timely start to the revenue stream. A recommended list of preparatory actions that the PBC DOA should undertake is provided in Section 4.2.4.
- ➔ *Other Soft Development:* First impressions count more than property owners may expect. Site preparation that enhances the appearance of a property to make it more attractive and suited to its intended purpose is a good investment. This could include clearing the property of refuse, debris and derelict structures. Some minimal landscaping is also useful. Finally, making sure that access roads, utility connections and other necessary infrastructure is in place is also important.
- ➔ *Open RFP vs. Working with a Single Broker/Agent:* The PBC DOA has the option of inviting a single broker or agent to advise and assist with contacting potential developers for several properties, or it can issue an open RFP for interested developers for single properties or packages of properties (or entire sites). Because of the number and variety of properties, the complexity of regulatory issues, and the relative lack of in-house resources, complete self-management by the PBC DOA is problematic. The single broker option is often preferred by development companies, but PBC should balance this type of relationship with timing, risk and the return for awarding such exclusivity.

Appointing an agent to assist with prioritizing properties, preparing them for development, and interfacing with developers and brokers is a middle option.

- *Auction vs. Direct Negotiations:* Properties can be awarded to the highest bidder if proposed lease terms and structure are well-defined, and such an approach can result in the most revenue. However, given the variety and complexity of the properties and the restrictions on them, it may be best to allow interested parties to structure deals that best suit them and each property, as opposed to setting every term except ground rent in advance.
- *Lease terms:*
 - *Length:* Developers entering negotiations for ground-lease contracts generally prefer long leases, between 50 and 99 years. This is in the form of an initial term with several renewal options, and the larger the investment in improvements the longer the preferred lease. Such a lease provides a guaranteed revenue stream but may limit the upside potential as property values appreciate (see below).
 - *Rate:* The ground-lease rate is the single most important negotiation item, and is derived from potential final lease income streams adjusted for risk, the appraised value of the land, and discount rates. The PBC DOA should use its own or independent financial experts to ensure that lease rates are fair and reflect market realities.
 - *Escalation/Resetting:* Long leases can limit the upside revenue potential, especially in an area of rapidly growing land values. It is in the PBC DOA's interest to negotiate structured deals that have escalation clauses or provide for the resetting of terms after a certain number of years. A particularly sensitive negotiation item will be a mutually acceptable reappraisal process that the new terms will be based on; leaseholders are usually unwilling to accept appraisals sponsored by the landowner.

4.2.4 Recommended Timeline

The timeline for the process described above, from the moment of Comprehensive Plan amendment application to the start of construction, is a minimum of 15 months, with several of the separate actions occurring concurrently.

The recommended sequence of actions by the PBC DOA to make a property ready for construction is as follows:

1. Make an inventory of existing studies:
 - a. Survey
 - b. Environmental audit (Phase 1 ESA)
 - c. Road access
 - d. Other (including geotechnical)
2. Conduct necessary concurrency and environmental studies prior to the comprehensive plan amendment application:
 - a. Traffic study
 - b. Water/sewer, etc.

3. Initiate soft development projects.
4. Determine the need for Development Regional Impact approvals.
5. Prepare and submit a land release request to the FAA.
6. Investigate the need for NEPA compliance for the release of land for the proposed use.
7. Submit comprehensive plan amendment application.
8. Submit zoning application (concurrent with Step 6).
9. Issue RFQs or RFPs for real estate broker/advisor; alternatively, invite interested developers to declare interest.
10. Negotiate ground-lease terms.
11. Developer submits applications for:
 - a. Development Order
 - b. Building permits

Exhibit 4-1: Recommended Priority List, PBI

| Priority | Property # | Recommended Use | Comments |
|----------|------------|--|--------------------------------------|
| 1 | 7 | Retail/Warehouse/Logistics | Low-rise (RPZ) |
| 1 | 9 | Retail/Warehouse/Logistics | Low-rise (RPZ) |
| 1 | 10 | Retail/Warehouse/Logistics | Low-rise (RPZ) |
| 1 | 11 | Retail/Warehouse/Logistics | Low-rise (RPZ) |
| 2 | 1 | Retail/Restaurant/Hotel | |
| 2 | 2 | Retail/Restaurant/Hotel | |
| 3 | 35 | Retail/Hotel/Logistics/Low-rise office | Low-rise (RPZ) |
| 3 | 37 | Retail/Hotel/Logistics/Low-rise office | Low-rise (RPZ) |
| 4 | 3 | Car Rental/Parking/Retail | Consolidate w. 4 and 5 |
| 4 | 4 | Car Rental/Parking/Retail | Consolidate w. 3 and 5 |
| 4 | 5 | Car Rental/Parking/Retail | Consolidate w. 3 and 4 |
| 5 | 19 | Hotel/Logistics | Consolidate w. 18A |
| 5 | 18A | Hotel/Logistics | Consolidate w. 19 |
| 6 | 30 | Retail/Restaurant/Aviation Use | |
| 7 | 22 | Logistics | Offer to tenant of 21 |
| 8 | 17 | Car Rental/Communications/Retail | |
| 9 | 33 | Light Industrial/Logistics/Low-rise office | Consolidate/Clear frontage/Incubator |
| | 25-32 | FBO/Low-rise office/Retail | Depends on expansion plans |

Exhibit 4-2: Recommended Priority List, LNA

| Priority | Property # | Recommended Use | Comments |
|----------|------------|--|--------------------|
| 1 | 5 | Medical Space | Phased development |
| 2 | 4 | Retail/Low-rise office/Low-traffic logistics | |
| 3 | 3 | Restaurant/Retail/Recreation | |

4.3 Summary of Properties by Airport

4.3.1 PBI

Summary of Inventory

The inventory of properties names 37 parcels within and around the airport property line (see Exhibit 4-3). These parcels have a very wide range of current uses, with existing improvements and regulatory restrictions. The 37 parcels are described below:

- ➔ Parcel 36 is developed as a golf course and under a long lease.
- ➔ Parcels 25 to 32, along the southern airport property line have improvements and mostly general aviation-related tenants and uses.
- ➔ Parcels 1 to 6 lie outside and to the north of the Airport property line and have no or minimal improvements, and are either utilized for overflow parking or are totally vacant.
- ➔ Parcels 7 to 11, 35 and 37 are vacant but lie in Runway Protection Zones (RPZs) and under approach surfaces of Runway 13/31, which restricts the heights of any possible improvements and limits the types of alternative uses.
- ➔ The same is true of parcels 23 and 34, with Runways 9R/27L and 9L/27R.
- ➔ Parcel 33 is vacant but zoned multifamily residential, although it lies entirely inside the Airport property line.
- ➔ Parcel 12 is almost completely in the Runway Safety Area (RSA) and RPZ of Runway 13.
- ➔ Parcels 13 to 22 lie entirely inside the airport property line. Some have aviation-related uses already; others are vacant and unimproved or have parking lots on them. Most of these parcels would be needed for future aviation uses.
- ➔ Parcel 24 is vacant and belongs to the county.

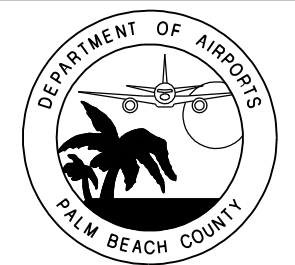
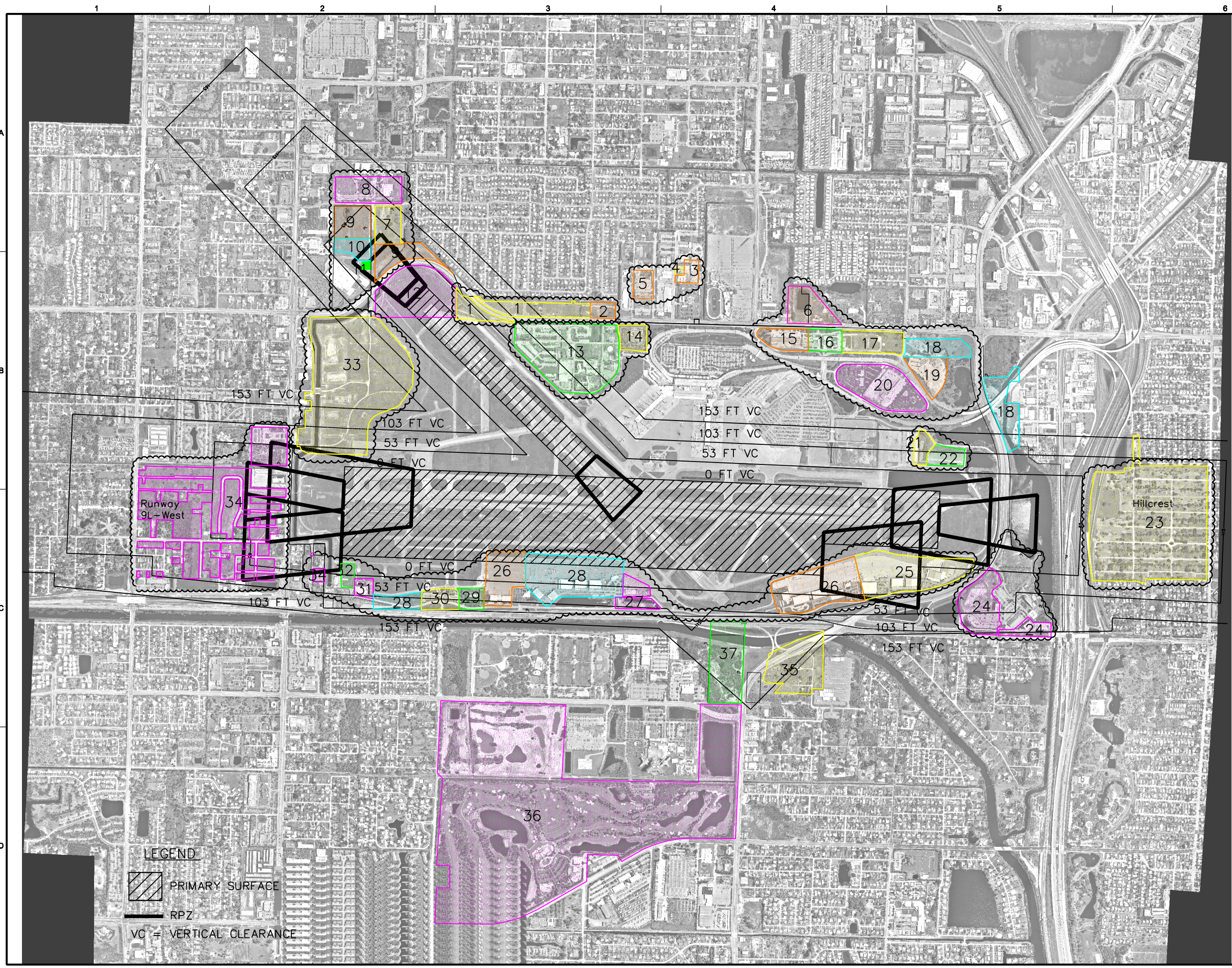
Existing Land Uses

Of the 37 referenced property parcels, 17 are vacant and unimproved, with the exception of some roads or parking lots. These are parcels 1, 2, 7, 8, 9, 10, 11, 12, 17, 18, 22, 23, 24, 33, 34, 35, and 37.

Of the 20 parcels that are not vacant, one (parcel 36) is a golf course; five (parcels 25 to 29) are leased by general aviation tenants; four by car rental companies (parcels 3, 4, 6, and 20); seven (parcels 5, 13, 14, 15, 19, 31, and 32) by local government organizations; one (parcel 21) by United Parcel Service; one (parcel 30) has a restaurant and one (parcel 16) has a fuel tank farm.

Existing Revenue Streams and Lease Rates

The 20 parcels that are not vacant are leased either for ground rent or for rent on improvements owned by the PBC DOA.



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PALM BEACH INTERNATIONAL

| NO. | REVISION | DATE |
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HIGHEST AND BEST USES WITH AIRSPACE RESTRICTIONS

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 PROJECT: 326417
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EXHIBIT 4-3

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The ground rent paid by tenants ranges from \$0.49 per square foot to \$0.70 per square foot. Rent on building space ranges from \$2.35 per square foot to \$11 per square foot. Existing rents are close to market value only at their top ranges (see analysis below).

Potential Revenue Streams

The largest amounts of foregone revenue are associated with the 20 properties that lie vacant. We will continue to assume that the PBC DOA will retain ownership but will not be the developer and owner of future improvements.

As mentioned in Section 3.1.1, the value of Palm Beach County unimproved land for industrial/warehouse use ranges around \$10 per square foot. Using standard present-value calculations with a 50-year lease and a discount rate of 8 percent to 10 percent, the associated ground rent averages between \$0.80 and \$1.00 per square foot. Because of discounting, longer lease terms do not materially affect the calculations. All parcels have good road access and proximity to utilities. Adjusting for the lack of property appreciation (down) and the security of a long-term lease (up) puts the value in the range of \$0.75 and \$1.00 per square foot for vacant developable properties.

To put these estimates in context, recent appraisals for some of the parcels have tended to be in the \$0.65 to \$0.75 per square foot range, but these appraisals assume no future appreciation of lease rates and no proactive initiatives by the PBC DOA to make the properties more developable through rezoning, regulatory approvals, or soft development. The more flexible the potential uses and the fewer regulatory restrictions on the parcels, the higher the potential ground rent.

Opportunities to redevelop parcels that have existing tenants and/or to renegotiate lease terms also exist. Most existing leases are relatively short-term, which would make such efforts easier.

Internal Considerations

PBI is an important commercial airport for the economic well-being of the County and the region, and it is growing. In deciding which development options to pursue, the PBC DOA must determine which parcels are needed for the Airport's expansions or reconfigurations. These parcels, which mostly lie inside PBI's property line, will be unavailable for release for non-Airport use. Such considerations would especially affect parcels 13, 14, 19, and 20 along the northern perimeter, 25 to 32 along the southern boundary, and 33 in the northwest corner of the Airport.

Surrounding Area Land-Use Patterns

The land use patterns in the area surrounding PBI are varied. It is zoned mostly commercial along Military Trail and Congress Avenue, as well as part of Belvedere Road. Several small areas are zoned industrial. Land values in surrounding areas are not particularly high by Palm Beach County standards, especially along Military Trail. The collateral properties are situated around a busy airport, without notable natural landmarks or recreation areas and with substantial commercial and transportation development already in place. CH2M HILL believes that airport-related activities (such as parking, car rental, and transit staging areas), warehousing and logistics, and mixed-use, low-rise retail, hotel, restaurant, and office space would be the best uses for these properties. The properties are generally too small for

anything but the lightest industry, which would require rezoning and lacks easy access to rail transportation. Properties that were acquired and cleared of residential structures are not suited for redeveloping as residential areas because of incompatibility due to noise.

Recommendations: Vacant Properties

1. Based on a combination of regulatory restrictions, existing commitments, future aviation uses, and potential revenue streams, we recommend that the PBC DOA concentrate on developing parcels 1, 2, 7, 9, 10, 11, 17, 18, 22, 35, and 37.
2. Given the expected future growth of airport operations, targeted tenants for parcels 17, 18A (the part of parcel 18 west of Australian Avenue) and 22 should be aviation-related, including such activities as car rental, communications and safety, etc. Parcel 18B (the part of parcel 18 to the east of Australian Avenue) is suited for any type of commercial development. However, its position under an overpass and other constraints, including its history as a landfill, may limit the amount of land available for development.
3. Parcels 1 and 2 have excellent potential for commercial development, including restaurant, hotel, and retail, given their extensive frontage on Belvedere Road.
4. Parcels 7, 9, 10, and 11 are good targets for development as commercial and warehouse/logistics facilities. Given that they are partially within the approach surface, the RPZ and the Building Restriction Zone, building height and other FAA-related restrictions must be observed.
5. Parcels 35 and 37 also lie partially within the approach surface, the RPZ, and the Building Restriction Zone; therefore, building height and other FAA-related restrictions must be observed for these properties as well.
6. Parcel 8 is already tagged for a land swap; the PBC DOA should continue with this plan.
7. Parcel 12 is not developable since it is near the runway.
8. Parcel 23 is already slated for the construction of a community college campus/sports complex.
9. Parcel 24 is located adjacent to a parcel owned by another County department, and it appears that it has been transferred to County ownership.
10. Parcel 33 is zoned residential, and was bought from the town of Golfview and cleared of homes because of noise-incompatibility. The land is needed for aviation use.
11. Parcel 34 was acquired for noise abatement and has been cleared for noise-incompatibility. It is large enough for many potential uses, including industrial, mixed-use service and low-rise office space, and warehousing and logistics. However, this property faces several challenges. It lacks frontage on Military Trail, it is broken up by several unacquired properties, and is wholly under the Part 77 approach surface and partly within the RPZ. Because of these constraints, the best potential use is for small, mixed use buildings for services, logistics and light industry, perhaps as a business incubator (in cooperation with County development agencies).

Recommendations: Properties with Existing Tenants

1. Parcels 3, 4, 6, and 20 are already leased to rental car companies either for overflow parking or for permanent operations. Of these, parcels 3 and 4 could benefit from being consolidated with parcel 5 (currently used by County administrative offices) into a large single parcel if the property separating them were purchased. Car rental operations or other airport- and transportation-related facilities would be the recommended uses for these properties. Parcel 20 has potential uses as part of future expansions and reconfigurations of PBI.
2. Parcels 13, 14, and 15 already house airport and other government agencies, plus airline operations offices. The buildings are owned by the PBC DOA and the rents accruing to it are adequate. For this reason and because of the parcels' potential usefulness in future airport expansions and relocations, CH2M HILL does not recommend any changes for the present time.
3. Parcel 16 is used as a fuel tank farm by an FBO. Given the excellent frontage on Belvedere Road, this use does not represent the best use of this property, which would be hotel, retail, and rental car operations. However, the viability of moving the fuel farm depends on cost and availability of other sites.
4. Parcel 19 has a small building used by the Palm Beach Community College for firefighter training. Current rent is low and the building is underutilized. CH2M HILL recommends consolidating parcel 19 with parcel 18, which is vacant, for commercial development.
5. Parcel 21 is leased by UPS currently. This probably represents the best available use. The tenant might be interested in consolidating it with vacant parcel 22.
6. Parcels 25 to 29 along the south perimeter are occupied by FBOs. This represents a good use of the properties at this stage. However, plans to expand and shift to the south Runway 9R/27L would require the demolition of many existing hangars and other structures and removal of apron space. The most appropriate space for relocation of the FBOs would be parcel 33 in the northwest corner of PBI property. Remaining property would be narrow and subject to FAA airspace height restrictions, and could be used for general commercial development.
7. Parcel 30 is leased to a restaurant operation. Current lease terms are below market rates. The PBC DOA should seek to either renegotiate the lease or explore other development uses as soon as current lease terms allow.
8. Parcels 31 and 32 are used by public sector tenants that pay ground rent near market value. Unless the space is needed for future airport expansions, current use is appropriate.
9. Parcel 36 is already developed as a golf course under a 30-year lease with two renewal options, and is not available for any changes in land use.

4.3.2 Palm Beach County Park Airport

Summary

Palm Beach County Park Airport (informally known as Lantana) is a general aviation airport designated by the FAA as a reliever airport to PBI. As such, the Airport aids PBI by accommodating many of the area's general aviation aircraft operations. It occupies 640 acres, and has three intersecting runways in equilateral triangle form, each 3,256 to 3,488 feet long. The Airport is delineated by Lantana Road to the south, Congress Avenue to the west, Camp Site Road to the north, and Lake Osborne to the East. The property is surrounded by bodies of water and residential neighborhoods, some commercial development, and a hospital.

Five collateral properties are designated in the inventory (see Exhibit 4-4). Three of these properties are vacant; one is occupied by FBOs, and one by a fire station.

Existing Land Use

The vacant properties are already designated for future non-aviation commercial use on the FAA-accepted Airport Layout Plan.³ Parcel 3 is a 2.3-acre property with frontage on Lantana Road; parcel 4 is a 15.4-acre property on the corner of Lantana Road and Congress Avenue; and parcel 5 is a 19-acre property with frontage on Congress Avenue, across the street from JFK Hospital.

The two occupied properties are parcel 1, which holds hangars and other facilities of the Airport's main FBO (Florida Airmotive Inc.) and operations of the County Fire and Rescue department, and parcel 2, which has a fire station on it.

Existing Revenue Streams and Lease Rates

The current tenant of parcel 1 pays ground rent of \$0.12 per square foot on approximately half the land, plus \$3.12 per square foot on a small building, as well as charges on the fuel it sells. The fire station on parcel 2 is listed as paying a fixed rent of \$35,000 per year, but the value of the services far exceeds that, so no actual budgetary transfer is involved.

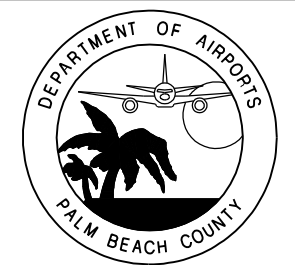
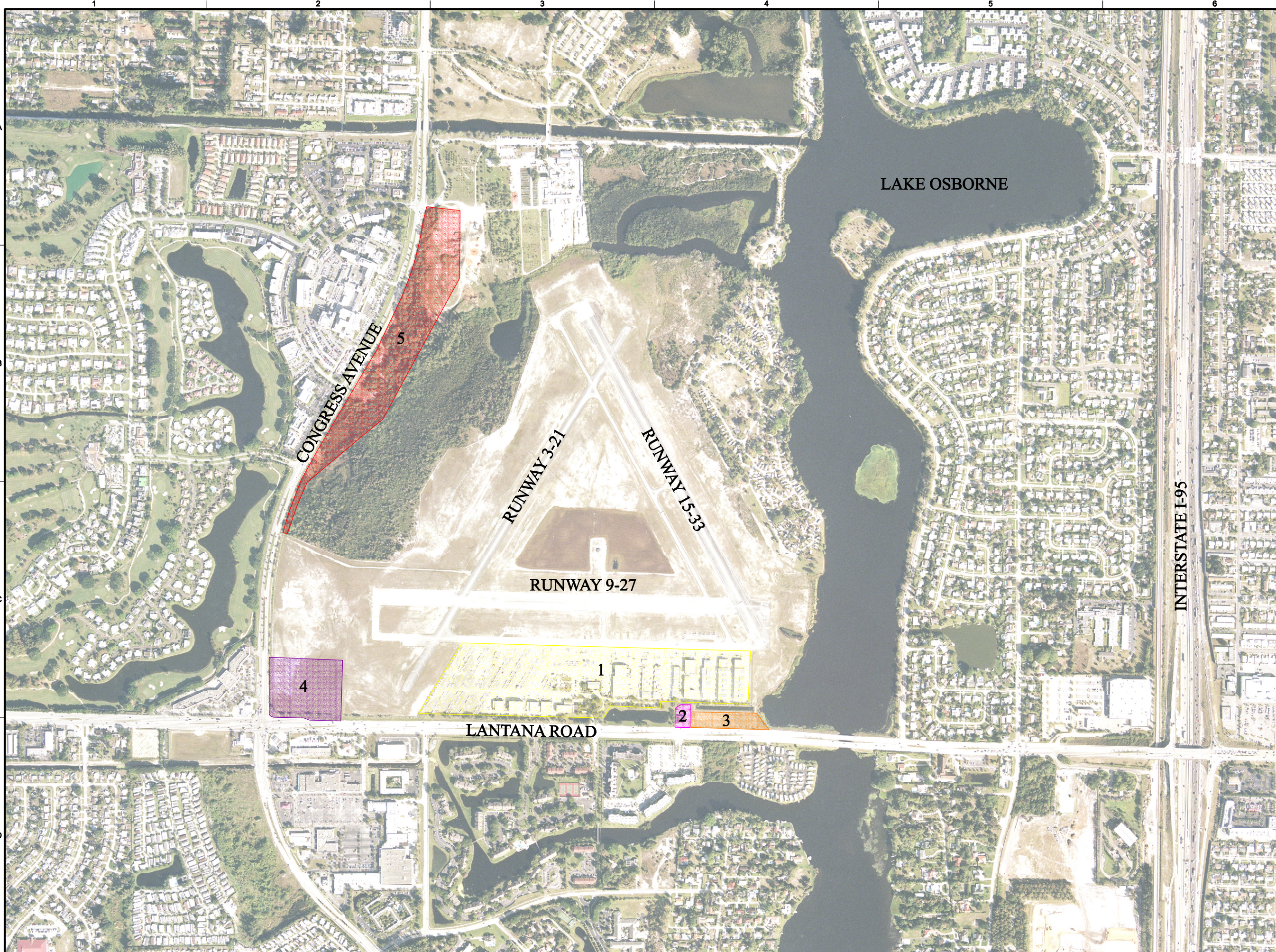
Potential Revenue Streams

The Lantana area has generally lower land values and rents than other parts of eastern Palm Beach County. Still, recent appraisals show the value of the land to be in the neighborhood of \$13 per square foot. Calculations similar to those for the PBI properties indicate that potential ground rent is \$0.85 to \$1.20 per square foot for vacant developable properties. The higher end is more likely to be reached with specialized office and service space; in the case of property parcel 5, the clear candidate is medical offices and facilities.

Internal Considerations

Airport operations are severely limited by runway length, which cannot be extended given the size of the Airport, and surrounding terrain and land uses. The vacant properties that are already listed for future commercial use are unlikely to be needed for future aviation use

³FAA's ALP approval is conditional, however, upon environmental approval for implementation of depicted projects. The depicted non-aviation use would require an FAA land release, including Environmental Assessment.



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LANTANA AIRPORT

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EXHIBIT 4-4

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Expansions, as other on-airport property is available to accommodate aviation uses. These properties do not lie in any current or planned RPZs or approach surfaces.

Surrounding Area Land-Use Patterns

The surrounding area is in transition. It has modest older homes as well as upscale housing developments (such as the Atlantis municipality), a hospital and medical complex, retail facilities of varying success near the intersection of Lantana Road and Congress Avenue, and recreational opportunities around Lake Osborne. The area also has easy access to I-95.

CH2M HILL recommends that parcel 5 be developed as medical office space since it is located across from JFK Hospital and that the other properties are best suited for commercial, retail and logistics operations. Traffic concurrency is often an issue in development proposals. The Palm Beach County Board of County Commissioners has initiated a Constrained Roadways at a Lower Level of Service (CRALLS) amendment to the County Comprehensive Plan to address transportation concurrency issues on Congress Avenue. If approved, this amendment would remove road congestion as an obstacle to development.

Recommendations: Vacant Properties

1. Parcel 5 should be made available for commercial development as a medical complex. This use probably has the highest revenue potential. Given the demographics of the County, healthcare services are expected to grow faster than any other activity, and such services naturally cluster around hospitals. To avoid creating a temporary glut that could lead to vacant space and depressed rents, the PBC DOA should be prepared to structure a contract that calls for a phased development over a number of years.
2. Parcel 4 on the corner of Lantana Road and Congress Avenue lies on an intersection with retail development on all three other corners. None of these retail operations appear particularly prosperous, but the area is clearly undergoing revitalization. Unless needed for aviation use, the parcel should be made available for development for general commercial space, including retail, small service businesses, and logistics. Proximity to I-95 is an asset; however, any transportation-intensive operations such as a warehouse may encounter opposition from local residents. For that reason and because of concurrency constraints, low-traffic distribution uses would be appropriate.
3. Parcel 3 is well suited to two potential uses: a long frontage on Lantana Road makes it a good candidate for retail and restaurant operations, and proximity to the lake could invite recreation-related use.

Recommendations: Properties with Existing Tenants

Existing FBO and fire and rescue tenants are an integral part of the Airport's mission. In the case of parcel 1, the current revenue stream is less than market value. CH2M HILL recommends that the PBC DOA renegotiate the contracts when the current lease terms expire, build more and newer hangars to replace those destroyed by hurricanes, and/or invite other FBOs to express interest. However, given the limitations on the size of aircraft that can use the Airport, the potential for extra revenue may be limited.

4.3.3 North Palm Beach County General Aviation Airport

Summary

North Palm Beach County General Aviation Airport is a general aviation airport with two asphalt runways each 4,300-feet-long, and one turf runway 3,700-feet-long. It is approximately triangular in shape, and borders State Road 710 (Beeline Highway) and a CSX Railroad line along its long northeast side. The Airport has growing traffic and some expansion plans. The property borders the city of Palm Beach Gardens to the west and northeast, and West Palm Beach to the south. The area around it is zoned Planned Development Area on the Palm Beach Gardens side.

Other than the footprint of Airport operations, there is one piece of vacant property, roughly triangular in shape and about 200 acres. This property is located in the northwest corner of the complex, designated as the Subsidiary Development Area (SDA). It borders SR 710 and the CSX line, and has an access road along its west and south perimeter. Because of extensive wetlands areas, no more than half of the property is developable.

Existing Land Use

Piedmont Hawthorne Holdings is the FBO tenant that leases and operates the general aviation facilities.

Existing Revenue Streams and Lease Rates

The current tenant pays ground rent of \$0.025 per square foot for aircraft parking space, \$2.00 per square foot for hangar space and \$5.50 per square foot for office space.

Potential Revenue Streams

The North County Airport area is largely undeveloped and relatively remote from residential and commercial development; therefore, land values and rents are expected to be lower than in parts of eastern Palm Beach County. Industrial land elsewhere in the County sells or leases for approximately \$10 per square foot. Assuming a lower value in this area would mean that properties in the North County Airport area would be sell or lease for approximately \$6 to \$7 per square foot. Calculations similar to those for the PBI properties show that long-term potential ground rent is \$0.50 to \$0.65 per square foot for a vacant developable property.

Internal Considerations

North County Airport operations are projected to grow at 2.28 percent per year. Still, there is enough land outside the northwest vacant parcel for future expansion of hangars, terminals, and other airport and FBO facilities. A corner of the parcel lies under the approach surface for Runway 13, but its distance from the end of the runway places very few limits on building height.

Surrounding Area Land-Use Patterns

The surrounding area is completely vacant, and most of it is unlikely to be developed, despite the presence of a good highway and high-end golfing developments a few miles away. This is because it is in the water catchment area for the City of West Palm Beach water

supply, and is the headwaters of the Loxahatchee River. Excellent road and railroad access and the scarcity of available industrial and logistics real estate argue in favor of light industrial, warehousing and distribution facility development. However, such development of the vacant property will depend on the cooperation of the two adjoining municipalities, which will have an opportunity to make comments on any changes in the development order.

Recommendations: Vacant Property

The northwest corner property (SDA) has excellent road and railroad access, although it is relatively far from I-95, and road access to the Port of Palm Beach becomes problematic in the last few miles (as with any operation in the County). If the land was unencumbered, CH2M HILL recommends that it be offered for development for industrial, warehouse and distribution space. However, this is federally obligated land that contains substantial wetlands, and developing it would require a new NEPA approval. Addressing the many complex regulatory issues would most likely require 2 to 2.5 years.⁴ Critical path actions include environmental audit, wetlands preservation plan, traffic concurrency study, and notice of substantial changes to the existing development order. Political opposition should also be expected.

Recommendations: Property with Existing Tenants

The existing FBO tenant is an integral part of the Airport's mission, and expected growth reinforces this conclusion. It is possible that the current revenue stream is less than market value. CH2M HILL recommends that the PBC DOA renegotiate the contracts when the current lease terms expire, and build expansions to hangars, terminals and office buildings in a phased plan that accommodates growth.

4.3.4 Palm Beach County Glades Airport

The Palm Beach County Glades Airport (Pahokee) is adjacent to Lake Okeechobee in the western part of the County. Its single runway is 4,117 feet long and has very little traffic. Most of the Airport's hangars have severe hurricane damage and will be rebuilt in the near future.

The nearest municipalities are Pahokee to the north and Belle Glade to the south. This part of the County is agricultural, and the Airport is surrounded by sugarcane fields on three sides. The Airport has road access through State Highway 715, which borders the property and transects its northeast corner. Some small surrounding properties are zoned industrial. The entire property is small and the potential for any kind of development is very limited. Land values are low and any potential income stream is limited. CH2M HILL recommends that the PBC DOA give this property the lowest priority and wait for long-term changes in land-use patterns in this part of the County.

Alternatively, the role of the Airport can be re-evaluated; however, such considerations are beyond the scope of this study.

⁴These obstacles are described in a letter from Thomas P. Klin of CH2M HILL to the PBC DOA, dated January 12, 2006. The letter is provided in Appendix C.

Marketing Plan Outline

5.1 Overview

This chapter offers some general observations and recommendations about how best to market the PBC DOA collateral properties. These recommendations are not intended as a complete, detailed marketing plan; however, they provide a framework for developing into such a plan at a later date.

5.1.1 Situation

- ➔ The list of collateral properties number approximately 45, with the vast majority around PBI. The properties are all zoned Public Ownership and will require rezoning in the cases that go beyond allowable uses.
- ➔ A significant number of regulatory hurdles must be cleared, depending on location and the existing situation regarding Comprehensive Development Plans, FAA regulations, environmental conditions, etc.
- ➔ Some investment is necessary to make properties more marketable through regulatory and market preparation (traffic studies, appraisals, etc.) and other “soft development” (such as clearing of debris, minimal landscaping and necessary infrastructure).
- ➔ Regulatory hurdles and soft development will add to the time required to list the properties on the market, start development, and begin receiving revenues.
- ➔ The properties have not yet been marketed, beyond a few contacts with developers and some appraisals.
- ➔ Informal contacts with interested parties have been made, but no list of qualified developers has been compiled.
- ➔ The PBC DOA is just beginning to cultivate and leverage relationships with local, state and federal government entities, plus local civic and business groups, which can ease the path for development of the properties.
- ➔ Detailed information on the properties, their status, improvements, current tenants and uses, etc., that was collected for this project have not yet been packaged, indexed, and made available to prospective developers. Marketing collateral materials, both printed and other media or web-based, are not available.

5.1.2 Goals

The PBC DOA's goals are to:

- ➔ Identify appropriate uses for the collateral properties, consistent with:
 - Generating maximum revenue from ground rent
 - Complying with existing County, state, and federal laws and regulations
- ➔ Maximize the return on any investment required to make the properties marketable.
- ➔ Expedite the process of bringing properties to the market.

5.1.3 Necessary Actions for Development

Based on the points above, the actions that need to be taken, as described in the previous chapter, are as follows:

- ➔ Prioritize the list of properties, with the ones that can be developed fastest and for the most extra revenue on top.
- ➔ Undertake early actions most likely to shorten the timeline and to make properties more attractive to developers. These include:
 - Environmental Assessments
 - Concurrency studies
 - Soft development
 - Early applications for land releases, plan amendments and other actions detailed in Section 4.2.4
- ➔ Initiate the process of inviting developers to declare interest, or issue an RFP for a company to manage the effort of identifying developers and/or tenants.
- ➔ Collect, organize, and make available all pertinent information on the properties to interested parties in an easy-to-use and attractive format. Do so concurrently with all of the above actions,
- ➔ Stay in contact with political, regulatory, civic, and business groups to maintain good will and cooperation.

5.2 Recommendations

5.2.1 Framework

CH2M HILL has identified "Best Practices" based on surveys conducted of highly successful economic development organizations. This list of marketing best practices has been adapted to the PBC DOA's objectives and specific situation and the relevant marketing activities are listed in Exhibit 5-1.

EXHIBIT 5-1**Marketing "Best Practices"**

| | |
|--|--|
| → Write and frequently review a marketing plan, with clear priorities and timelines | → Develop and implement a system for evaluating the progress in implementing the marketing plan |
| → Take the preparatory actions necessary to bring the properties to market | → Identify a list of reputable real estate developers and pre-qualify a subset of them |
| → Develop and maintain good relationships with other County departments and state and federal regulators | → Leverage relationships with civic, business and trade organizations, especially ones with an interest in air travel and transportation |
| → Develop off-the-shelf materials with an effective, flexible system of customer response | → Develop internet-based materials centered around a comprehensive property database |

It should be noted that these marketing activities must be implemented in an integrated way that does not rely overly on any one particular item.

5.2.2 Planning and Monitoring

CH2M HILL recommends that a marketing plan based on our recommendations be prepared and a system be put in place for evaluating the implementation progress. Such a plan's necessary elements include:

- Prioritized list of the properties in question in order of urgency
- Detailed set of actions, with
 - Individual roles and responsibilities
 - Timeline
 - Milestones
 - Criteria for success

5.2.3 Preparation

The properties to be developed require regulatory and soft development preparation. Necessary actions are listed in Section 5.1.3.

5.2.4 Prospect Identification

The PBC DOA should identify a list of reputable developers, and to pre-qualify a shortlist. This can be done by issuing an open RFP for interested developers for single properties or packages of properties (or entire sites). As with every project involving long-term contracts and large sums, a simple price-based auction open to all is not in the best interest of the PBC DOA. Potential developers must be reputable, experienced, and solvent, or there could be serious problems down the line. In designing the qualification criteria, the PBC DOA must be (and be seen to be) unbiased and transparent, and compliant with all applicable laws and regulations.

An alternative is to select a single company, again through an open and transparent process, to handle the entire process by advising and assisting with contacting potential developers

for several properties. This option is often preferred by development companies, and depends on how much in-house experience and expertise the owner has in dealing with developers. The PBC DOA should balance this type of relationship with timing, risk, and the return for awarding such exclusivity.

Because of the of the wide variety of collateral properties, the complexity of regulatory approvals, and the very different timelines for different properties, a single RFP for all the properties is not appropriate, nor is hiring a single broker to handle all of the properties. One recommendation is to hire an agent to handle the regulatory process, other preparations and RFPs. An alternative recommendation is to categorize the properties into prioritized packages, issue an open RFP for the first package, and reconsider based on how difficult or successful the process proves. If the PBC DOA finds that expert outside help is needed, it can decide later to change course.

5.2.5 Internal Marketing

An often overlooked aspect of economic development is “internal marketing” – making sure that local elected officials, regulators, civic and business groups, and other stakeholders are aware of the benefits the PBC DOA brings to the region, understand its goals, and are well-disposed toward it. This can often be as important as “external marketing” – the traditional activities of identifying and attracting prospects.

Internal marketing will help ensure that local stakeholders support rather than oppose the development action plan of the PBC DOA, and may help implementing external marketing activities. Internal marketing program elements include public relations, regular meetings with constituent groups, speeches and presentations, and a variety of other activities to “get the word out” on development goals and activities.

5.2.6 Collateral Materials

Collateral materials for direct mailings, prospect development and information dissemination are a critical component of the marketing plan. The following activities should be undertaken:

- ➔ Prepare a profile, maps, and aerial photographs of each available property. Essential information includes site size and configuration, improvements, current and past uses, site plans, and contact information.
- ➔ Update the web site for the PBC DOA to facilitate the access of relevant information on an as-needed basis by developers as well as siting consultants and outside prospects. Add links to the available properties that the PBC DOA wishes to market for development, in order of priority.
- ➔ Integrate the information on the sites with the County’s geographic information system (GIS).
- ➔ Develop a brief but graphic flyer for the County to highlight the location advantages of the airports and to use in communications with potential interested parties.

Appendix A:
Palm Beach County Aviation Related Target Industry Analysis

Palm Beach County Aviation Related Target Industry Analysis

A.1 Introduction

CH2M HILL, as part of Phase I of the System Plan, prepared a target industry analysis focusing on industries that are a good fit for the demographics of Palm Beach County with the potential to do well around airports and aviation related facilities. This analysis includes CH2M HILL's recommendations on specific industries for Palm Beach County to target in future economic development initiatives and marketing programs as it relates to properties associated with County airports. It is understood that the goal of the PBC DOA is to develop the properties to maximize ground rent revenue – not to provide jobs for County residents or to expand the tax base. However, identifying growing and prosperous industries that are well-suited for the County is important because it will bring tenants that can prosper and therefore can afford market rents. Creating jobs and tax revenues always provides public and political goodwill, which makes other goals easier to achieve.

A.2 Target Industry Selection Process

In the target industry selection process for Palm Beach County, industries selected are the industries most likely to find the region attractive and are most likely to be in expansion mode. Emphasis was placed on selecting industries that would perform well on or near aviation related property. The resulting recommendations are industries most likely to respond positively to an industry recruitment and marketing program specifically for the property associated with the County airports.

The selection criteria and methodology utilized for the Palm Beach County Aviation Related Target Industry Analysis are included as supporting information. An overview of the criteria used includes:

- ➔ Projected Palm Beach County employment growth in the industries (2005 to 2010)
- ➔ Projected National Employment Growth in the industries (2005 to 2010)
- ➔ National Industry Wage Index (based on 2005 data)
- ➔ Location Quotient (concentration of industry) in Palm Beach County (relative to the United States)
- ➔ Potential for industry to perform well on or near aviation related property

An understanding of the competitive strengths and weaknesses of Palm Beach County is a critical part of the economic development and target industry analysis. The analysis relied upon a number of methods for obtaining our understanding of the competitive advantages and disadvantages of the area. These methods include:

- ➔ Interviews and windshield tours of the area

- ➔ Extensive data analysis for Palm Beach County
- ➔ Review of previously-prepared documents and reports
- ➔ CH2M HILL's economic development and site selection expertise and experience

A.3 Recommended Manufacturing Target Industries for Airport Related Properties

The target industry analysis for the County airports resulted in the identification of four core manufacturing industry clusters:

- ➔ Pharmaceuticals and Medical Equipment
- ➔ Communications Manufacturing
- ➔ Machinery, Equipment, and Small Component Manufacturing
- ➔ Aerospace

A.3.1 Pharmaceuticals and Medical Equipment

The industries in the Pharmaceuticals and Medical Equipment Cluster are growing strongly and provide well-paying jobs. The cluster consists of companies and establishments of widely varying sizes: companies range from major manufacturers to research startups, and facilities from major manufacturing plants to small research laboratories. The acreage available for many of the airport properties may limit the target audience within this sector. Specialty and niche opportunities will likely provide the greatest opportunity.

Palm Beach County boasts some significant advantages for attracting these industries, as well as some handicaps. Companies and facilities in health care products and research have a strong tendency to cluster around centers of activity, and need access to qualified employees, a good quality of life, and a sizeable population of potential clinical trial subjects. The lack of an existing biomedical research cluster or of a medical university in the County are disadvantages to overcome. Conversely, the Scripps Research Institute is a significant advantage, providing an established knowledge base as well the development of trained workers and future entrepreneurs. An excellent quality of life would help attract the necessary professionals. In addition, the presence of retirees who are likely to require medication are an advantage for this cluster, specifically as it relates to start-up facilities desiring to perform Phase I and Phase II clinical trials. The area is home to a large pool of available individuals, which will increase the chances of obtaining the desired numbers of participants for various clinical trials.

The industries included in this sector are listed in Exhibit A-1.

EXHIBIT A-1

NAICS Codes for Pharmaceutical and Medical Equipment

| 5-Digit NAICS Industry | Industry |
|------------------------|--|
| 32541 | Pharmaceutical and Medicine Manufacturing |
| 33911 | Medical Equipment and Supplies Manufacturing |

A.3.2 Communications Manufacturing and Machinery, Equipment, and Small Component Manufacturing

The airport properties found to be suitable for light manufacturing are positioned to attract industries associated with the Communications Manufacturing Cluster and the Machinery, Equipment, and Electrical Component Manufacturing Cluster.

Given the relatively high cost and low availability of industrial-zoned land, as well as the relatively high cost of living, only certain types of light manufacturing are appropriate for Palm Beach County. These industries must have high value-added and a high value-to-shipping cost ratio. Otherwise, they are vulnerable to competition from other parts of the U.S. and from overseas. Alternatively, such manufacturing must serve local businesses to take advantage of proximity.

Many industries in this cluster are moving to Just-in-Time delivery systems. Locating near an airport will provide the greatest ability to reduce shipping times of raw materials required, as well as the product. This is particularly the case with high-value, time-sensitive manufacturing. Manufacturing that requires multi-modal or bulk shipping is only appropriate for North Palm Beach County General Aviation Airport, which has excellent rail access.

A weakness associated with the airport properties is the fact that consideration will be necessary for a select group of industries in this clusters since some require precision manufacturing and low noise levels. This weakness can be overcome, if existing buildings contain or can be modified to include noise reduction design components, such as sound reduction/sound proof walls, etc. It will be important to highlight this information in targeted marketing brochures or during conversations with representatives of these industries. This will help ensure the region captures the interest of the entire cluster. The industries comprising these clusters are listed in Exhibits A-2 and A-3.

EXHIBIT A-2

NAICS Codes for Communications Manufacturing

| 5-Digit NAICS Industry | Industry |
|------------------------|---|
| 33421 | Telephone Apparatus Manufacturing |
| 33429 | Other Communications Equipment Manufacturing |
| 33422 | Radio and Television Broadcasting and Wireless Communications Equipment Manufacturing |

EXHIBIT A-3

NAICS Codes for Machinery, Equipment, and Small Component Manufacturing

| 5-Digit NAICS Industry | Industry |
|------------------------|--|
| 33331 | Commercial and Service Industry Machinery Manufacturing |
| 33461 | Manufacturing and Reproducing Magnetic and Optical Media |
| 33531 | Electrical Equipment Manufacturing |
| 33599 | All Other Electrical Equipment and Component Manufacturing |
| 33441 | Semiconductor and Other Electronic Component Manufacturing |
| 33451 | Navigational, Measuring, Electromedical, and Control Instruments Manufacturing |
| 33411 | Computer and Peripheral Equipment Manufacturing |

Aerospace

Aerospace is not a cluster, but a single industry. Many of the manufacturing jobs above could be clustered with Aerospace, but it seems appropriate to differentiate it from the other industries as the 5-digit NAICS code 33641 for the Aerospace Product and Parts Manufacturing is very broad. The NAICS code 336413, Other Aircraft Parts and Auxiliary Equipment Manufacturing would be a good starting point since many of the other 5-digit NAICS codes within this industry could require substantial acreage.

Advantages for Palm Beach County include the current presence of an aerospace cluster and the proximity of developable properties to the County's airports.

A.2 Recommended Service and Other Target Industries for Airport Related Properties

Many of the services industries performed well in the model, primarily because many of the industries are existing industries and many of the services are in demand in the Palm Beach County area. The services industries selected are a mix of export-based industries as well as non-export based. Good potential tenants create high-paying, sustainable jobs. The key to this is to identify those industries that sell (export) their products and services outside of the immediate area to a larger market. In this way, new income and wealth are brought into a community or area. By contrast, local service and retail activities cater mainly to local markets and customers mostly recirculate income and wealth already in the area. The non-export industries are still important because they are tied to the export based activities in an area and grow along with them. In addition, some of the industries provide the necessary services that potential new residents need when considering whether to relocate to the County. For this reason, both types of services were included in the study.

The results of the target industry analysis for the County airports resulted in four core services industry clusters:

- ➔ Health Care Services (mix of export and non-export based industries)
- ➔ Computer, Scientific, and Technical Services (mix of export and non-export based industries)
- ➔ Printing, Advertising, and Graphic Design Services (some export based, particularly to an extended region encompassing multiple counties and nearby metro areas)
- ➔ Investment, Insurance, and Related Personal Services Cluster (some export based industries as it relates to corporate headquarters and regional offices, but mostly non-export based industries)

As described in Section 2.1.4, service industries in Palm Beach County are growing, but are hampered by the relative scarcity of commercial real estate. Some of the collateral properties of the PBC DOA would add much needed room for service industry development.

A.2.1 Health Care Services

Health Care Services is growing nationwide, especially as baby boomers continue to age. Palm Beach County already has an established presence of these industries and it is predicted to grow over the next several years. Palm Beach County residents are comprised of a large number of retirees. For this industry, the presence of the retirees is a strength for the area. This age bracket generally requires additional health services.

Some of the airport properties were found to be highly suitable for the health care services. Ease of access to and from the properties will be important, as will the proximity of the property to housing concentrations of residents requiring these types of services. Exhibit A-4 lists the NAICS codes for health care services.

EXHIBIT A-4
NAICS Codes for Health Care Services

| 5-Digit NAICS Industry | Industry |
|-----------------------------------|--|
| 62199 | All Other Ambulatory Health Care Services |
| 62423 | Emergency and Other Relief Services |
| 62412 | Services for the Elderly and Persons with Disabilities |
| 62161 | Home Health Care Services |

A.2.2 Computer, Scientific, and Technical Services, Printing, Advertising, and Graphic Design Services, and Investment, Insurance, and Related Personal Services Clusters

NAICS codes for Computer, Scientific, and Technical Services are listed in Exhibit A-5.

EXHIBIT A-5
NAICS Codes for Computer, Scientific, and Technical Services

| 5-Digit NAICS Industry | Industry |
|-----------------------------------|---|
| 54151 | Computer Systems Design and Related Services |
| 54142 | Industrial Design Services |
| 54199 | All Other Professional, Scientific, and Technical Services |
| 54169 | Other Scientific and Technical Consulting Services |
| 42143 | Computer and Computer Peripheral Equipment and Software Wholesalers |

NAICS codes for Printing, Advertising, and Graphic Design Services are listed in Exhibit A-6.

EXHIBIT A-6
NAICS Codes for Printing, Advertising, and Graphic Design Services

| 5-Digit NAICS Industry | Industry |
|------------------------|---------------------------------------|
| 32311 | Printing |
| 32312 | Support Activities for Printing |
| 54143 | Graphic Design Services |
| 54181 | Advertising Agencies |
| 51114 | Database and Directory Publishers |
| 54189 | Other Services Related to Advertising |

NAICS codes for Investment, Insurance, and Related Personal Services are listed in Exhibit A-7.

EXHIBIT A-7
NAICS Codes for Investment, Insurance, and Related Personal Services

| 5-Digit NAICS Industry | Industry |
|------------------------|---|
| 52393 | Investment Advice |
| 52312 | Securities Brokerage |
| 52392 | Portfolio Management |
| 52311 | Investment Banking and Securities Dealing |
| 52429 | Other Insurance Related Activities |
| 81299 | All Other Personal Services |

A.2.3 Methodology

CH2M HILL applied a qualitative and quantitative approach backed by experienced consultants to designate target industries. The result of such an approach is a realistic grouping of target industries suitable for a community to focus its marketing efforts.

A *quantitative* model was generated for Palm Beach County. The model has a multitude of factors that are calculated for each of the 666 5-digit NAICS industries in the United States.

Exhibit A-8 lists the factors for the manufacturing and services industries, and justification for each factor is provided below. This list of factors served as the basis of the target industry model, prepared specifically for the Palm Beach County Aviation Related Target Industry Analysis.

EXHIBIT A-8
Factors Considered for Selection of Manufacturing and Services Industries

| FACTOR | FACTOR WEIGHT |
|--|---------------|
| Projected Employment Growth for Palm Beach County FL 2005 to 2010 | (Heavy) |
| Projected Employment Growth US 2005 to 2010 | (Moderate) |
| National Industry Wage Index 2005 data | (Moderate) |
| LQ Industry Concentration in Palm Beach County in relation to the US 2005 data | (Moderate) |

Heavily Weighted Factors

Projected Employment Growth for Palm Beach County Florida – This factor was weighted heavily because the region has a developed workforce around very specific industries that fit the population profile. This will ensure that the top ranking industries include those that already have an established workforce and predicted to show signs of success in Palm Beach County from 2005 to 2010.

Moderately Weighted Factors

Projected Employment Growth US – When projected employment growth is reviewed at a national level, it predicts industries that are going to grow nationally. Although this is insightful, some of the industries will not be suitable for Palm Beach County resulting in wasted marketing dollars, thus a lower factor was used. It is important to keep a continued element of national growth in a target industry model to capture new and emerging industries that could be suitable for Palm Beach County.

National Industry Wage Index - Projected 5-digit manufacturing wages for 2005 were indexed against the average manufacturing wage for the United States. This factor gives credit to those industries paying higher than average wages and captures those industries as appropriate for Palm Beach County's target list.

Location Quotient for Palm Beach County – Location Quotients are a calculation to determine how concentrated an industry is in the region of study. It is important that target industry analysis take into account industries that exist in Palm Beach County, but not give so much credit for these industries that it weakens consideration of emerging industries that could potentially do well in the region.

The *qualitative* input comes from the CH2M HILL's visit to the community. Talking with local leadership, existing industry, and others provided invaluable information that was included in reviewing the quantitative data. This insightful information obtained through seasoned site location consultants ensures the target industries chosen are realistic for Palm Beach County.

Appendix B:
Best Practices Analysis of Collateral Land Development
Around Airports

Best Practices Analysis of Collateral Land Development Around Airports

B.1 Introduction

Globally, airports are seen as a community asset to be leveraged for the competitiveness of a local economy. Airports have great potential to generate jobs and attract new business, and this potential is being used to justify investment by public entities. However, it is difficult to predict development around airports and a development process often takes many years to complete. Using lessons learned and best practices from other developments is one way to try to predict future market response at an airport development site.

This report presents the methods and results of a best practices analysis conducted by CH2M HILL's Economic Development Consulting Group completed in early 2006. Its purpose is to serve as background information for our work with many airports across the United States and their efforts to utilize collateral property for additional revenue streams.

This Best Practices Analysis yielded some very definite trends and commonalities among land development projects. A common vision leads the way in the ultimate success of a project together with patience because it often can take 20 years or more for the project's full potential to be reached. Covenants and criteria and their consistent application lead to higher quality development projects. Using a targeted marketing approach based on business criteria known to be desirable for the audience will increase the chances of success and incentives need to be optimized in order to aid recruitment. Developments that are supported by these best practices have a greater chance at success.

B.2 Best Practices Analysis Approach

The approach to the best practices analysis consisted of the following three activities:

1. To gain understanding of best practices used by other developments, CH2M HILL conducted indepth research and personal interviews with project personnel when necessary to gain needed information, on a variety of different cases.
2. A business park best practices analysis was recently conducted by the consultant team in the southeastern United States. Lessons learned and ideas generated from that analysis are included in this analysis as well.
3. Two published case studies related to land development around airports were reviewed and used in the analysis. These case studies were taken from the Urban Land Institute, an internationally recognized source of land planning and development.

B.3 Identified Best Practices Developments

The most important criterion for project selection was that the land development project or existing park be owned or directly under the control of an airport authority and subject to similar stringent federal regulations. Some of the projects had more acreage than others but their best practices can be applied to developments of any size.

The five selected land development projects are as follows:

- ➔ Pease Tradeport, New Hampshire
- ➔ Winnipeg Airports Authority, Canada
- ➔ Dallas-Fort Worth Airport, Texas
- ➔ Jefferson County Airport, Colorado
- ➔ Colorado Springs Airport, Colorado

The following site profiles characterize each of these projects and identify features that are relevant. Best practice knowledge on target industries, primary drivers of the parks success, history of the development, public or private developer, incentives offered and any unique characteristics, was desired related to these projects. Graphics of each of the sites are included.

Similar principal conceptual elements were noted in several of the projects including:

- ➔ Conducive to marketability and return on investment (All)
- ➔ Attractive to Target Industries (All)
- ➔ Community Friendly Development and Consistent Design Features throughout the project (All)
- ➔ Unique characteristics that would enhance the development project such as a golf course (Pease & Colorado Springs)

Best practice conclusions and recommendations follow.

B.3.1 Site Profile: Pease Tradeport, New Hampshire

Developer/Owner

Pease Development Authority

Size of Development

3,000 acres

History of Development

The business and aviation industrial park at Pease International Airport is called a “Tradeport” and was established in 1990 and is a redevelopment of a former Air Force base. It has 3,000 acres and primarily targets import/export businesses. Foreign trade zone status is available with access to a deep water port, interstate, and direct air cargo.

Target Industries

- Office
- Industrial
- Research & Development
- Logistics

Current Tenants

The Pease International Tradeport is home to over 200 companies that provide some 5,200 jobs. Recent projects include Lonza Biologics, International Marketplace at Pease, new multi-tenant office building, and Southern New Hampshire University.

State and Local Incentives Supportive of Park Development/Marketing

Unique incentives available include no New Hampshire personal income, sales, inventory, capital gains, personal property, machinery or equipment taxes.

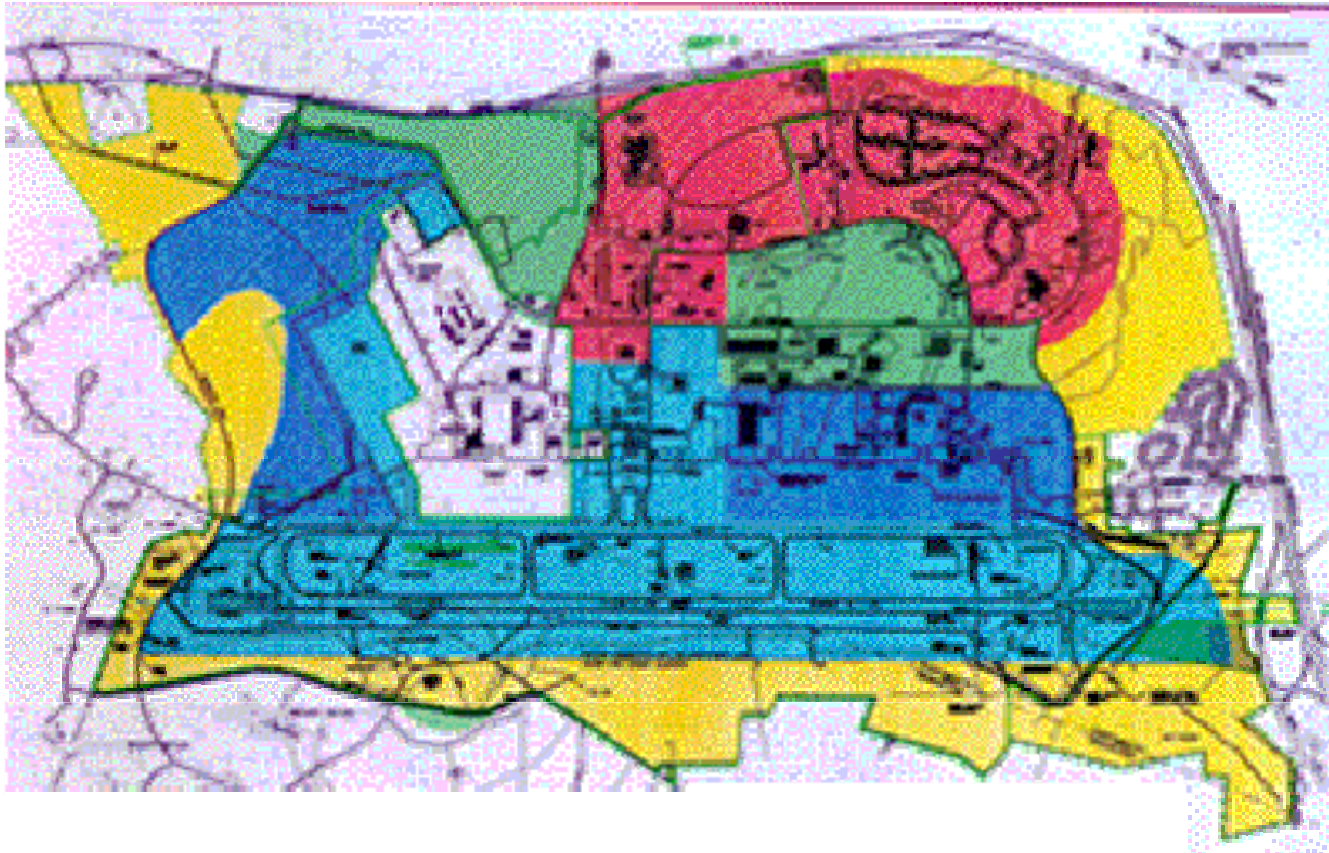
Unique Characteristics

A golf course is incorporated into the offerings of the park.

Restrictive Covenants

Established Land Use Controls

Pease International Tradeport



Source: http://www.peasedev.org/web/engineering/zoning_map.htm



B.3.2 Site Profile: Winnipeg International Airport / Airport Business Parks

Developer/Owner

Winnipeg Airports Authority

Size of Development

860 acres

History of Development

Winnipeg Airports Authority has also begun to look at developing another 3,000 acres. Winnipeg's development is currently focused on aviation-related uses, but this additional acreage seems to be looking at more non-aviation uses that would benefit from proximity to the Airport.

The Winnipeg Airports Authority (WAA) has a "one-stop-shop" approach to new development as is best practice in economic development to encourage new businesses and create a friendly business climate. The WAA has to assist businesses with navigating the regulatory systems because they can be difficult and quite extensive, requiring many approvals.

Target Industries

- Logistics
- Warehousing/Distribution

Current Tenants

- Air Canada Maintenance - Boeing Canada
- NavCanada - Flying Colours Pilot Training
- North West Company - Winpak
- MacDon - Stevenson Aviation Technical Training Centre
- Esso Avitat - Skyward/Shell Aerocentre
- Fast Air - Department of National Defense
- Federal Express - Purolator Courier
- United Parcel Service - Air Canada Cargo
- Standard Aero - Bristol Aerospace
- Canada Border Services Agency

State and Local Incentives Supportive of Park Development/Marketing

Incentives to develop the land around the airport are not encouraged. Lessees and tenants pay all applicable taxes.

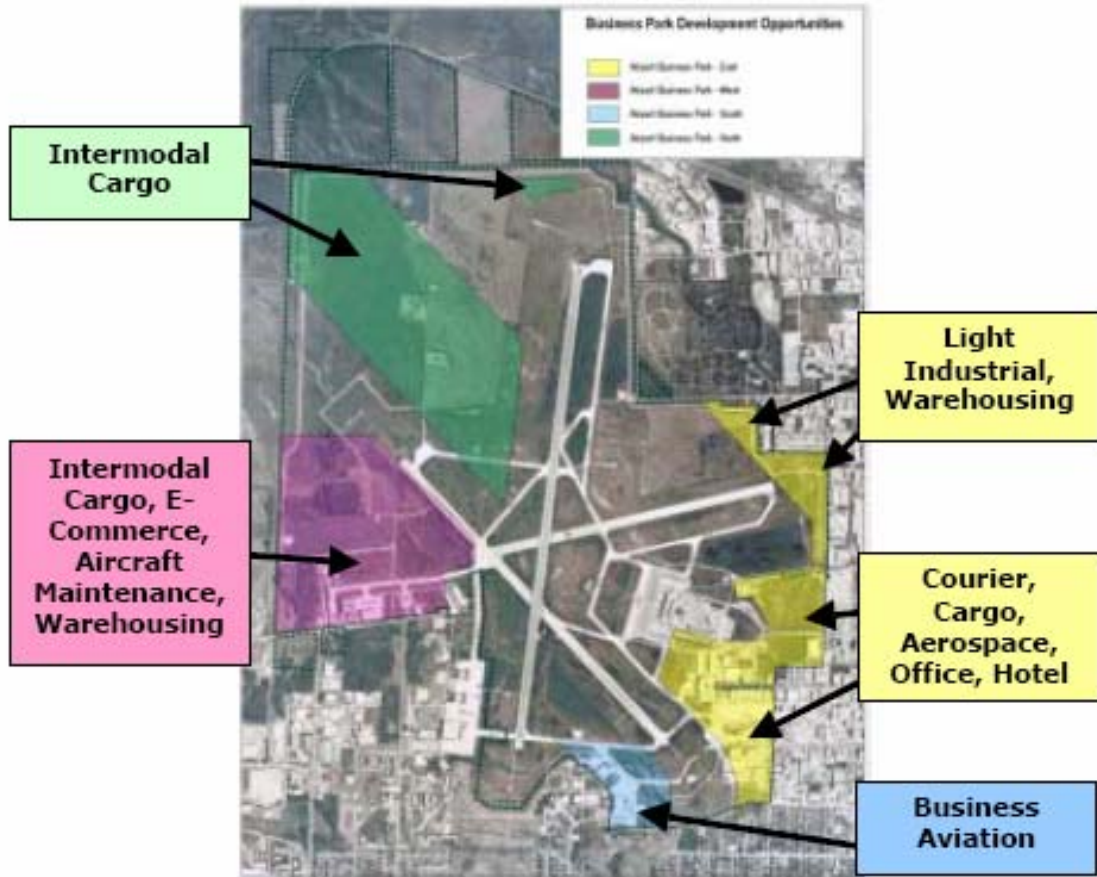
Unique Characteristics

N/A

Restrictive Covenants

WAA does have a set of guidelines that all projects must follow.

Commercial Business Sites for Winnipeg Airport 2020 Plan



Source: www.waa.ca

B.3.3 Site Profile: Dallas Fort Worth International Airport, International Business Park

Developer/Owner

Dallas Fort Worth (DFW) International Airport (DIA) Planning and Real Estate Department

Size of Development

575 acres

History of Development

DFW is one of the world's busiest airports, and the region views it as a primary economic engine. DIA's business park, named the International Commerce Park, sits at the northern non-terminal area of the airport and is approximately 575 acres. DIA's Planning and Real Estate Department stewards this park and ensures that all leasehold development criteria are adhered to by the various developers it works with.

Target Industries

- Corporate Headquarters
- Research and Development
- Office / Light Industrial
- Logistics

Current Tenants

- Aviall Corporate Headquarters
- Amazon.com
- Arizona Tile Wholesalers and Distribution

State and Local Incentives Supportive of Park Development/Marketing

A unique and extremely competitive incentive that the park offers is called triple free-port exemptions from the city, County, and school district. In the DFW market, it is well reported by developers that, if triple free-port exemptions are not offered as a regular course of development, they will maintain vacant land.

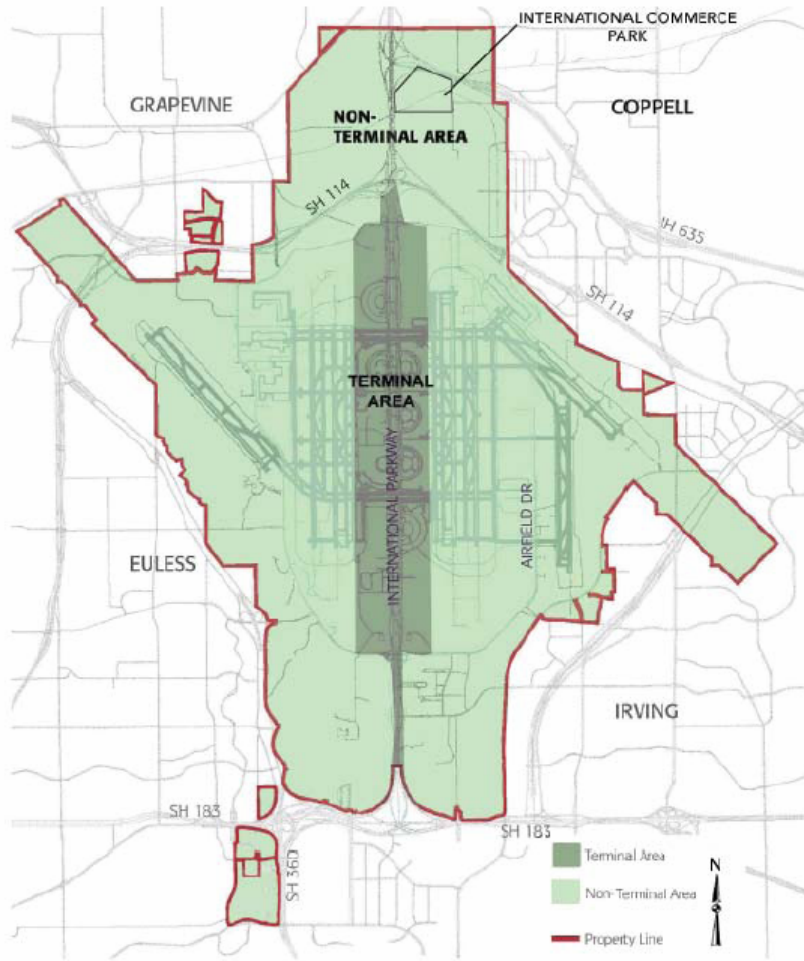
Unique Characteristics

This park is relatively new and still mostly undeveloped.

Restrictive Covenants

The Airport typically offers developers 20- to 40-year land leases and makes it part of their basic goals to develop clear criteria for developers that are not too restrictive yet still maintain the overall excellence of the park.

International Commerce Park at Dallas Fort Worth International Airport



Source: www.dfwairport.com

B.3.4 Site Profile: Jefferson County, Colorado

Developer/Owner

Jefferson County Airport (Jeffco)

Size of Development

Over 600 acres

Description / History of Development

Jeffco is located on about 1,700 acres in Jefferson County, Colorado. It is classified by the FAA as a reliever airport for general aviation traffic through Denver International Airport. The development project most recently studied involved 500 acres being considered for aviation-related uses only. The most recent master plan was approved by the FAA in 2000.

Jeffco's most recent effort to determine potential uses for its land involved three concurrent studies by different consultants that did not communicate with each other in order to maintain objectivity – a unique approach to conceptual planning. The most recent master plan forecasts growth for the Airport at 2 percent per year in airport operations, and over the same period, an increase in home-based aircraft from about 120 to well over 550. Four major events and recent trends will greatly influence the future of this Airport and its development: events of September 11, 2001 and the decline of 2002/2003, growth of business jet demand, increased fractional ownership/operations, and the birth of microjets.

Target Industries

- ➔ Commercial Passenger Service - Charter/ Air Taxi Service
- ➔ Corporate Flight Departments/Private Ownership - Air Freight Service
- ➔ Large Fixed Base Operators - Fractional Ownership
- ➔ Microjet Operation - Jet Aircraft Training
- ➔ Basic/Piston Aircraft Training - New Aircraft Production
- ➔ Maintenance, Repair and Overhaul (MRO) Facilities - General Aviation Support

Current Tenants

- ➔ Corporate Headquarters for Pilatus Business Aircraft - 3 Large FBOs
- ➔ Ball Corporation - Calfee Insurance
- ➔ Johnson Leasing - Kingson Corporation
- ➔ Bertz Aviation - Blue Sky Bistro - Timely Discount Topos

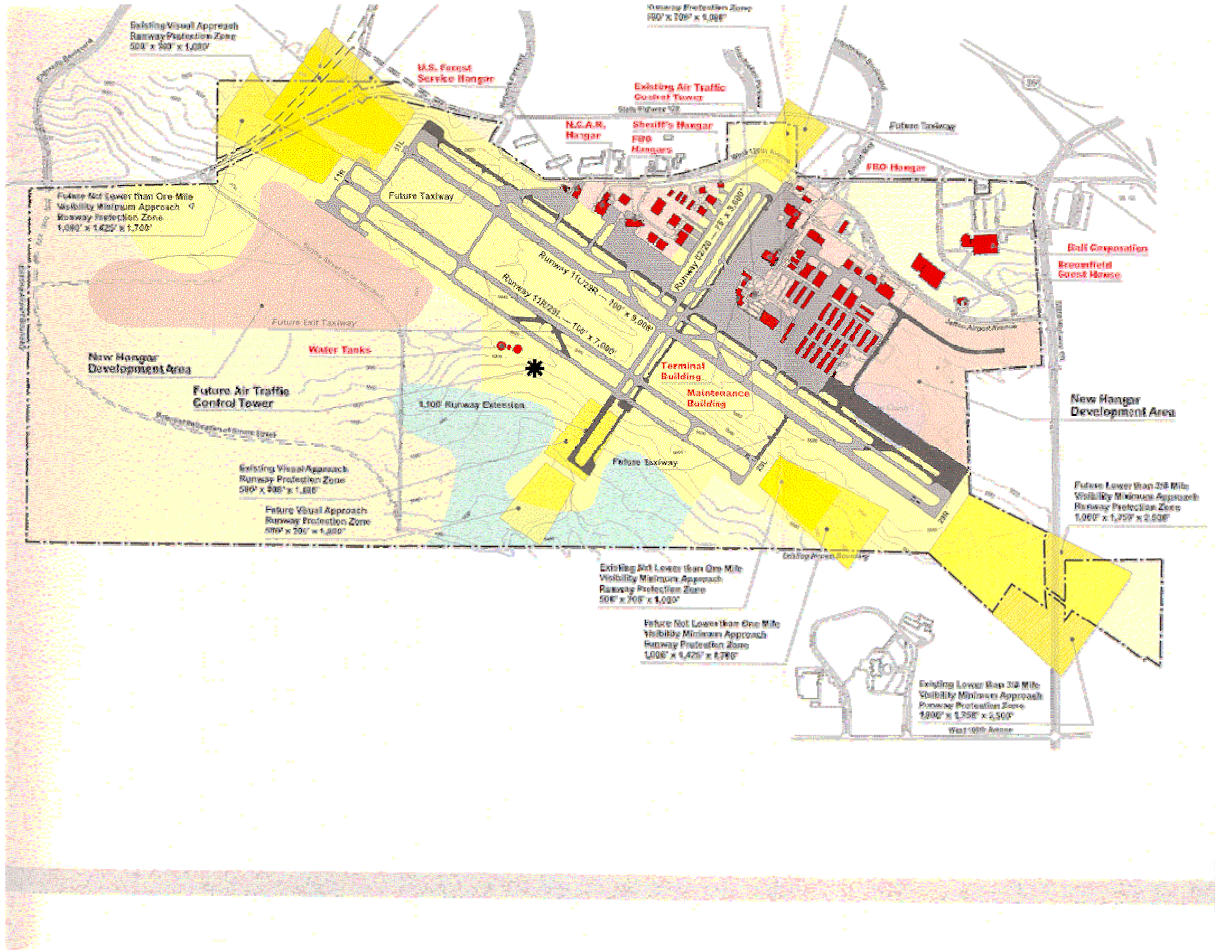
State and Local Incentives Supportive of Park Development/Marketing

- ➔ Foreign-Trade Zone - Enterprise Zone
- ➔ Personal Property Tax Credit Program - Sales Tax Exemption - Alternative Rate
- ➔ Industrial Revenue and Private Activity Bonds - Expedited Development Review

Restrictive Covenants

Land use restriction in place.

Jefferson County Airport Current Master Plan



Source: http://co.jefferson.co.us/jeffco/airport_uploads/airport_masterplan_map.gif

B.3.5 Site Profile: Colorado Springs, Colorado, Airport Business Park

Developer/Owner

Colorado Springs Airport Authority

Size of Development

1,000 acres

History of Development

The Colorado Springs Airport Business Park (Business Park) has recently been proposed for development by the airport authority primarily for non-aviation use. The property being developed is on the north and south sides of the entry road into the Airport. The Business Park amendment to the Airport's master plan has been completed since early 2005 and is now under construction.

The development of the Business Park goes back to 2001. Multiple reviews and analyses have been completed for the Business Park since then, but the current version of the development plan has turned to taking market forces into account as well as focusing on adherence to the open space guidelines desired by the city.

Target Industries

Primary target markets for development of this non-aviation-related business park development include office/industrial/research and development; hospitality/commercial; residential commercial; community commercial; and recreation.

Current Tenants

→ None – Conceptual Master Plan

State and Local Incentives Supportive of Park Development/Marketing

- Foreign-Trade Zone
- Enterprise Zone
- Personal Property Tax Credit Program
- Sales Tax Exemption - Alternative Rate
- Industrial Revenue and Private Activity Bonds
- Expedited Development Review

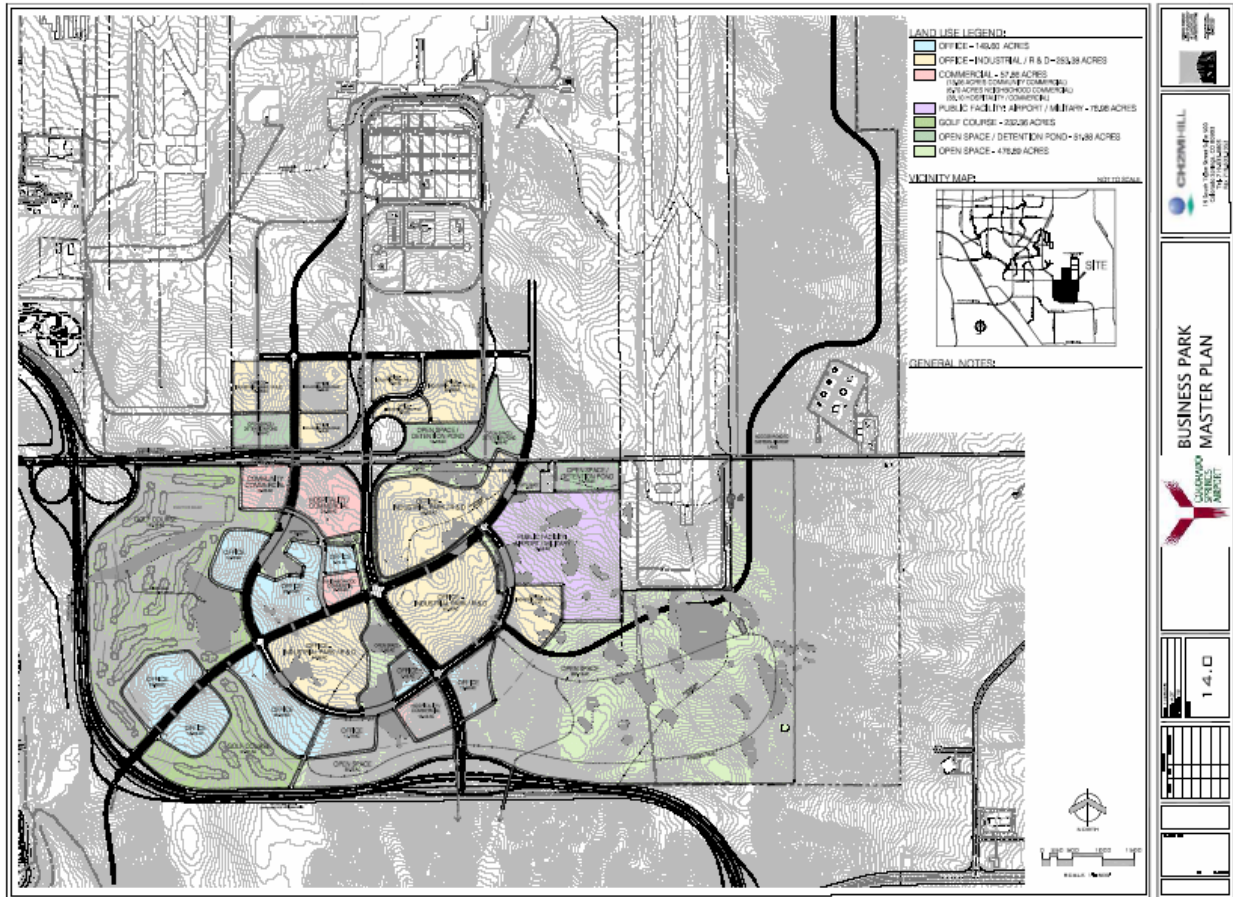
Unique Characteristics

A unique part of this development is the inclusion of a golf course in the overall land use plan and Business Park master plan. The land around the Airport has magnificent views of the Rocky Mountains, and maintaining/enhancing the beauty of this land is a unique and community-improving program.

Restrictive Covenants

Land use covenants.

Colorado Springs Current Master Plan



Source: CH2M HILL

B.4 Best Practices Analysis in Southeastern United States

CH2M HILL recently conducted a best practices analysis of 10 business parks in the southeastern United States. The parks analyzed were as follows:

- Cummings Research Park, Huntsville, Alabama
- Jetplex Industrial Park, Huntsville, Alabama
- Georgia North Industrial Park, Adairsville, Georgia
- MidAmerica Airpark, Owensboro, Kentucky
- Hillside Corporate Park, Spartanburg, South Carolina
- Mount Holly Commerce Park, Mount Holly, South Carolina
- Southchase Industrial Park, Spartanburg, South Carolina
- Steeplechase Industrial Park, Camden, South Carolina
- Wingo Industrial Park, Spartanburg, South Carolina
- Tellico West Industrial Park, Vonore, Tennessee

These parks have great variety in their sizes and vary also in their ownership. About a third are publicly owned, a third are privately owned, and a third are a combination of public/private developments. The parks also varied in age from 5 to 41 years. The age of the park did not determine its success; in all cases the success or failure of the parks was market driven.

Sixty percent of the parks reported having a list of industries they target for investment. Target industries generally include advanced and light manufacturing, warehouse and distribution, business services, and research and development (R&D). Most stress the need for environmentally friendly, non-smokestack industries. Many of the target industries are related to the current park tenants. All have well-recognized major users/anchors, which are critical to the park's growth, development, and marketing efforts.

Amenities are an important part of virtually all of the parks, and include hotels, restaurants, specialty retail, banks and commercial offices, training facilities, golf course, and daycare either within or close to the developments. However, many amenities are often added after major users and others have constructed their facilities, the industrial/business parks have begun to mature, and/or market demand occurs in the park and surrounding area.

Architecture, landscaping, and lighting are governed by restrictive covenants at all of the industrial/business parks. Four of the parks have eligibility requirements, while the remaining six only require compliance with the covenants. Many stressed the importance of controlling the development and sale of sites within the park.

All have advanced telecommunications infrastructure, including fiber optics, T-1, and integrated services data network (ISDN) lines. Several reported successful relationships with the industrial real estate brokerage community. Most reported incentives for the development in the park given directly to the end-user. Some reported support for the extension of utilities and road improvements not directly related to a prospect locating in the park.

The following lessons can be learned related to pre- and post-development marketing activity at office and industrial parks:

- The need to be proactive.
- The importance of direct contact and personal communication and relationships.
- The importance of strategic relationships with state economic development organizations and other key established entities.
- The need to understand the market and the needs of targeted industries.
- The need for immediately available printed materials (brochures).
- For some, the need for information available via the Internet – it is “necessary and expected,” but not as productive as direct contact and strategic relationships.
- Advertising in industry trade journals is also viewed as less productive.

B.5 Case Studies

In addition to primary research, a literature search was performed for applicable case studies and best practices found there. For each case, the results of the analysis are presented in an overview and lessons learned.

B.5.1 Alliance, Fort Worth, Texas

Overview

Alliance is an excellent example of public/private partnership involving transportation-focused industrial and commercial development. Alliance was developed by a partnership involving the FAA, Texas Department of Transportation, and the city of Fort Worth as well as significant leadership and investment by Hillwood, a private developer. Alliance has leveraged Dallas/Fort Worth’s infrastructure resources and focused on improving the flow of goods and materials for its corporate tenants. There are six distinct parks being developed, each with its own focus. The site was purchased from 1982 to 1984, construction started in 1988, and leasing started in 1992, and they do not expect to be finished until 2030.

Lessons Learned

- The size and complexity of the Alliance development has at times lacked focus, and the developers have adopted an extremely flexible attitude and planning process.
- It was a struggle to convince potential tenants that this development was more than just an airport park. Alliance had to work to differentiate themselves as a “transportation and communication” facility and continue to work hard to find ways to leverage the excellent infrastructure resources available to tenants.
- Speculative buildings provided the stimulus for project developments and continuing momentum.

B.5.2 O'Hare Express Center, Chicago, Illinois

Overview

The O'Hare Express Center is located on the grounds of Chicago's O'Hare International Airport and is primarily a center for logistics from cargo flown into and out of the central United States. The Express Center has a lower development density than other types of warehouse/logistics projects because there were higher parking requirements and the truck access facilities and additional loading docks required more space. Typically, goods remain in these warehouse/logistics facilities for no longer than 48 hours, although a small amount of space is allocated for longer term warehousing.

Lessons Learned

- ➔ Just-in-time production systems have spurred the need for short-term storage and logistics facilities.
- ➔ These types of airfreight facilities typically need more office space and loading facilities than typical warehouses.

B.6 Conclusions and Recommendations

- ➔ In all project profiles, previous analyses, and case studies, well-functioning coalitions of public/private of leaders with a common vision have helped with the success of a land development project.
- ➔ Development of business and industrial parks around airports often take 15 to 20 years, subject to market fluctuations. This would be considered a typical development horizon for typical parks.
- ➔ Consistent application of explicitly detailed covenants and criteria lead to high quality and more competitive business and industrial parks, but can also serve to lengthen development horizons in that they may restrict some marketability for certain potential tenants.
- ➔ Over time, covenants would serve to create a higher return on investment for projects.
- ➔ Airports considering developments will be well served to use a targeted marketing approach based on industries with high potential (as identified in this study) and community goals.
- ➔ As a supporting strategy, existing incentive programs need to be optimized, and, where possible, local incentives developed in order to recruit desired industry sectors. There are many types of local incentives that can be attractive to end-users that do not involve high upfront costs, such as tax abatement programs, expedited development reviews, and enterprise zones with tax credit programs.
- ➔ A targeted and strategic marketing plan needs to be developed and implemented to include the following:
 - Industry-specific marketing
 - Highlight of benefits
 - On-going support that is available
 - Local and regional assets

Appendix C:
North County Regulatory Issues Letter



CH2MHILL

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January 12, 2006

Mr. Jerry Allen
Palm Beach County
Department of Airports
846 Palm Beach International Airport
West Palm Beach, Florida 33406-1470

Subject: North County Airport
Subsidiary Development Area (SDA)

Dear Mr. Allen:

This letter explains our understanding of regulatory issues related to future development in the SDA. Our understanding of the current status and steps required to enable future development is based on (1) preliminary field investigations and analysis of current aerial photographs, (2) research into past permit documents issued for airport development, and preliminary feedback from/opinions of staff at the South Florida Water Management District (SFWMD). This research is documented in the *North County Airport, Palm Beach County, Florida, Environmental Constraints Inventory* (CH2M HILL, June 2005) and *North County Airport Wetland Identification and Evaluation Report* (CH2M HILL, November 2005). This letter concludes with (3) an explanation of permitting required to obtain approval for future development of the SDA.

1. Current Field Conditions

CH2M HILL wetland specialists conducted field investigations and analysis of aerial photographs to gain an understanding of field conditions present today compared to those documented when the airport was first being planned and permitted. The SDA is a 200 acre, heavily-disturbed, undeveloped parcel in ecological succession from past agricultural (hence its disturbed condition) to a more naturalized ecosystem. The parcel is heavily vegetated with exotic and native wetland, facultative (grow in wetlands and uplands) and upland plant species, and appears to consist of wetlands with upland patches. The initial inspection suggests that the parcel has been naturalizing into a wetland due to the predominance of jurisdictional indicator plant species. These actual field conditions will need to be verified through a bona-fide wetland delineation and confirmed through a Jurisdictional Determination (JD) to establish regulatory boundaries.

In considering wetlands as a constraint to future development of the SDA, three separate interpretations of what constitutes wetlands at the site may be applicable. For the purposes of satisfying FAA's NEPA responsibilities under FAA Order 1050.1E, all wetlands at the site are accounted for, whether they are isolated or not, and unavoidable impacts must be



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mitigated to meet the federal no net loss policies. For the purpose of Clean Water Act, Section 404 compliance, a wetland delineation consistent with the standards accepted by the U.S. Army Corps of Engineers (ACOE) must be conducted and verified. The ACOE may exclude regulation of isolated wetlands only if they are deemed not 'adjacent' to Waters of the United States, but ACOE may claim hydric pine wetlands. Finally, the SFWMD will require a delineation that recognizes yet a third set of standards. They can claim all wetlands at the site including isolated wetlands and hydric pines. In any event, only after delineations are completed and verified by both regulatory agencies, will the actual extent of wetland 'constraint' be known.

2. Regulatory Status

Our research into the paper trail documenting the past permitting for development of North County Airport revealed that the files are incomplete and that past regulatory actions may have been inconsistent. Given this incomplete picture, the current status of past permits is not conclusive.

Among other findings, it appears that the original NEPA approval obtained for the North County Airport did not include specific development of the SDA. It further appears that the JD last issued by the ACOE has long expired, requiring a new delineation and new JD. Past ACOE permits appear built-out and not applicable to any future development of the SDA. Finally, based on the scope and completion of activities originally permitted by SFWMD, it appears that the Conceptual Permit may not be applicable to new development at the airport from an environmental standpoint. With respect to mitigation 'credit' for future impact, a mass-balance equation accounting for activities permitted, projects built, and impacts mitigated will be required for each permit issued to quantify the exact totals.

3. Permits Required for Future Development

With respect to regulatory steps and process that would be required to obtain approval for any development in the SDA, five separate approvals would be required by four separate agencies. While these steps would be separate from a regulatory perspective, they could be concurrent and completed within an overall timeframe of two to two and one-half years. These would include:

- FAA - NEPA approval would be required because the SDA is on airport land and any development would result in an Airport Layout Plan change (hence a Federal Action). NEPA approval would also be required because the ACOE by issuing a Section 404 permit undertakes a Federal Action. Given the known (and anticipated) environmental constraints within the SDA, development would result in environmental impacts



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requiring the likely minimum of an Environmental Assessment (EA, as opposed to the bare minimum of a Categorical Exclusion). The NEPA process would require that future development of the SDA be evaluated for dependency on access to the airfield. If the development does not require airfield access, other locations off-airport resulting in less environmental impact would have to be considered. Another issue that would affect the complexity and duration of the NEPA process would be inclusion of any runway extension or other projects resulting in environmental impacts at the airport. The minimum duration for an EA of this magnitude, complexity and public interest would be in the 12 to 18 month timeframe.

- ACOE Section 404 Permitting - A new Jurisdictional Determination and Individual Permit would be required from the ACOE. Based on current permitting experiences with the ACOE District, this process could take up to two and one-half years.
- SFWMD ERP - When a future development plan for the SDA has been defined, Palm Beach County should approach the SFWMD to argue the validity of the original Conceptual Permit. The documentation suggests that the stormwater management facilities approved in the SDA by the Conceptual Permit were meant to accommodate future impervious surfaces (development) on the SDA. If the original Conceptual Permit is accepted as valid and current by the SFWMD, an update could be completed in approximately six months. If the SFWMD does not acknowledge the continued validity of the Conceptual Permit, a new delineation and ERP will be required for SDA development. This process could take 12 to 18 months.
- Palm Beach County - A County Development Order was issued for the original airport that did not include a detailed plan for SDA development, however, the original process mitigated for wetlands then delineated in the SDA (Treasure Coast Regional Planning Council requirements satisfied). The County Development Order Condition #41 states that new work other than indicated on the current master plan (1989) would require Substantial Deviation review, possibly extending the timeframe to one year. The original ADA for the project included an analysis of impacts arising from the SDA. The ADA assumed, and the traffic analysis was performed to evaluate the impacts of, 765,000 square feet of light industrial use, supporting 1740 employees. While the development order does not 'approve' any uses in the SDA, this level of impact (765,000 square feet of light industrial equating to 5164 trips) is an impact previously reviewed and thus should support a conclusion that development to that level is not a substantial deviation. Palm Beach County would also administer any zoning changes required to facilitate SDA projects. This process could take 6 to 8 months.



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PBC Department of Airports
January 12, 2006
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In summary, future development will require new NEPA approval and new permits for unavoidable impacts to environmental resources. Furthermore, these approvals and mitigation requirements will be based on current criteria and mitigation ratios. The overall timeframe for obtaining all regulatory approvals is two to two and one-half years.

Should you wish to further discuss this matter, please contact me at 860-767-7121. Thank you.

Very truly yours,

CH2M HILL

A handwritten signature in black ink, appearing to read "Thomas P. Klin".

Thomas P. Klin
Vice President

cc: Collene Walter, Kilday & Associates, Inc.
Phil Partenheimer, CH2M HILL
John van Woensel, CH2M HILL
Terry Ruhl, CH2M HILL