AIRCO Redevelopment Feasibility Study

A feasibility study for possible future uses of the 123.5 acre airport Airco Golf Course was presented by the Airport and Economic Development departments and Synergy Advisors Corp. to the Pinellas County Board of County Commissioners (BCC) at a scheduled work session on October 28, 2008.

Synergy Advisors Corp. was the consultant selected to conduct a feasibility study that examines several alternative land use concepts for the golf course, including a mix of aviation, retail, office, and industrial uses. The presentation to the board by Synergy concluded with their findings and recommendations.

The commission unanimously approved the concept plan as a first step in consideration of future redevelopment of the Airco property, emphasizing the plan is subject and likely to change. It was emphasized that the plan is conceptual, in nature. As the process moves forward, various conditions, elements and recommendations will change. There is no firm time table for development to take place on the Airco property. As the process moves forward, there will be opportunities for public review and comment.

The October 28, 2008 presentation to the County Commission and Airco Redevelopment Feasibility Study are included in this document. If you have any questions or need additional information, please contact Airport Properties Director Bob Humberstone at 727-453-7820.

The County Commission work session held on October 28th may be viewed by clicking on this link: http://www.pinellascounty.org/media/bcc-2008-10-28/airco.ram.
Market & Feasibility Analyses
Implementation Recommendations
AIRCO Golf Course Redevelopment
October 28, 2008
Consultants

Allan Wampler  Synergy
Kelly Rubino    Hanson
Randy Kranjec  TBE
Consultant Scope of Work

3. Feasibility Analysis – February 8, 2008
5. Summary Presentation – June 24, 2008
Subject Site
AIRCO Golf Course
Return Goals

- Revenue
- Highest and Best Use
- Economic Development
- Job Creation
- Enhance Cluster Industries
- Higher Density Development
- FAA compliance
- Flexibility
Market Analysis

• Competitive Market Area
• Commercial Real Estate Supply (2007)
• Demand Projections and Pricing (2007)
• Factors Affecting Demand (2007)
Pinellas County Office Market

- Total Supply: 31.9 million SF
- Vacancy Rate: 9.3%
- Average Rental Rates: $19.88/SF
- Estimated Absorption: 350,000 SF/Year
Pinellas County Industrial Market
(Flex and Warehouse)

• Total Supply: 57.6 million SF
• Vacancy Rate: 4.5%
• Average Rental Rates: $7.53/SF
• Estimated Absorption: 300,000 SF/Year
Hotel Demand Projections

- Utilizing the Total room supply and average occupancy rate, we conclude that the Competitive Market is currently undersupplied by 963,575 room nights.

- Given the average size of a limited service hotel, we can arrive at a demand in the Competitive Market for up to an additional 28 hotels.
Market Conclusions

- Developable land in the Competitive Market is very limited, and demand for industrial space remains high, creating a need for the creation of new sites.

- The industrial market in the County is not capable of absorbing the projected demand over the next several years, likely forcing expanding and relocating businesses to seek space elsewhere.

- All or portions of the Subject Site could provide an opportunity for development of flex buildings to accommodate new and expanding businesses unable to find space elsewhere in the County.
Market Conclusions

• A growing population and employment base will increase demand for office product.

• The County must make efficient use of redevelopment opportunities, as recommended in *Pinellas by Design*.

• Significant retail and hospitality uses of the Subject Site are limited by frontage and access, and constitute a less efficient use of the Site given the proximity of competing retail and hospitality products. Such uses would only make sense as accessory to office and industrial development elsewhere on the Site.
Feasibility Analysis

- Environmental
- Regulatory
- Economic (Capital Budgeting Analysis)
Capital Budgeting Analysis

- Cash Flow Projections (Lease Rates)
- Development Costs
- Operating Costs
- Discounted Cash Flow
- Net Present Value (NPV)
- Alternative Financing Techniques
Estimated Absorption Time

- Office: Five Years (2012)
- Industrial/Flex: Seven Years (2014)
- Hospitality: Seven Years (2014)
- Aviation: Ten Years (2017)

(per Airport Master Plan)
Estimated Land Values by Use

- Hospitality/Retail: $25.00 per sq. ft.
- Office: $12.50 per sq. ft.
- Industrial/Flex: $7.50 per sq. ft.
Development Scenarios

1. Maximum Development
2. Medium Level Development (under DRI threshold)
3. Minimum Development (current traffic levels)
## Scenario 2 – Optimal Land Use Mix (Medium Level of Development)

### AREA (In Square Feet)

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Aviation</td>
<td>200,000</td>
</tr>
<tr>
<td>Office</td>
<td>199,000</td>
</tr>
<tr>
<td>Industrial</td>
<td>720,000</td>
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<tr>
<td>Hospitality (In Rooms)</td>
<td>180</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>919,180</strong></td>
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</table>

### AREA (In Acres)

<p>| | |</p>
<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Aviation</td>
<td>25 *</td>
</tr>
<tr>
<td>Office</td>
<td>10</td>
</tr>
<tr>
<td>Industrial</td>
<td>50</td>
</tr>
<tr>
<td>Hospitality</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>110</strong></td>
</tr>
</tbody>
</table>
Summary Feasibility Analysis (NPV)

• Aviation (25 acres) $729,011
• Non-Aviation (78 acres) $3,133,639
## Revised Return Goals (2/8/2008)

### RETURN GOALS & OBJECTIVES

<table>
<thead>
<tr>
<th>Goal #</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>Total</th>
<th>Qual Rank</th>
<th>Fin Rank</th>
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<tr>
<td>Office</td>
<td>$62,346 (+) (+) (+) (+) (+) (+) (+) (+)</td>
<td>7</td>
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<td></td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>Industrial</td>
<td>$45,115 (+) (+) (+) (+) (+) 0 (+) (+)</td>
<td>5</td>
<td>2</td>
<td>3</td>
<td></td>
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</tr>
<tr>
<td>Hospitality</td>
<td>$50,754 (+) 0 (-) (-) (+) (+) (-) (-)</td>
<td>0</td>
<td>4</td>
<td>2</td>
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<td></td>
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</tr>
<tr>
<td>Aviation</td>
<td>$29,287 (+) (+) (+) (+) (-) (+) (+) (+)</td>
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<td>3</td>
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</tbody>
</table>

**Return Goals**

1. NPV Per Acre
2. Highest & Best Use
3. Economic Development/Partnership
4. High Wage Job Creation
5. Enhance Cluster Industries
6. Higher Density Redevelopment
7. FAA Financial Constraints
8. Flexibility
## Estimated Economic Impact of Jobs

<table>
<thead>
<tr>
<th>Type</th>
<th>(1) Square Feet per job</th>
<th>(2) Total Square Feet</th>
<th>Total New Direct Jobs</th>
<th>(4) Average Wage</th>
<th>(5) Total New Direct/Indirect Jobs</th>
<th>(5) Total Direct/Indirect Earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office</td>
<td>250</td>
<td>199,000</td>
<td>796</td>
<td>$41,799</td>
<td>1,312</td>
<td>$49,924,642</td>
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<tr>
<td>Industrial</td>
<td>500</td>
<td>720,000</td>
<td>1,440</td>
<td>$41,799</td>
<td>2,317</td>
<td>$84,339,013</td>
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<tr>
<td>Aviation</td>
<td>500</td>
<td>200,000</td>
<td>400</td>
<td>$41,799</td>
<td>595</td>
<td>$23,313,810</td>
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<tr>
<td>Limited Service Hotel</td>
<td>3,000</td>
<td>(3) 117,000</td>
<td>39</td>
<td>$19,283</td>
<td>45</td>
<td>$907,633</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>2,675</strong></td>
<td><strong>4,269</strong></td>
<td></td>
<td></td>
<td><strong>$158,485,098</strong></td>
</tr>
</tbody>
</table>

(1) Source: Housing Nexus Analysis for Pinellas County (Aviation uses classified as industrial)
(2) Source: Airco Study
(3) Source: 180 rooms at 650 square feet per room
(4) Source: Enterprise Florida 2006 115% of Pinellas avg. wage & ES-202 2006 avg. wage of hotels w/10+ employees
(5) Bureau of Economic Analysis RIMS II Multipliers
Projected Tax Impact

Estimated Tax Revenue at Build-Out

Real Estate $ 906,213
Room Tax $ 206,225
Sales Tax $ 21,010

Total Annual Tax Revenue $1,153,428
Airco redevelopment would implement the County’s comprehensive plan related to ED:

- Achieving a sustainable community and the quality of life desired by the County’s citizens is dependent upon continued growth in both the size and quality of the local economy. In order to attain this level of economic growth, Pinellas County will take steps to retain and recruit industries and businesses with high-wage jobs that bring money into the local economy from outside the County.
## Gateway to the Future

**July 12, 2005**

<table>
<thead>
<tr>
<th>Property</th>
<th>Existing Conditions</th>
<th>Potential Issues and Opportunities</th>
<th>Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airport Golf Course</td>
<td>Public golf</td>
<td>- Large site with significant redevelopment potential;</td>
<td>- Site offers potential for redevelopment to a use that contributes to the economic and employment goals for the Gateway Area and County as a whole.</td>
</tr>
<tr>
<td>Property (Airco)</td>
<td>course</td>
<td>- Conversion of the site will result in a loss of public open space;</td>
<td>- During the master planning process of Airco and the property to the east, the opportunity exists to configure the design such that stormwater and environmental requirements are addressed in an area of open space set aside to the east. This site configuration will also serve to buffer site development from nearby residential areas;</td>
</tr>
<tr>
<td></td>
<td>124 acres</td>
<td>- Site presently provides some buffering between Airport and nearby residential uses.</td>
<td>- Redevelopment of the site should be a model for low impact (environmentally sensitive) quality development.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- The County will need to determine the appropriate master planning process required for redevelopment of the site.</td>
<td>- County staff to continue coordinating with affected communities regarding plans for Airport properties.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Redevelopment of the property must provide revenue for the Airport.</td>
<td>- County staff to initiate review and redevelopment of the site, and prepare appropriate master plan.</td>
</tr>
</tbody>
</table>
## Gateway to the Future

**July 12, 2005**

<table>
<thead>
<tr>
<th>Property</th>
<th>Existing Conditions</th>
<th>Potential Issues and Opportunities</th>
<th>Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Properties east of Airco Golf Course</td>
<td>Vacant natural area</td>
<td>- Known archaeological resources in vicinity; heavily wooded natural area.</td>
<td>- During development of the master plan for redevelopment, maintain portions of the property in a natural condition to support environmental goals, stormwater goals, and to serve as a buffer to nearby residential development.</td>
</tr>
<tr>
<td></td>
<td>45 acres</td>
<td>- Functions as buffer for the residential area.</td>
<td>- Consider feasibility of passive public access to the open space and to balance the loss of open space associated with Airco Golf Course conversion.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Evaluate use of the site for stormwater retention</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Undertake additional archaeological evaluation of the site.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Amend the Future Land Use Map to a recreation or preservation use following further site investigation.</td>
</tr>
</tbody>
</table>
The County’s economic development and redevelopment plan:

• To maintain the County’s current economic vitality, 50,000 new primary industry high wage jobs must be created over the next 20 years.
• Redevelopment efforts must focus on maintaining adequate real estate to meet the needs of the community.
• Identify surplus public land for redevelopment
• Recruit and retain target employer businesses
• Use Master Plan to guide the redevelopment of aviation and non-aviation airport property.
• Create a prototype project to illustrate and apply quality redevelopment techniques and strategies
SUMMARY
OF
Federal
Aviation Administration (FAA)
ISSUES
Implementation Recommendations

- Master Developer vs Multiple Developer
- Secure Funding
- Infrastructure
- Public Approval
- Marketing
Development Action Plan

1. Financial Need
2. Financial Resources
3. Incentive Program
4. Marketing Program
   “Targeted” Approach
Development Action Plan

6. Procurement (RFP)
7. Land Lease
8. Approval Process
9. Construction Supervision
Recommended Next Steps

- Financing/funding opportunities
- Public/private partnerships
- Development management
- Environmental Phase I
- Survey
- Appraisal
- Zoning/Comp Plan amendment
- Preliminary storm water analysis
- Designated Development Area
- Potential Brownfield designation
- Public outreach/involvement
- Transportation issues
Questions and Discussion
Market and Feasibility Analyses and Implementation Recommendations – AIRCO Golf Course Redevelopment

for

Pinellas County and St. Petersburg-Clearwater International Airport

July 1, 2008

Presented by

Synergy Real Estate Corporation

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Greenock, PA 15047-0174
Telephone: 412-754-2100
Fax: 412-754-2109
Email: Synergy@SynergyRE.com
www.SynergyRE.com
Contact: Allan Wampler
July 1, 2008

Mr. Noah Lagos
Airport Manager
ST. PETERSBURG-CLEARWATER INTERNATIONAL AIRPORT
14700 Terminal Boulevard, Suite 221
Clearwater, FL  33762

RE: Market and Feasibility Analyses and Implementation Recommendations – AIRCO Golf Course Redevelopment

Dear Mr. Lagos:

Bound herewith is a self-contained, consolidated report that includes (I) Market Analysis, (II) Feasibility Analysis, and (III) Implementation Recommendations for redevelopment of the AIRCO Golf Course site at St. Petersburg-Clearwater International Airport.

Per your request we have included all three reports as one document and have omitted an executive summary. We have also added handout-style copies of each of the PowerPoint presentations used at our stakeholder meetings over the past year as Appendix N.

On behalf of the entire Synergy Team, thank you for the opportunity to work with you and your colleagues on this important endeavor. We look forward to working with you further toward full development of the AIRCO property.

Sincerely,

Allan E. Wampler
President
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<td>FEASIBILITY DATA</td>
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<td>OPTIMAL DEVELOPMENT PLAN</td>
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<td>CONCEPTUAL SITE PLANS</td>
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<td>Section</td>
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<tr>
<td>FISCAL IMPACT</td>
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<tr>
<td>FEASIBILITY SUMMARY AND CONCLUSIONS</td>
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<td>PART III: IMPLEMENTATION RECOMMENDATIONS</td>
</tr>
<tr>
<td>INTRODUCTION</td>
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<tr>
<td>REAL ESTATE DEVELOPER’S PERSPECTIVE</td>
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<td>LAND DEVELOPMENT MODEL</td>
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<td>IMPLEMENTATION SUMMARY AND CONCLUSIONS</td>
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<td>APPENDICES</td>
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<td>ENGINEERS’ SITE DATA AND RECOMMENDATIONS</td>
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<tr>
<td>DEVELOPMENT POTENTIAL AND DEMAND ANALYSIS</td>
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<tr>
<td>PINELLAS COUNTY ZONING SUMMARY</td>
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<tr>
<td>DRI THRESHOLD CRITERIA</td>
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<td>TERPS ANALYSIS</td>
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<td>PART 77 EVALUATIONS</td>
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<td>PINELLAS COUNTY TAX RATES</td>
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<td>UTILITIES ANALYSIS PLAN</td>
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<td>RETURN GOALS &amp; OBJECTIVES</td>
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<tr>
<td>BIBLIOGRAPHY</td>
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<tr>
<td>MARKET STUDY HYPOTHESIS</td>
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<td>HOTEL DEMAND PROJECTIONS</td>
</tr>
<tr>
<td>BASIC ASSUMPTIONS AND LIMITING CONDITIONS</td>
</tr>
<tr>
<td>STAKEHOLDER TASK FORCE MEETING PRESENTATIONS</td>
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</table>
CONSULTANT TEAM’S SCOPE OF WORK

The Consultant’s Scope of Work encompasses five major Work Steps as follows:

- **Work Step 1: Project Kickoff and Strategy Formulation**
- **Work Step 2: Real Estate Market Analysis**
- **Work Step 3: Feasibility Analysis**
- **Work Step 4: Implementation Strategy**
- **Work Step 5: On-Going Real Estate Consulting Services**

The Synergy Team carried out the assignment according to the direction set forth by the Client. The methodology outlined herein has been successful when applied to numerous projects carried out by Team members at other airports.

**WORK STEP 1: PROJECT KICKOFF AND STRATEGY FORMULATION**

The engagement began with a meeting in St. Petersburg to set the strategy for the assignment and begin gathering key data. The objective of this Kickoff Meeting with the Client was to establish team roles, time frames, information needs and deliverables, and to confirm the Consultant Team’s understanding of Client expectations for the engagement.

During this day, the Team conducted a strategy session with key Airport and County leaders to formulate goals and objectives and develop an understanding of the community’s priorities and challenges. Discussion topics included:

- General goals and objectives of the study and the larger initiatives it will support;
- Establish County/Airport development criteria including but not limited to the following:
  1. Buffer area requirements,
  2. Site access issues,
  3. Property to be reserved for future Airport use,
  4. General noise impacts of property development,
  5. Revenue enhancement, and
  6. Capital contribution available from the County/Airport.
- Existing industry concentrations in the community and surrounding region;
- Historical and recent industry recruitment successes;
- Labor market conditions;
- Competitors (and their successes relative to Pinellas County and the Airport);
- The Team’s observations of real estate trends;
- The role of development partners (regional economic development groups, utilities, the State, and the County); and,
- The availability of Client resources.

After the Kickoff Meeting, Synergy prepared and submitted a document that summarized the discussions, goals and objectives, and the schedule of activities for the assignment.
WORK STEP 2: REAL ESTATE MARKET ANALYSIS
(Part I herein, beginning on Page 15)

Synergy performs market study analysis centered on real estate and land use development potential, with a consistent focus on regional and community business attraction issues affecting overall market demand. A combination of structured tools and unique techniques is used to tailor the study to the specific objectives of the client and the subject marketplace/geography. All studies are professionally and objectively conducted. This enables the client to be assured of the relevance, accuracy and timeliness of the final product. Land uses (in this case: aviation, office, industrial, retail, and hospitality) for the proposed AIRCO Site are studied as part of a comprehensive mixed use plan.

Work Step 2-1: Market Demand Analysis and Overall Industry Update

Synergy conducted a thorough market analysis of commercial real estate in the Pinellas County market, incorporating the following areas into the analysis:

- Forecasts for commercial real estate absorption;
- Market analysis inclusive of market demand and absorption rate of proposed development options;
- A review of the real estate product recommended for development within the Site;
- A focus on industrial and office space, as well as ancillary retail and aviation-related development; and
- An analysis of the Site’s strengths and weaknesses as they relate to commercial real estate development.

Work Step 2-2: Product Positioning Strategy

This strategy focused on the following elements:

- Target market segments and characteristics;
- Importance of airport proximity; and
- Competitive advantages.

Synergy conducted an extensive product positioning study by first reviewing the Airport Master Plan and then by implementing a series of research steps to assess appropriate Site uses and operation types.

This Product Positioning Study not only examines the physical attributes of the real estate product that is the Site but also identifies and synthesizes the area’s compelling business-attracting strengths that drive location decisions.
**Work Step 2-3: Competitive Market Analysis**

This step answers the questions set forth in the Client’s Request for Proposal (RFP) regarding the Site's market competition by conducting an examination of anticipated competing business parks in Pinellas County with a special emphasis on those located near and on Airport properties. Each competitor development was examined and benchmarked against that proposed for the Site based upon the following criteria:

- Unique features and amenities;
- Strengths and weaknesses (potential advantages of the Airport);
- Marketing strategies;
- Public incentives;
- Large versus small and medium-sized tenants; and
- Foreign trade zone status.

The results of this competitiveness assessment were translated into 'lessons learned' that will benefit the overall development of the AIRCO Site.

**WORK STEP 3: FEASIBILITY ANALYSIS**

(Part II herein, beginning on Page 79)

**Work Step 3-1: Engineering Analysis (Environmental and Regulatory)**

Engineers working as part of the Consultant Team conducted research and analysis related to potential development scenarios explored for the Subject Site and reviewed with the Client. These included the following:

**Aviation Development**
Consistent with the Airport Master Plan, the study assumes that land directly adjacent to the airfield should be retained for airport related uses; therefore, an evaluation of future aviation demand was made. Review of the airport master plan, airport layout plan, and forecasts of aviation related facilities was also done in order to determine how much of the golf course should be reserved for that purpose, with emphasis on corporate hangars. Consideration was also given to reservation of areas for aviation-related business such as aircraft maintenance, avionics, and radio repair shops.

**Utilities**
The Consultant provided an analysis of the utilities that serve the Subject Site and their levels of service. Water, wastewater, cable services, storm water, and other utilities were noted.

An estimate of usage based on the proposed square footages of mixed use development was made and an overview of current utility capacity and location versus future demands was prepared. A preliminary evaluation of utility needs, including an estimate of cost by phase, was developed.

**Density**
A review of the County’s land development code, zoning ordinances, and comprehensive plan was done in order to determine optimal density of potential new development. Density will also be a function of infrastructure upgrades that may be
required at various density thresholds. Compatibility with surrounding developments was also evaluated.

**Ingress/Egress**
The Team contacted the County regarding ingress/egress issues to the Site and determined how many access points are allowed. Additionally, we contacted the Pinellas County Metropolitan Planning Organization (MPO) to discuss transportation issues in the surrounding area. Ulmerton Road, a State of Florida road, is a major east-west arterial through Pinellas County, and the Consultant has noted its level of service and capacity, or lack thereof, as it relates to the AIRCO redevelopment. This is important from a regulatory perspective, as well as the ability to provide service to the proposed development.

Based upon the type of land uses recommended in the market analyses, ingress and egress needs have also been identified. In addition, the Team has analyzed whether there should be separate ingress/egress points for cars and trucks.

**Environmental Impacts**
The Consultant Team has reviewed the AIRCO property relative to the following environmental considerations:

- Wetlands,
- Jurisdictional water bodies,
- Underground storage tanks, and
- Pesticides and other chemicals typically associated with golf course maintenance.

Wetland and jurisdictional reviews were made for planning purposes only and limited to aerial photographs and soils reports and did not include field wetland delineation. Hazardous materials and storage tanks reviews included a review of County storage tank registrations, a review of County and Florida Department of Environmental Protection (FDEP) regulatory documents for the site, and one field review with AIRCO staff. A formal Phase I or II Environmental Site Assessment was not included during this feasibility study.

**Transportation Issues**
The Consultant researched the following transportation issues:

- Concurrency management,
- Impact fees and credits, and
- Area transportation issues.

The analysis identified major transportation obstacles to the proposed development along with strategies to overcome such obstacles.

**Traffic Impact Mitigation**
Based upon the development scenario(s) identified in the market analyses and product positioning strategy, the Consultant estimated trip generation and attraction. No field data collection was conducted during this task. The surrounding transportation system was reviewed in light of its physical capacity to handle the estimated additional traffic.
Transportation and traffic issues are major sectors impacting the pace, size, and types of development, with more research and analysis needed in order to make informed decisions about future land uses at the Subject Site.

**Federal Aviation Regulations (FAR) Part 77 and Terminal Instrument Procedures (TERPS) Requirements**

Both FAR Part 77 and TERPs establish guidelines and standards for allowable heights of buildings and objects in the vicinity of airports and runways. The proposed development and its anticipated heights were evaluated in relation to the allowable heights provided by both FAR Part 77 and TERPS to identify standards applicable to specific areas of the property where development could be significantly limited by these standards and guidelines.

**Easements**

Potential easements that may be required for utilities, access or other uses were identified and areas designated for their use were identified on a preliminary basis. The final locations of such easements are subject to facility planning and design. This examination simply provides preliminary information concerning sizing (widths, lengths) and general location information.

**Development of Regional Impact (DRI) Process**

Once the alternative site plans, types of users, development mix, and phasing were identified the Consultant conducted a review of the thresholds to determine if a Development of Regional Impact (DRI) under Chapter 380 of the Florida State Statutes was required. Information and data provided by other tasks within this study were reviewed and evaluated from a DRI standpoint to determine if there are any regional issues. DRI research was conducted for the proposed development options and recommended development strategies based on the DRI research conducted were discussed. Discussions were conducted with the Regional Planning Council to determine if there will be any types of regional issues that will have to be addressed as the project is implemented. The recommendations for phasing and the development mix outlined herein were made based on the DRI threshold reviews including certain airport exemptions for land designated for aviation and related uses.

**Wetland Permitting Issue**

Once the alternative site plans were developed a conceptual analysis of the storm water management plan, landscaping, and wetland areas was made to identify any permitting issues. This includes not only the DEP and the Southwest Florida Water Management District but also the FAA which will be concerned with any potential wildlife attractants.

**Local Development Permitting Requirements**

The Consultant provided data on the following categories as it relates to the proposed development scenario:

- Zoning,
- County Comprehensive Plan,
- Permits, and
- Access permits.
The analysis reports on the existing regulatory framework and any necessary changes required as a result of the proposed development scenario.

**Work Step 3-2: Economic Feasibility**

The Client has requested an in-depth economic analysis of costs associated with various development alternatives for the Site. Synergy used a cost/benefit approach that blends quantitative and qualitative factors, and considers taxes, necessary land improvements, environmental issues, engineering, access, visibility, building specifications, and governmental restrictions when examining the economic feasibility of the proposed development.

**Capital Budgeting Analysis**

The Team viewed development of the Subject Site from various potential tenants’ perspectives through a capital budgeting analysis. We considered the initial capital outflow, which includes acquisition and closing costs along with building costs. Factors include the lease price, transfer tax, title insurance, financing costs, survey fees, legal fees, environmental and engineering costs, and overall construction costs. We have developed cash flow projections, which include a pro forma income statement, a pro forma operating expense statement, and a disposition analysis. This information was used to perform a discounted cash flow analysis considering the net present value, internal rate of return, payback period, and profitability ratio. This step includes revenue projections and analysis (income & expense) of proposed development options and, non-revenue benefits of development options.

**Public/Private Finance**

With growing demands for public infrastructure investments and shrinking funds for such projects, the need for alternative financing techniques is more important than ever. The analysis herein identifies the profits or loses associated with various scenarios of development at the Subject Site based on data reported in the market study. While some examination of funding sources for infrastructure improvements is incorporated in Part III, a more in-depth analysis of public funding sources and various financing techniques was done as part of Synergy’s next phase of work.

**WORK STEP 4: IMPLEMENTATION STRATEGY**

(Part III herein, beginning on Page 106)

Synergy has undertaken a variety of public property marketing initiatives using a targeted approach. Clients have included airports, transportation and transit agencies, and public utilities. The goal is to maximize the profit potential of institutional real estate. We have recommended a strategy similar to that program in order to successfully market sites at AIRCO. The program entails a multi-task approach to marketing real estate. The marketing approach would be custom-designed for the Site based upon the Airport’s and the community’s own unique features and attributes as determined through the Team’s research and analysis. The basic elements of the marketing approach will include:

- Provide a master developer benefit analysis;
- Identification of target industries (see Work Step 2-2);
- Identification of potential “anchor” tenants;
• Creation of promotional material, including an extensive web site specific to the Site;
• Nurturing the commercial brokerage community;
• Effective public relations and publicity; and
• A proactive outreach effort.

It is our experience that marketing commercial real estate on behalf of the public sector involves far more than traditional techniques. The regulations and other complexities associated with such property, especially airport properties, require special attention, consideration, and effort. Synergy’s marketing activities have involved a highly proactive campaign using a combination of traditional media, along with an intensive telephone and electronic outreach effort to targeted potential industries. We have had great success at “pulling through” potentially interested parties from this kind of outreach and preparing them for the process of becoming users of publicly owned property. This kind of approach is recommended for use by the Client in this case, and is detailed in Part III.

WORK STEP 5: ONGOING REAL ESTATE CONSULTING SERVICES

Synergy is available to County and Airport officials in the capacity as an ongoing Real Estate Consultant, a function we have performed for some time on behalf of Pittsburgh International Airport and numerous other public clients. As suggested in the RFP, any such on-going consulting will occur under the auspices of a new scope of work with a new project budget and at the discretion of the Client.

Such ongoing work may include marketing and development. In such a capacity, our team would work with the Client to select a qualified and capable development team in a way that benefits all of the involved stakeholders. We would also work with the Client to prepare a “Blueprint for Action” that includes a marketing strategy for the Site utilizing the findings and conclusions developed in the previous Work Steps.

The Consultant’s role in this process could be as large or as small as desired by the Client.
PART I: MARKET ANALYSIS
INTRODUCTION

The Airport and Pinellas County are considering optimal land use alternatives for land (the Subject Site) adjacent to its runways currently used for and commonly known as the AIRCO Golf Course. The Client is seeking a third-party analysis to assist in reaching and assessing its alternatives and to this end has retained the Synergy Team. The analysis in Part I of this report assesses market supply and demand and new market and business development opportunities and then provides a non-technical group of recommendations on the next steps for development.

Synergy has performed the market analysis herein centered on real estate and land use development potential, with a consistent focus on regional and community business-attraction issues affecting overall market demand. A combination of structured tools and unique techniques were used to tailor the study to the specific objectives of the Client and the subject marketplace/geography. All studies have been professionally and objectively conducted. This enables the Client to be assured of the relevance, accuracy and timeliness of the final product. Alternative land uses (aviation, office, industrial, retail, and hospitality) for the AIRCO Site have been studied as part of a comprehensive mixed use plan.

Synergy has conducted a thorough market analysis of commercial real estate in the Pinellas County markets. The following areas have been incorporated into the analysis, as outlined in the Scope of Work:

- Forecasts for commercial real estate absorption;
- Market Analysis inclusive of market demand and absorption rate of proposed development options;
- A review of the real estate product recommended for development within the Site;
- A focus on aviation-related uses, industrial, and office space, as well as ancillary retail and hospitality development; and
- An analysis of the Site’s strengths and weaknesses as they relate to commercial real estate development.

Synergy has also explored potential market competition to those land uses proposed for the AIRCO property by conducting an examination of anticipated competing business parks in Pinellas County, with particular emphasis on those located near the Airport.
STUDY ORGANIZATION & METHODOLOGY

This Market Study has been organized according to guidelines set forth in the scope of services provided to the Client. Work relating to the preparation of the study included interviews with key industry, real estate, government, and economic development officials involved with the defined Competitive Market Area, as well as with the Client. We collected real estate industry and demographic data from a variety of sources identified herein and analyzed the data using cited real estate models where appropriate in order to determine supply and demand relevant to real estate uses.

The study includes detailed analysis of the following:

- A description of the proposed site, current conditions, environment, and future potential;
- Evaluation of the site relative to the potential markets;
- Definition of a competitive market area;
- A competitive analysis of the market area with an emphasis on current and proposed office, retail, industrial, and hospitality development;
- A detailed market demand and needs analysis model; and
- An analysis of the projected absorption derived from our models, which are based on a variety of qualitative factors that could affect demand.

The Client has identified a group of stakeholders to work with the Synergy Team. The group of stakeholders represents the County, the beneficiary of the analysis. The stakeholders consist of Airport and economic development officials.

The Synergy Team facilitated a kick-off meeting at the Airport on June 29, 2007 to review parameters of the study, team roles and responsibilities, schedule, information needs, deliverables, and expectations of the Client. The main purpose of this meeting was to finalize goals and objectives that will become the desired “return” of the project. The return objectives will be the focus of the analysis and taken into consideration during each phase of the process.

Stakeholders concluded that several of objectives were critical to land development at the Airport as follows:

- Revenue;
- Highest and best use;
- Economic development/Airport partnership;
- Job creation (high wage/employment density);
- Enhance cluster industries (supply chain);
- Higher density development (as mandated in “Pinellas by Design,” the County’s economic and redevelopment plan);
- Meet FAA financial constraints (8-12% return rate; the Client goal is 10%); and
- Flexibility.

These return objectives will be used as measures of success as the Client considers options relative to potential land use alternatives at the AIRCO site.
SPECIAL ASSUMPTIONS AND LIMITING CONDITIONS

- The time horizon for the market study projections is 2014 (2015 in some cases because of data availability).
- All information and data provided by government agencies are assumed to be true and accurate.
- All information obtained from outside sources is believed to be reliable; however, no responsibility is assumed for its accuracy.
- The U.S. Census Bureau and the Bureau of Labor Statistics report population and employment. The real estate demand projections in this Market Study rely primarily on these demographic projections.
- This Market Study is site specific as to the non aviation land having been identified by the Client.

BASIC ASSUMPTIONS AND LIMITING CONDITIONS

See Appendix
SITE ASSESSMENT

SITE DESCRIPTION

The Airport property that is the subject of this study (the Subject Site, or the Site) consists of lands currently used as the AIRCO Golf Course. The AIRCO Site comprises approximately 123.5 acres, with public water available throughout, and public sewer available to the Site. The Subject could include a buffer area to the east of the golf course as well.

The Airport is located in eastern Pinellas County at Ulmerton Road and Roosevelt Boulevard, approximately nine miles north of the City of St. Petersburg’s downtown business district, and about 21 miles west of downtown Tampa. The Airport is bounded on the north by Old Tampa Bay, on the east by a primarily residential area known as Feather Sound and separated from such by Evergreen Avenue, on the south by the Ulmerton Road business corridor, and on the west by Roosevelt Boulevard. Airport property occupies 1,918 acres, of which 1,466 acres are used for the airfield, terminal, and aviation facilities. Much of the remaining land area – primarily to the south and west of the airfield – has been leased over the years for various retail, office, and industrial uses.

Airport operations include both commercial service and general aviation. PIE handled 747,369 passengers and 29,842 tons of cargo in 2007. The terminal structure includes 13 gates, food, news and gift concessions, airport offices, and 1,745 parking spaces.

The Subject Site is an 18-hole golf course that includes a snack bar and cart barn. It also might include a buffer site to the east (this is to be determined after more detailed engineering analyses). The entire Site is relatively level and appears to be sufficiently drained (engineering analyses will be conducted as part of a further phase of work associated with this assignment). The golf course is currently accessible from Ulmerton Road at two points via Stoneybrook Drive and Old Roosevelt Boulevard.

![Figure 1: Subject Site – Corner of Evergreen Avenue and Old Roosevelt Boulevard](image-url)
Figure 2: The Subject Site – AIRCO Golf Course

Subject Site – 123.5 Acres

Buffer Site

Graphic compiled by Synergy
AMENITIES AND LAND USES SURROUNDING THE SUBJECT SITE

Except for the AIRCO Site, the Airport is largely “land-locked” into its current holdings, with the area immediately surrounding nearly all developed. The Feather Sound housing development and golf course occupies most of the land between the Subject Site and Old Tampa Bay to the east, and a variety of hospitality and retail establishments is located along Ulmerton Road bordering the property on the south. These include a CVS drug store, Cracker Barrel restaurant and Holiday Inn Express directly adjacent to the AIRCO clubhouse.

An undeveloped parcel of land approximately 22.5 acres in size and owned by the Airport is situated southeast of the Site and directly south of the airfield at the interchange of Ulmerton Road and Roosevelt Boulevard. This is the site of a proposed office and hotel development. Land to the immediate west and north of the Subject Site is used for the airfield.

The Site is surrounded by numerous amenities in addition to the Airport, Ulmerton Road being a major commercial corridor through the heart of Pinellas County. Major office developments include Carillon, Meridian, Bay View, and ICOT Centers, all located within a mile of the Site. The Airport Business Center is located on Airport property along 49th Street just west of Roosevelt Boulevard. Commercial land uses in the Ulmerton Road corridor include a variety of neighborhood convenience retailers such as restaurants, drug stores, and gas/convenience stores. Lodging facilities are also located near the Airport along Ulmerton, including Holiday Inn Express, Days Inn, Hampton Inn, Sleep Inn, Best Western, and Springhill Suites.

ACCESSIBILITY TO MARKETS AND SERVICES

The Subject Site is currently served from Ulmerton Road by entrances via Stoneybrook Drive and Old Roosevelt Boulevard. Both entrances are signalized at Ulmerton and also serve many businesses located north of the highway via service roads. No other access points currently exist into the Site, although Evergreen Avenue and a by-pass canal border the AIRCO Golf Course directly to the east that could conceivably provide additional access upon development.

Ulmerton Road (State Route 688) is an east-west commercial thoroughfare that traverses central Pinellas County connecting Tampa Bay on the east to the Gulf of Mexico on the west. This major roadway provides access to a wide range of employment and residential clusters including many office and industrial parks as well as numerous retail establishments and centers, hotels, and recreational opportunities. Going east, Ulmerton terminates at an interchange with Interstate 275 (I-275) about 2.5 miles from the Airport, which provides north south access to Tampa, St. Petersburg, and, farther south, to Bradenton. The western terminus of Ulmerton is at Indian Rocks Beach in Clearwater about 9.5 miles from the Airport, where State Routes 699 and 183 access Clearwater’s many Gulf beaches and resort communities. Ulmerton intersects US Route 19 about 2.5 miles west of the Airport. Like Ulmerton, Route 19 is also a major commercial corridor, but bisecting the County north to south and providing access to a variety of retail, office and industrial developments. Gandy Boulevard (State Route 694) generally parallels Ulmerton about four miles to the south and connects eastbound to the Gandy Bridge, one of three spans across Tampa Bay connecting Hillsborough and
Pinellas Counties. Ulmerton Road, Gandy Boulevard, and Route 19 are three of the busiest roadways in the County. The state highway department currently rates Ulmerton a grade “F” because of its outdated condition and has scheduled improvements discussed further herein.

The Airport and the Subject Site are well positioned within the heart of Metro Tampa and Pinellas County. This area is often referred to as the “Gateway Area” because of its location where I-275 enters Pinellas County from Tampa and Hillsborough County from the east via the Howard Frankland Bridge. Tampa International Airport (TPA) is located about ten miles east of PIE via that bridge. While PIE offers numerous commercial flights, TPA remains the major airport hub in the region for commercial airline activity. The St. Petersburg Central Business District (CBD) is located about ten miles south of the Site via I-275, and the Tampa CBD is about twelve miles east, also via I-275. The deepwater ports of both Tampa and St. Petersburg are also easily accessible via I-275. Portions of the Cities of St. Petersburg, Largo, and Pinellas Park, as well as unincorporated portions of the County, all fall within the Gateway Area.

The County Planning Department identified the importance of the 12,700-acre Gateway Area to the region in a 2005 report, Gateway to the Future, citing its many transportation linkages, as well as residential and commercial development. The report also identified the area including the Subject Site as one of the few parts of Pinellas County where development opportunities still exist.

CSX Railroad and Greyhound Bus Lines adequately serve Pinellas County, and numerous motor freight carriers operate in the area. Both Hillsborough and Pinellas Counties operate public transportation systems.
Figure 3: Regional Accessibility

Subject Site

Graphic compiled by Synergy
DEFINITION OF COMPETITIVE MARKET AREA

After careful review of population and business clusters as well as accessibility to those clusters from the Subject Site, Synergy has defined the competitive market area (the Competitive Market, or the Competitive Market Area) for completion of this analysis as all of Pinellas County (shown below in red), with particular emphasis (where applicable) on the “Gateway Area,” generally defined as that area of the County bounded on the east by Old Tampa Bay, north by Gulf-to-Bay Boulevard, west by US Route 19, and south by Gandy Boulevard. The Gateway Area, which includes portions of the Cities of St. Petersburg, Pinellas Park, and Largo, as well as unincorporated portions of Pinellas County, is outlined on the succeeding map.

Market data and demographic information on a countywide basis are readily available and more accurate for the goals and objectives set forth as part of this assignment. Both county and state governments track trends and statistics that are useful to a market study of this nature. Further, commercial real estate data are generally available countywide, with additional data available for defined submarkets within the county. We have used the countywide information to develop market projections for this report, with some comparisons when appropriate to submarkets within the county or to the larger Tampa-St. Petersburg-Clearwater Metropolitan Statistical Area (the Tampa Bay MSA).
Figure 5: Pinellas County and the Gateway Area

Source: Pinellas County Government
The Tampa Bay MSA consists of the counties of Hillsborough, Hernando, Pasco and Pinellas. With an estimated current population of 2,717,688, it ranks as the second largest MSA in Florida.

The Tampa Bay regional economy has received consistently high marks from a variety of sources for job growth (the 2006 job growth rate was 4.8%, compared to 2.2% nationally), and particularly for manufacturing expansions and relocations. This is a significant factor for an economy that has been traditionally service oriented.

Quality of life, cost of living, and opportunity for growth have been contributing factors to the momentum of the Tampa Bay market, although increasing costs of real estate taxes and insurance have become major concerns in recent years. The area generates a gross regional product of $76 billion, nearly 15% of the Florida GSP, and created 26,000 new jobs in 2006, which was 16% of jobs created in Florida that year. The professional and business service sector had the heaviest growth, and the region is expected to add over 222,000 more jobs over the next eight years. In 2005, the region ranked eighth among the top worldwide new business locations according to a market report published by CB Richard Ellis. The reasons cited for this include affordable living and business costs, population and job growth, and a well-educated workforce.

Major educational institutions include the University of South Florida, Eckerd College, the University of Tampa, Florida Southern College, St. Petersburg College and four community colleges. Driven in part by graduates from these and other institutions, Tampa Bay boasts an outstanding professional workforce, contributing to higher company productivity, as well as revenue and job growth. Median household income was $44,968 in 2006, up from $43,205 in 2004.

The median home value in the four-county region was $220,500 at the end of March 2007, down from $234,900 a year earlier, with residents seeming to appreciate the relatively low costs of living in the region compared to higher priced markets like Miami, Ft. Lauderdale, Naples, and Ft. Myers.

Pinellas County, with an estimated population of 924,413 in 2006, is the second largest of the four counties that constitute the Tampa Bay MSA. Only Hillsborough County, located across Tampa Bay and anchored by the City of Tampa, with 1,157,738 residents, is larger. At 279.92 square miles, Pinellas, however, is geographically the smallest of the four and the most densely populated both within the MSA and within the State of Florida. Pinellas County economic development and planning officials point out that nearly all of the county’s land area is developed, making the county virtually “built out.” The County’s latest land use policy, Pinellas by Design: An Economic Development and Redevelopment Plan for the Pinellas Community, was adopted in November 2005 and encourages more efficient land use through higher density redevelopment initiatives and hotel development on the County’s beaches.
The County, like the larger Tampa Bay region, has enjoyed continued economic growth, adding 4,603 new jobs during 2006, for a total labor force of 480,647. The unemployment rate for 2006 was 3.2%, less than the region, state and the nation and compares to 3.7% a year earlier. According to the State’s Office of Workforce Development, Pinellas County is projected to add over 85,000 new jobs through 2014.

Pinellas County Economic Development (PCED) reports that limited availability of office and industrial space remains a significant threat to growth in the County. Forty percent of respondents to a 2006 PCED business survey reported difficulty in locating expansion space. The County’s Brownfields program along with Pinellas by Design has begun to inventory sites for redevelopment and land recycling.

The shortage of available real estate and water access in the County is also affecting housing costs, with businesses reporting that the increasing cost of housing has negatively impacted their ability to attract or retain workers. The housing market is showing signs of stabilizing, with the median sales price for single-family homes having settled to $280,800 at the end of March 2007. Sales of homes during 2006 slowed to 2,595, down from 2005’s five-year high of 4,443. The difficulty and expense of obtaining property insurance because of the County’s coastal location has become an increasing concern among property owners as has the increase in real estate taxes in recent years. Commercial real estate brokers have indicated that these issues may also be a deterrent to new development in the County compared to the rest of the region.

**JOBS BY OCCUPATIONAL CATEGORY**

Figure 6 below shows employment and wage data for the most common occupational categories in Pinellas County for 2005.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Occupation</th>
<th>Employment</th>
<th>Percentage of Workforce</th>
<th>Average Annual Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Professional &amp; Business Services</td>
<td>120,642</td>
<td>25.1%</td>
<td>$34,503</td>
</tr>
<tr>
<td>2</td>
<td>Trade, Transportation &amp; Utilities</td>
<td>76,904</td>
<td>16.0%</td>
<td>$33,282</td>
</tr>
<tr>
<td>3</td>
<td>Education &amp; Health Services</td>
<td>67,291</td>
<td>14.0%</td>
<td>$38,424</td>
</tr>
<tr>
<td>4</td>
<td>Public Administration</td>
<td>47,103</td>
<td>9.8%</td>
<td>$42,859</td>
</tr>
<tr>
<td>5</td>
<td>Leisure &amp; Hospitality</td>
<td>44,700</td>
<td>9.3%</td>
<td>$18,028</td>
</tr>
<tr>
<td>6</td>
<td>Manufacturing</td>
<td>37,490</td>
<td>7.8%</td>
<td>$43,924</td>
</tr>
<tr>
<td>7</td>
<td>Financial Activities</td>
<td>32,684</td>
<td>6.8%</td>
<td>$50,449</td>
</tr>
<tr>
<td>8</td>
<td>Natural Resources, Mining &amp; Construction</td>
<td>25,474</td>
<td>5.3%</td>
<td>N/D</td>
</tr>
<tr>
<td>9</td>
<td>Other Services</td>
<td>19,707</td>
<td>4.1%</td>
<td>$23,792</td>
</tr>
<tr>
<td>10</td>
<td>Information</td>
<td>9,132</td>
<td>1.9%</td>
<td>$43,269</td>
</tr>
<tr>
<td></td>
<td><strong>All Occupations</strong></td>
<td>480,647</td>
<td><strong>100%</strong></td>
<td><strong>$32,853</strong></td>
</tr>
</tbody>
</table>

*Source: Pinellas County Economic Development*
The estimated average annual wage for Pinellas County during 2005 was $35,915, a 3.7% increase over 2004 according to PCED. This compares with $36,816 for the Tampa Bay MSA, $33,320 for Florida and $37,020 nationwide. Average annual wages for the top ten occupations range from $18,028 to $50,449.

Figure 8 shows employment by major industry classification for Pinellas County and projected increases through 2014. Overall employment is projected to increase by 85,206 during that time period according to Florida’s Agency for Workforce Innovation. Office and administrative support jobs account for the largest increase, with over 10,000 new jobs anticipated during the period. This information will be used to develop projections for the demand for new office and industrial space. Figure 9 depicts employment distribution throughout the County. Note the heavy concentration in the Gateway Area near the Subject Site.
### Figure 8: Employment Projections

<table>
<thead>
<tr>
<th>Occupation Group Title</th>
<th>2006 Estimated Number of Employed</th>
<th>2014 Projected Number of Employed</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total, All Occupations</td>
<td>529,271</td>
<td>614,477</td>
<td>85,206</td>
</tr>
<tr>
<td>Office and Administrative Support Occupations</td>
<td>99,563</td>
<td>110,297</td>
<td>10,734</td>
</tr>
<tr>
<td>Sales and Related Occupations</td>
<td>63,756</td>
<td>70,751</td>
<td>6,995</td>
</tr>
<tr>
<td>Food Preparation and Serving Related Occupinations</td>
<td>44,902</td>
<td>51,989</td>
<td>7,087</td>
</tr>
<tr>
<td>Transportation and Material Moving Occupations</td>
<td>38,328</td>
<td>45,822</td>
<td>7,494</td>
</tr>
<tr>
<td>Construction and Extraction Occupations</td>
<td>36,757</td>
<td>45,919</td>
<td>9,162</td>
</tr>
<tr>
<td>Production Occupations</td>
<td>31,222</td>
<td>33,067</td>
<td>1,845</td>
</tr>
<tr>
<td>Healthcare Practitioners and Technical Occupations</td>
<td>28,716</td>
<td>35,837</td>
<td>7,121</td>
</tr>
<tr>
<td>Business and Financial Operations Occupations</td>
<td>23,075</td>
<td>27,859</td>
<td>4,784</td>
</tr>
<tr>
<td>Building and Grounds Cleaning and Maintenance Occupations</td>
<td>22,338</td>
<td>27,380</td>
<td>5,042</td>
</tr>
<tr>
<td>Education, Training, and Library Occupations</td>
<td>18,821</td>
<td>22,348</td>
<td>3,527</td>
</tr>
<tr>
<td>Management Occupations</td>
<td>18,789</td>
<td>22,073</td>
<td>3,284</td>
</tr>
<tr>
<td>Installation, Maintenance, and Repair Occupinations</td>
<td>18,641</td>
<td>21,302</td>
<td>2,661</td>
</tr>
<tr>
<td>Personal Care and Service Occupations</td>
<td>16,116</td>
<td>19,069</td>
<td>2,953</td>
</tr>
<tr>
<td>Healthcare Support Occupations</td>
<td>14,970</td>
<td>18,920</td>
<td>3,950</td>
</tr>
<tr>
<td>Computer and Mathematical Occupinations</td>
<td>11,673</td>
<td>13,937</td>
<td>2,264</td>
</tr>
<tr>
<td>Protective Service Occupations</td>
<td>9,357</td>
<td>10,567</td>
<td>1,210</td>
</tr>
<tr>
<td>Arts, Design, Entertainment, Sports, and Media Occupations</td>
<td>9,253</td>
<td>10,323</td>
<td>1,070</td>
</tr>
<tr>
<td>Architecture and Engineering Occupations</td>
<td>6,103</td>
<td>6,729</td>
<td>626</td>
</tr>
<tr>
<td>Legal Occupations</td>
<td>5,506</td>
<td>6,732</td>
<td>1,226</td>
</tr>
<tr>
<td>Community and Social Services Occupations</td>
<td>5,460</td>
<td>6,586</td>
<td>1,126</td>
</tr>
<tr>
<td>Life, Physical, and Social Science Occupations</td>
<td>4,920</td>
<td>5,674</td>
<td>754</td>
</tr>
<tr>
<td>Farming, Fishing, and Forestry Occupations</td>
<td>1,003</td>
<td>1,296</td>
<td>293</td>
</tr>
</tbody>
</table>

*Source: Labor Market Statistics, Occupational Employment Projections Unit*

### MAJOR EMPLOYERS AND NUMBER OF JOBS

Figure 10 lists the top ten private sector employers in Pinellas County. Three of the ten are healthcare concerns, a category predicted to grow considerably for the County through 2014. Significant to this study is the map indicating where County residents work. Note the heavy concentration near the Airport and the Subject Site within the Gateway Area.
Figure 9: Employment Distribution

Where Pinellas County Residents Work

Source: Pinellas County Economic Development

Note: Data are displayed by Census 2000 block groups from block level data.

Source: Pinellas County Economic Development
### Figure 10

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company Name</th>
<th>Industry</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Neilson Media Research</td>
<td>Market Research/Public Opinion</td>
<td>3,650</td>
</tr>
<tr>
<td>2</td>
<td>Times Publishing Corp.</td>
<td>Newspaper Publisher</td>
<td>3,187</td>
</tr>
<tr>
<td>3</td>
<td>Raymond James &amp; Associates</td>
<td>Financial Services</td>
<td>2,850</td>
</tr>
<tr>
<td>4</td>
<td>Morton Plant Hospital</td>
<td>Healthcare</td>
<td>2,448</td>
</tr>
<tr>
<td>5</td>
<td>Raytheon</td>
<td>Aeronautical &amp; Nautical Systems</td>
<td>2,200</td>
</tr>
<tr>
<td>6</td>
<td>All Children's Health Systems</td>
<td>Healthcare</td>
<td>2,000</td>
</tr>
<tr>
<td>7</td>
<td>Bayfront Medical Center, Inc.</td>
<td>Healthcare</td>
<td>2,000</td>
</tr>
<tr>
<td>8</td>
<td>Progress Energy, Florida</td>
<td>Utility</td>
<td>1,950</td>
</tr>
<tr>
<td>9</td>
<td>Tech Data Corp.</td>
<td>Computer &amp; Software Sales</td>
<td>1,800</td>
</tr>
<tr>
<td>10</td>
<td>Home Shopping Club</td>
<td>Sales &amp; Service</td>
<td>1,600</td>
</tr>
</tbody>
</table>

Source: Pinellas County Economic Development

### MEDIAN HOUSEHOLD INCOME

The 2006 median household income for Pinellas County was $41,945, lower than the statewide figure of $45,038 and $48,201 for the same period nationwide.

### UNEMPLOYMENT RATE

The 2006 County unemployment rate was 3.2% (Figure 11). This compares with a rate of 3.5% for Florida and 4.5% nationwide. County unemployment has consistently ranked lower than state and national rates for the previous six years and has consistently declined each year since 2002, when the rate peaked at 5.7%. Pinellas County and much of the Tampa Bay region are currently experiencing a labor shortage, especially for lower paying service jobs.

### Figure 11: Unemployment Rate

Source: Florida Agency for Workforce Innovation
POPULATION

The estimated population for Pinellas County in 2006 was 924,413 people according to the US Census Bureau. State, County, and other estimates place the 2006 population as high as 948,102 (Census figures will be used to develop projections herein in order to maintain consistency).

The County population grew by 8.3% from 1990 to 2000, less than the nationwide growth rate of 13.2% for the same period, and lagging even further behind the remarkable statewide growth rate of 23.5% and 15.9% for the MSA. The slower growth rate for the County likely is a result of its already dense population and lack of available space for growth and expansion.

The Pinellas County population is projected to increase by 9% between 2006 and 2015, again lagging projections of 16% for the region and 17.2% for the state for the same time period (Figure 12).

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Tampa MSA</td>
<td>2,067,959</td>
<td>2,395,997</td>
<td>2,717,688</td>
<td>N/A</td>
<td>3,152,518</td>
<td>15.9%</td>
<td>16.0%</td>
</tr>
<tr>
<td>Florida</td>
<td>12,937,941</td>
<td>15,982,824</td>
<td>18,399,132</td>
<td>19,974,199</td>
<td>21,336,514</td>
<td>23.5%</td>
<td>16.0%</td>
</tr>
<tr>
<td>USA</td>
<td>248,710,012</td>
<td>281,421,906</td>
<td>299,398,484</td>
<td>315,534,716</td>
<td>322,365,787</td>
<td>13.2%</td>
<td>7.7%</td>
</tr>
</tbody>
</table>

Source: Florida Legislature Office of Demographic Research; Demographic Conference Database, August 2007 Update

AGE

Pinellas County’s population is older than that of the MSA, Florida, and the nation (Figure 13).

<table>
<thead>
<tr>
<th>Pinellas County</th>
<th>Median Age</th>
<th>Under 18</th>
<th>65 and Older</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tampa MSA</td>
<td>41.9</td>
<td>22.1%</td>
<td>19.4%</td>
</tr>
<tr>
<td>State of Florida</td>
<td>39.4</td>
<td>22.9%</td>
<td>16.8%</td>
</tr>
<tr>
<td>USA</td>
<td>36.3</td>
<td>27.6%</td>
<td>12.5%</td>
</tr>
</tbody>
</table>

Source: US Census Bureau; Pinellas County Economic Development
The median age for Pinellas County in 2006 was 43 years, compared with 41.9 for the MSA, 39.4 years for Florida and 36.3 years for the nation. Persons under age 20 made up 19.9% of the population, while persons 65 years and older accounted for 20.8% of the total.

The County’s median age, although still higher than other averages, has decreased from 46 in 1980, while those of the state and the nation have generally trended upward. A socioeconomic report prepared by the Pinellas County Planning Department in June 2004 further predicts the majority of the County’s population growth will occur among those aged 44 and younger, a forecast that, if fulfilled, will have significant impact of employment and subsequent demand for real estate.
MARKET AREA’S COMPETITIVE/COMPARATIVE ANALYSIS

TAMPA BAY REGIONAL MARKET OVERVIEW

Commercial real estate performance in any market is strongly correlated with that market’s overall economic performance. Factors such as job growth, population growth, and gross domestic product have a strong influence on the commercial real estate market.

Local professionals have reported that commercial real estate is performing well, even though factors such as a slower housing market, volatile gasoline prices, and insurance issues could slow the economic recovery now underway. Real estate and other professionals generally believe that the Tampa Bay region’s commercial real estate will continue to grow.

Colliers Arnold reports in their second quarter Market Research report that, despite a slower housing market, commercial real estate in the Tampa Bay area for 2007 is “showing all the right indicators that the positive trends of 2006 are continuing.” Economic strength fueled by robust population and job growth has created a steady demand for new office, industrial and retail space throughout the region, and has created the current rise in new construction. Colliers predicts continued growth throughout 2007, stating that “this year will be solid, and there will be continued strength in Tampa’s commercial market. We have strong demand, and lease rates continue to increase substantially.”

The investment market remained strong in 2006, driven by the large number of new developments in the region, with capitalization rates averaging 6.7%, down 50 basis points from a year earlier. Lower cap rates mean that Tampa Bay has become one of the strongest real estate investment markets in the southeastern United States.

Co Star Group predicts that the market will remain robust, although likely to slow during the second half of 2007. Because of the market’s popularity over the last two years, many properties have been purchased at premium prices, which will remain unmatched as the national market softens for investment in 2007, according to Co Star. Several new prime properties had been delivered to the market early in 2007, boosting market interest in further investment.

PINELLAS COUNTY MARKET OVERVIEW

Although Pinellas County submarkets are living up to the expectations thus far, absorption of office space slowed during the first two quarters of 2007, and industrial markets experienced negative absorption for two straight quarters after a year of growth. Pinellas County overall and in particular the Gateway region, however have continued to perform well with continued low vacancies and increasing rents. Demand for industrial real estate (warehouse and flex space) remains high in all submarkets of the region, with concern rising in Pinellas over shortages of such space, resulting in negative absorption so far this year. Retail remains strong throughout the region as well, driven by increasing population. County commercial real estate trends are indicated in Figures 14 and 15.
Figure 14: Pinellas County Commercial Real Estate Vacancy Rates

Source: Pinellas County Economic Development

Figure 15: Pinellas County Commercial Real Estate Rental Rates

Source: Pinellas County Economic Development
GATEWAY MARKET OVERVIEW

Recent development projects within this area include a proposed 14-acre expansion of the Home Shopping Network’s campus, the 122-acre mixed use La Entrada Park, Pinch a Penny’s 45,000 square foot corporate headquarters, and a nine-story Hilton Hotel at Carillon Center. All Children’s Hospital announced the largest expansion plan in its history, a $270 million project to build a new eight-story hospital and add almost one million square feet of space to its existing complex in Carillon Center. Nearby, the St. Petersburg campus of the University of South Florida plans to create on-campus housing for nearly 750 students within six years.

METHODOLOGY

Data Collection

Data from a variety of sources have been compiled in order to determine inventory levels of relevant commercial real estate product within the defined Competitive Market Area for this study. These include the Tampa-based offices of commercial real estate firms CB Richard Ellis, Grubb & Ellis and Colliers Arnold, Pinellas County Economic Development, and the Co Star Group, a national commercial real estate tracking firm. We have also interviewed local real estate, economic development, and government professionals in an effort to compile relevant real estate product availability and market pricing, as well as proposed projects and those underway within the competitive marketplace.

Different firms track real estate inventories using various methodologies and geographies that are rarely consistent in any given major market area, and we have tried to explain these inconsistencies herein when relevant. We have generally used data available from Co Star for the first and second quarters of 2007 in order to compare real estate inventories consistently in both the Tampa Bay regional and Pinellas markets but have used Colliers Arnold data to report on inventories within the Gateway submarket because Co Star does not do this. While first quarter data are available for all markets, second quarter data were limited at the time of this study, and we have indicated such as appropriate. It is our professional opinion that the data revealed in this section are consistent with reality and that these figures are ideal for development of models for projected demand indicated elsewhere herein, especially given the relative strength of the markets under review.

Regional and Submarkets

Professional real estate firms that track commercial real estate market activity throughout the Tampa Bay MSA generally divide the real estate market and population centers into several submarkets. Although those subdivisions vary among agencies tracking such information and among categories of commercial real estate (office, industrial, retail), they are generally described as follows:

- The Tampa and St. Petersburg Central Business Districts
- North Pinellas
- South Pinellas
- Mid-Pinellas, or Gateway
- North Hillsborough
- Central Hillsborough, Airport or West Shore
- I-75 Corridor

These submarkets, as indicated in Figure 16 below, collectively and generally comprise the greater Tampa Bay market.

Figure 16: Tampa Bay Commercial Real Estate Submarkets

Graphic compiled by Synergy
Industry Language

The following pages describe the Pinellas County real estate market. A variety of terminology standard to the industry is used to do this and is defined below.

**Triple Net Rental Rates (NNN)** excludes expenses that would be part of a gross rental rate, including real estate taxes, operating expenses, and insurance.

**Full Service Rates** describe gross rents. In this case the landlord is generally responsible for operating expenses, taxes, and insurance.

**An In-Line Tenant** (typically a retailer) is one that occupies space within an existing structure, such as a strip shopping center or a mall.

**Pad Sites** are construction-ready parcels of land with infrastructure (roads, grading and utilities) complete or in place.

**RevPAR (Revenue Per Average Room)** is the preferred measure of performance within the hospitality sector. It takes into account the total revenue for the hotel (including restaurant, bar, etc.), which is then divided by the total number of available rooms for the given period.

**Room Night** is a designation used by the hospitality industry to measure the number of rooms available in a given market for a year's time (actual number of physical hotel rooms multiplied by 365 nights).

**Class “A” Office Space** describes buildings that generally qualify as extremely desirable investments and command the highest rents and sales prices in a given market.

**Absorption** is the amount of building space newly occupied over a measured period of time in a given marketplace. It considers space added to the market as well and is calculated by subtracting space vacated over the period from that newly occupied. Thus, a positive absorption indicates a growing market.

**Flex Space** is commercial property designed to be versatile, used for office, warehouse, industrial, retail, or combinations thereof.

**RBA** is rentable building area, the total amount of space available for rent in a given market.

**OFFICE MARKET**

**Tampa Bay Regional Market**

Colliers reported a national vacancy rate of 12.6% at the beginning of the second quarter 2007, remaining steady from the previous quarter, but also reported that demand had been far less than in recent quarters. The Tampa Bay commercial market continues, however, to defy any indications of a slowdown. The region completed the second quarter of 2007 with a vacancy rate of less than 10%, well below the national average and far better than other Florida markets. Co Star reports that the overall market added about 500,000 square feet of space during the first quarter, with another 2.5 million
under construction, about 315,000 square feet of that in Pinellas County. All of these numbers are up slightly from the same quarter in 2007. Rental rates for Class A space reached an all-time high this year following a four-year upward trend. The area’s demographics are strong and figure to remain that way over the long term, which may lead to more office development as the region’s employment base continues to grow.

**Pinellas County Market**

The Pinellas County office market lags a bit behind the regional market, with higher vacancies, negative absorption and slightly lower rents. Agents familiar with this market attribute this to a lack of available building sites and increased construction and operating costs. Despite this, demand for office space remains high. The County’s markets averaged record high rents during the second quarter and report continued and proposed construction activity. Several redevelopment initiatives, either planned or underway, could also alleviate the current shortage of sites and help fulfill the growing demand in the County.

**Gateway Market**

The Gateway submarket continues to be among the strongest in the Tampa Bay region according to real estate market researchers, due primarily to its central location in Pinellas County and accessibility to major road arteries. Major office parks are located near the Airport and Subject Site, with the 125,000-square foot Echelon Pointe currently under construction at Carillon Center, a major office park just south of Ulmerton Road and adjacent to the Subject Site. Asking rents in the Gateway area for Class “A” space averaged $25.71 for the second quarter, outpacing both the County and the region.

---

### OFFICE MARKET STATISTICS

<table>
<thead>
<tr>
<th>TAMPA BAY MSA</th>
<th>PINELLAS COUNTY</th>
<th>GATEWAY AREA</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1st Qtr 2007)</td>
<td>(2nd Qtr 2007)</td>
<td>(2nd Qtr 2007)</td>
</tr>
<tr>
<td># Bldgs</td>
<td>7,697</td>
<td>2,032</td>
</tr>
<tr>
<td>Total Current RBA</td>
<td>116,967,771</td>
<td>31,907,201</td>
</tr>
<tr>
<td>Vacancy</td>
<td>Direct SF</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>8,879,206</td>
<td>2,710,708</td>
</tr>
<tr>
<td></td>
<td>Total SF</td>
<td>9,646,187</td>
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<tr>
<td></td>
<td>8.2%</td>
<td>9.3%</td>
</tr>
<tr>
<td></td>
<td>Under Const SF</td>
<td>2,458,832</td>
</tr>
<tr>
<td></td>
<td>YTD Net Absorption</td>
<td>638,404</td>
</tr>
<tr>
<td></td>
<td>Quoted Rates</td>
<td>$ 20.52</td>
</tr>
</tbody>
</table>

Source: Co Star Group, Inc.; Colliers Arnold; Pinellas County Economic Development

---

### CLASS “A” OFFICE MARKET STATISTICS

<table>
<thead>
<tr>
<th>TAMPA BAY MSA</th>
<th>PINELLAS COUNTY</th>
<th>GATEWAY AREA</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1st Qtr 2007)</td>
<td>(2nd Qtr 2007)</td>
<td>(2nd Qtr 2007)</td>
</tr>
<tr>
<td># Bldgs</td>
<td>198</td>
<td>48</td>
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<tr>
<td>Total Current RBA</td>
<td>30,055,877</td>
<td>6,547,130</td>
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<tr>
<td>Vacancy</td>
<td>Direct SF</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>2,314,214</td>
<td>437,043</td>
</tr>
<tr>
<td></td>
<td>Total SF</td>
<td>2,625,693</td>
</tr>
<tr>
<td></td>
<td>8.7%</td>
<td>8.7%</td>
</tr>
<tr>
<td></td>
<td>Under Const SF</td>
<td>960,951</td>
</tr>
<tr>
<td></td>
<td>YTD Net Absorption</td>
<td>337,146</td>
</tr>
<tr>
<td></td>
<td>Quoted Rates</td>
<td>$ 23.28</td>
</tr>
</tbody>
</table>

Source: Co Star Group, Inc.; Colliers Arnold; Pinellas County Economic Development
Figures 19 and 20: Office Buildings at Carillon Center
INDUSTRIAL MARKET

Tampa Bay Regional Market

The Tampa office of CB Richard Ellis reported for the first quarter of 2007 that Tampa Bay’s industrial real estate market started “much the same way 2006 ended…rental rates are on the rise, quarterly absorption is positive, and vacancy remains at a 20-year low.” Colliers Arnold’s international office rated the Tampa Bay market in the top ten in North America for lowest vacancy rates, and Grubb & Ellis reports high demand for flex space in all of Pinellas County. Grubb & Ellis, which divides the Pinellas flex and industrial markets into north and south at Ulmerton Road, also reports a lack of available space and new construction, especially in northern Pinellas.

The Tampa Bay regional vacancy rate for total industrial space stood at 5% at the end of the first quarter 2007, with 4.3% of warehouse space available and 10.5% of flex space. The region enjoyed positive absorption of over 800,000 square feet, most of it warehouse space, and average asking rents rose to $6.56 per square foot. Colliers Arnold reports that rents for flex properties have risen for 30 straight quarters and rents for warehouse properties have risen for nine quarters. About 4.8 million square feet of industrial space – 4 million of it flex – were under construction as of the end of the first quarter this year, a record number of 39 new buildings according to Colliers.

Pinellas County Market

Although the Pinellas market remains strong, increasing costs and lack of available space and property are threatening factors. Pat Marzulli of Colliers Arnold states, “Leasing activity in Pinellas is pretty sluggish right now. The combination of high construction costs, high insurance costs, and rising property taxes is creating some real pressure on lease rates, and the market seems to be resisting the higher prices that landlords are trying to get…the market in Hillsborough doesn’t seem to be having the same problem and has remained stronger.” Indeed, while the larger market has enjoyed continued positive absorption, Pinellas has experienced negative absorption for two consecutive quarters. Continued demand, however, has contributed to higher asking rents in Pinellas than for the larger regional market. Worries persist within the industry that the lack of available sites for industrial space in the County will cause potential new and expanding tenants to seek space elsewhere in the region.

Gateway Market

Only Colliers Arnold reports specifically on the Gateway area, all other firms reporting industrial activity countywide. Colliers reports only one 84,000 square foot flex building under construction in this submarket by Gulf Coast Commercial LLC at Mainstream Business Park on 114th Avenue. This project is being marketed as flex condo units with asking rates of $104 per square foot.

Colliers reports year-to-date absorption through the second quarter at a slight negative 166 square feet for all industrial/flex space in the Gateway submarket. Direct lease rates for warehouse space ranged from $5.50 to $7.50 per square foot, averaging $6.50 per square foot. Direct rates for flex space ranged from $7.75 per square foot to $13.00 per square foot, averaging $8.00.
### Figure 21

**INDUSTRIAL MARKET STATISTICS (TOTAL FLEX & WAREHOUSE SPACE)**

<table>
<thead>
<tr>
<th></th>
<th>TAMPA BAY MSA (1st Qtr 2007)</th>
<th>PINELLAS COUNTY (1st Qtr 2007)</th>
<th>GATEWAY AREA (2nd Qtr 2007)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong># Bldgs</strong></td>
<td>8,504</td>
<td>2,296</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Total Current RBA</strong></td>
<td>231,916,188</td>
<td>57,615,737</td>
<td>33,439,038</td>
</tr>
<tr>
<td><strong>Vacancy</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct SF</td>
<td>11,240,018</td>
<td>2,702,053</td>
<td>N/A</td>
</tr>
<tr>
<td>Total SF</td>
<td>11,645,563</td>
<td>2,803,553</td>
<td>1,839,147</td>
</tr>
<tr>
<td>Vac %</td>
<td>5.0%</td>
<td>4.5%</td>
<td>6%</td>
</tr>
<tr>
<td>Under Const SF</td>
<td>4,814,374</td>
<td>138,948</td>
<td>84,000</td>
</tr>
<tr>
<td>YTD Net Absorption</td>
<td>863,063</td>
<td>(164,720)</td>
<td>(166)</td>
</tr>
<tr>
<td>Avg Quoted Rates</td>
<td>$6.56</td>
<td>$7.53</td>
<td>$7.25</td>
</tr>
</tbody>
</table>

*Source: Co Star Group, Inc.; Colliers Arnold*

### Figure 22

**FLEX MARKET STATISTICS**

<table>
<thead>
<tr>
<th></th>
<th>TAMPA BAY MSA (1st Qtr 2007)</th>
<th>PINELLAS COUNTY (2nd Qtr 2007)</th>
<th>GATEWAY AREA (2nd Qtr 2007)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong># Bldgs</strong></td>
<td>1,020</td>
<td>389</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Total Current RBA</strong></td>
<td>25,787,463</td>
<td>10,310,131</td>
<td>33,439,038</td>
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<tr>
<td><strong>Vacancy</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct SF</td>
<td>2,610,577</td>
<td>1,069,437</td>
<td>N/A</td>
</tr>
<tr>
<td>Total SF</td>
<td>2,697,594</td>
<td>1,105,437</td>
<td>1,839,147</td>
</tr>
<tr>
<td>Vac %</td>
<td>10.5%</td>
<td>10.4%</td>
<td>6%</td>
</tr>
<tr>
<td>Under Const SF</td>
<td>860,384</td>
<td>103,000</td>
<td>84,000</td>
</tr>
<tr>
<td>YTD Net Absorption</td>
<td>15,659</td>
<td>124,133</td>
<td>12,872</td>
</tr>
<tr>
<td>Avg Quoted Rates</td>
<td>$10.33</td>
<td>$8.96</td>
<td>$8.00</td>
</tr>
</tbody>
</table>

*Source: Co Star group, Inc.; Colliers Arnold; PCED*

### Figure 23

**WAREHOUSE MARKET STATISTICS**

<table>
<thead>
<tr>
<th></th>
<th>TAMPA BAY MSA (1st Qtr 2007)</th>
<th>PINELLAS COUNTY (1st Qtr 2007)</th>
<th>GATEWAY AREA (2nd Qtr 2007)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong># Bldgs</strong></td>
<td>7,484</td>
<td>1,966</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Total Current RBA</strong></td>
<td>206,128,725</td>
<td>48,064,595</td>
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</tr>
<tr>
<td><strong>Vacancy</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct SF</td>
<td>8,629,441</td>
<td>1,554,071</td>
<td>N/A</td>
</tr>
<tr>
<td>Total SF</td>
<td>8,947,969</td>
<td>1,619,571</td>
<td>N/A</td>
</tr>
<tr>
<td>Vac %</td>
<td>4.3%</td>
<td>3.3%</td>
<td>N/A</td>
</tr>
<tr>
<td>Under Const SF</td>
<td>3,953,990</td>
<td>35,948</td>
<td>-</td>
</tr>
<tr>
<td>YTD Net Absorption</td>
<td>847,404</td>
<td>(199,195)</td>
<td>12,872</td>
</tr>
<tr>
<td>Avg Quoted Rates</td>
<td>$5.80</td>
<td>$6.12</td>
<td>$6.50</td>
</tr>
</tbody>
</table>

*Source: Co Star Group, Inc.; Colliers Arnold*
Figures 24 and 25: Flex/Warehouse Buildings at Gateway Business Park
RETAIL MARKET

Tampa Bay Regional Market

The International Council of Shopping Centers (ICSC) referred to the Tampa/St. Petersburg region as the “mega market of the South” in its Spring 2007 edition of Florida Retail Report. ICSC further reported that the Gateway Area was among the top growth areas within this booming region. The market continues to expand north and south, as the central area is nearly built out. Central parts of the regional market have been dominated by redevelopment and reuse projects due to lack of available land. Clearwater has seen a number of these developments, and they are also prevalent along the US Route 19 corridor. Mixed use and vertical developments are also now becoming commonplace as developers strive to compensate for the growing development.

Overall, ICSC and other firms report a strong regional retail market for 2007, with rental rates rising sharply in 2006. Predicted stable vacancies in 2007 should mean continued rising rates. Major retail franchises throughout the country are anxious to be located amidst the growing population areas in the Tampa Bay market.

Figure 26

<table>
<thead>
<tr>
<th>RETAIL MARKET STATISTICS (First Quarter 2007)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TAMPA BAY MSA</td>
</tr>
<tr>
<td>----------------</td>
</tr>
<tr>
<td># Bldgs</td>
</tr>
<tr>
<td>Total Current RBA</td>
</tr>
<tr>
<td>Vacancy</td>
</tr>
<tr>
<td>Direct SF</td>
</tr>
<tr>
<td>Total SF</td>
</tr>
<tr>
<td>Vac %</td>
</tr>
<tr>
<td>Under Const SF</td>
</tr>
<tr>
<td>Quoted Rates</td>
</tr>
</tbody>
</table>

Source: Co Star Group, Inc.; Colliers Arnold

Pinellas County and Gateway Markets

Gulf-to-Bay Plaza, an 87,000-square foot center anchored by Publix supermarket and Office Depot, is the most recent and only major retail development within the Gateway submarket. It is situated in Clearwater, located about 4.5 miles northeast of the Subject Site. Colliers Arnold reports that a site directly adjacent to this new development could become a future retail project, having been recently purchased by a private investor. This intersection has one of the highest traffic counts in the area, an essential element to retail development. Colliers describes the location as “the next great retail location for the Clearwater market.”

As reported above, most of the region’s retail growth has occurred in areas north and south of Tampa, with Pinellas County looking more toward infill style mixed use redevelopment projects. One such project could occur on Airport property behind Cracker Barrel just off Ulmerton Road.
The total retail and shopping center inventory in the mid-Pinellas/Gateway area was 11,649,864 square feet at the conclusion of first quarter 2007, with vacancies at a low 5.2%.

**Figure 27: Retail Centers in the Gateway Area**

**LAND DEVELOPMENT MARKET**

As competition among states, counties, and municipalities for economic development and job creation activity has increased, so too have the number and scale of prepared commercial land developments. A major factor among companies choosing to relocate or to construct a new facility is still most often the availability of quality sites in key locations requiring a minimum of effort. That effort includes property assemblage, site work, and acquisition and tax burdens, leading governments at all levels to design creative incentive packages that often include infrastructure development, tax incentives and abatements, and other subsidies. The public sector has become increasingly willing to invest in land development in order to further the mission of quality job creation by attracting major employers.

The real estate marketplace is responsive to the level of site preparedness available. In order to illustrate this reality within the Competitive Market, we have researched a representative array of business and industrial park developments located in proximity to
the Subject Site and claiming to have vacant sites still available at the close of 2006 (as listed in Maddux Business Report’s December 2006 edition). These developments generally include a mix of office, industrial, and flex facilities.

**Major Business and Industrial Parks in the Gateway Area**

1. **Airport Business Center**
   This 41-acre development, located on PIE property west of Roosevelt Boulevard and the airfield includes office, warehousing, and manufacturing facilities. Five and one half acres remain available for development. Office rental rates range from $14.25 to $15.85 PSF, and warehouse asking rents are $6.75.

2. **Carillon Center**
   Strategically located across Ulmerton Road from the Subject Site and proximate to I-275, Carillon opened in 1987 and features Class A office space at asking rents of $18.00 to $19.00 PSF. The 432-acre development has 25 acres available and boasts the multi-building headquarters of Raymond James Associates.

3. **Gateway Business Park**
   Grady Pridgen is the developer of a 610-acre project along Gandy Boulevard near I-275 that includes some office, but primarily industrial and flex space. Asking rents are published at $5.95 to $6.50 NNN. With 140 acres remaining available, this is the single largest available concentration of development sites in the County.

4. **ICOT Center**
   Located on Ulmerton at 58th Street, ICOT is a 262-acre development that features about 400,000 square feet of primarily office and flex space. Sixty acres remain available, and quoted rents are $12.00 to $13.00 PSF gross.

5. **Pinellas Business Center**
   This 23-acre mixed-use development is located on Roosevelt Boulevard south of the Airport. It features about 200,000 square feet of office space for $13.00 to $14.00 PSF gross, with no additional land available for development.

6. **Toy Town**
   This 240-acre redevelopment site in the Tampa Bay region is being offered through a Request for Negotiation process by PCED. The closed landfill is situated within the city limits of St. Petersburg and bordered by I-275. Toytown is within the Gateway employment district.
The Maddux Report details a total of 112 business parks (office, industrial, or combinations thereof); of which only 25 have available land for development. Availability ranges from one-half acre to 330 acres, with most having fewer than ten acres available. Available land in all parks totals 947 acres, a small amount in a market the size of Pinellas. Of the developments located within the Gateway Area, only five have land available (about 320 acres, not including the 129-acre Subject Site).

According to Colliers Arnold, current prices for available raw land range from $12.00 to $15.00 per square foot for use as office space and $7.00 to $12.00 per square foot for industrial uses. Prepared land (pad-ready sites) is selling for $50.00 to $60.00 per square foot for office sites and $30.00 to $40.00 per square foot for industrial sites.

**HOSPITALITY MARKET**

Figures 29 and 30 summarize a study of the Pinellas County hospitality market for the past six years. A hotel trends report completed specifically for this study by Smith Travel Research includes information from 100 participating hotels in the market area, 17 of which are located within four miles of the Subject Site, primarily along Ulmerton Road. Given the importance of travel and tourism to the region, it is not surprising that the
hospitality market has fared generally well in Pinellas County (where the majority of the region’s beaches are located), outpacing the national average, although both supply and demand have decreased somewhat since peaking in 2004. Occupancy rates grew at a steady pace following a drop in 2002, a time during which the entire hospitality industry was recovering from the dramatic effects of the 2001 terrorist attacks. Occupancy – both annual and year-to-date (YTD) numbers – peaked in 2005 and has dropped slightly since then. Average room rates and, more important to the industry, RevPAR, have increased steadily during the period reaching record highs this year.

While the industry in Pinellas County has performed well, it should also be noted that the actual supply of rooms available in the marketplace has decreased over the last three years of the survey. Local officials point out that some older establishments – especially those located along beaches in Clearwater and St. Petersburg – have been closed and demolished for other uses or have been converted to use as condominiums.

---

### Figure 29

<table>
<thead>
<tr>
<th>Hotel Survey Results</th>
<th>Pinellas County</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Year</strong></td>
<td><strong>Average Occupancy Rate</strong></td>
</tr>
<tr>
<td>2001</td>
<td>61.1%</td>
</tr>
<tr>
<td>2002</td>
<td>58.5%</td>
</tr>
<tr>
<td>2003</td>
<td>59.5%</td>
</tr>
<tr>
<td>2004</td>
<td>64.2%</td>
</tr>
<tr>
<td>2005</td>
<td>65.0%</td>
</tr>
<tr>
<td>2006</td>
<td>62.4%</td>
</tr>
<tr>
<td>June '07 YTD</td>
<td>68.4%</td>
</tr>
<tr>
<td><strong>Average (excluding 2007)</strong></td>
<td><strong>61.7%</strong></td>
</tr>
</tbody>
</table>

*Source: Smith Travel Research*

### Figure 30

<table>
<thead>
<tr>
<th>Hotel Survey Results</th>
<th>Pinellas County - June YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>June YTD</strong></td>
<td><strong>Average Occupancy Rate</strong></td>
</tr>
<tr>
<td>2001</td>
<td>71.3%</td>
</tr>
<tr>
<td>2002</td>
<td>65.3%</td>
</tr>
<tr>
<td>2003</td>
<td>64.9%</td>
</tr>
<tr>
<td>2004</td>
<td>69.4%</td>
</tr>
<tr>
<td>2005</td>
<td>73.2%</td>
</tr>
<tr>
<td>2006</td>
<td>70.6%</td>
</tr>
<tr>
<td>2007</td>
<td>68.4%</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>68.9%</strong></td>
</tr>
</tbody>
</table>

*Source: Smith Travel Research*
Figure 31: Hotels within four miles of the Subject Site:

1. Sleep Inn
2. Bw St. Petersburg-Clearwater
3. Days Inn Clearwater Airport
4. Hampton Inn & Suites
5. Comfort Inn Executive Center
6. Springhill Suites Marriott
7. Courtyard by Marriott
8. La Quinta Inn St. Petersburg-Clearwater Airport
9. Esa St. Petersburg-Clearwater
10. Fairfield Inn by Marriott
11. Super 8 Airport
12. Residence Inn by Marriott
13. Towneplace Suites Marriott
14. Homestead St. Petersburg-Clearwater
15. Hilton St. Petersburg Carillon
16. Homewood Suites
17. Radisson Hotel
REAL ESTATE MARKET PROJECTIONS

INTRODUCTION

This section of the report presents a quantitative analysis of market supply and demand for real estate in a select marketplace for a certain timeline in order to determine market demand. It contains a supply and demand analysis for the four key land uses of this study: office, industrial, hospitality, and retail.

Methodology

The methodology for analyzing supply for all land uses includes a comprehensive data collection effort. In addition, we access Pinellas County’s real estate network to produce a qualitative assessment of the state of the marketplace to accompany the quantitative analysis.

To project demand for the four land uses, we utilize different methodologies, all of which are explained in their relevant sections of the report. We have created different models to project demand and absorption for each of the potential land uses, with an emphasis on office and industrial. The models include demand based on 1) employment, 2) population, and 3) history of the markets.

As a final note, the time horizon we utilize for the real estate market projections is the year 2014. Generally, the shorter the timetable, the more accurate the projections, and a seven-year timeframe makes effective use of the population, employment, and real estate projection data currently available, and should serve the needs of economic development officials and planners. Population data are available for 2006, but future population projections by the Census Bureau are only available in five-year increments. We have therefore compiled a nine-year time horizon (2006 – 2015) when using population as a basis for projecting demand.

Forecast Data

Synergy utilized population and employment data published by PCED, the Florida Research & Economic Database (FRED), and the Federal Bureau of Labor Statistics. These data are readily available for the seven-year period that we have used to estimate market projections and are available specific to both Pinellas County and the entire MSA, which we will use for comparative analyses.

Market Study Hypothesis

See Appendix, Page 162.
OFFICE ANALYSIS

Office Supply Analysis

Of the 31,907,201 square feet of office product in the Competitive Market, 2,975,886 square feet, or 9.3%, remains available for lease or sublease. This is the supply number utilized in the analysis to project office demand in the Competitive Marketplace. Supply information has been analyzed in more detail on Pages 37 and 38.

Office Demand Analysis

There are three basic variations of office space - general office space, owner-occupied and tenant-occupied office space.

General office space is the workspace required by a person in a nonmanufacturing or nonretail role to perform their function in support of the core business. General office space includes such far ranging settings as space within a convenience store, a department store, or a manufacturing plant. Owner-occupied space refers to private businesses and public entities that own their own office facilities. Tenant-occupied office space is the productive space that professionals and business organizations would lease in office buildings and office complexes from developers/landlords. Tenant-occupied office space represents the most refined and universal definition of office space demand.

Since one of the purposes of this Market Study is to identify market potential for land that could be developed for office buildings, the focal point is to project the demand or need for tenant-occupied office space. The results will be expressed in terms of a total square footage of demand over the forecast period within a defined geographic area.

Methodology

Projecting demand for office space is a multistep process. It involves identifying critical variables, deriving a numerical value for each variable, and applying these values to a sound and accepted methodology. Because this is a projection, it is subject to both the quality of data available and a certain set of assumptions. As in any analytical process, the actual model used must be tempered to the uniqueness of its specific application, yet retain the basis of its conceptual validity.

The initial methodology used to measure office demand in this report is based on an analytical framework developed by the Certified Commercial Investment Member (CCIM) Institute, and it is considered by real estate professionals to be the industry standard. An affiliate of the National Association of Realtors, CCIM is an educational organization recognized for its preeminence within the commercial real estate industry. CCIM developed a curriculum for commercial real estate brokerage, leasing, asset management, valuation, and investment analysis and they confer the CCIM professional designation on individuals who successfully complete it.

Employment statistics represent the primary building block of the CCIM model. Given the square footage of office space required per worker, the percentage of office-using
employees in the workforce, and future employment projections, we can measure the aggregate square footage of demand for office space over a specific period of time.

Population growth is also an indicator of the demand for office space, and we have included a demand projection model based on population growth estimates through 2015. While less accurate than the CCIM model, population cannot be ignored, because its growth is a major part of what has fueled the Tampa Bay region’s economic expansion.

We have also included an absorption model based on the historic absorption in Pinellas County over the previous five years. This model is probably the least accurate, given the unpredictability of events that affect supply and demand over time.

1) Employment Projection Model

Forecasting Employment

Forecasting total local employment requires analyzing national “basic” employment (that portion of a region’s given workforce engaged in occupations that export goods or services from the region) trends in each industry, calculating the local share of “basic” employment, and then calculating the “non basic” employment generated by local “basic” employment.

FRED generates population and employment forecasts for the state using sophisticated statistical modeling that is based on data from the Federal Bureau of Labor Statistics and the 2000 Census and subsequent updates.

Calculating Square Footage per Office Worker (Space Coefficient)

To calculate demand for office space, a key variable that needs to be determined is the number of square feet needed for each office worker. This space coefficient can be calculated for existing space quite easily by dividing the total square footage of an office building by the number of workers in that space. This method accounts for usable space as well as common area space needed for office operations, e.g. conference rooms, the lobby, rest rooms, work rooms, etc. Doing so would more than likely produce a range of numbers that could be averaged.

For the purpose of this office demand analysis, we derive the average square footage of space per worker (space coefficient) from a composite of several sources as follows:

- The rule of thumb in real estate development practice is 175 square feet for efficiency space, 225 square feet for standard space, and 250 square feet for luxury space.
- Real estate experts have indicated anywhere from 225 to 250 square feet for suburban office markets. About 12-15% of this space is lost to common areas not directly used by office workers.
- The CCIM model for analyzing office space demand generally references a coefficient of 215 square feet as a national average.
From this information and related research, we have selected a space coefficient of 225 square feet per employee to determine the number of existing office workers within occupied office space as reported in the real estate market data.

The office demand analysis is designed to project office space demand over a seven-year time horizon. We must, therefore, consider if and how the office space needs per worker will change into the future.

Changing trends in office operations are expected to influence the future average space needs of office employees. Most significant are increased automation and technology; thus, less space per office worker is being required to perform the same function. Other factors influencing this decline are the changing composition of office-oriented businesses (e.g. call centers and e-commerce) and interior layout and planning designed to increase efficiency and lower operating costs. One recent MIT study of the effect of high technology on office space needs concluded that the average square footage is falling, and it could fall as low as the 170 -175 square feet level.

While recognizing that space coefficients are declining nationally, technology’s general continued entrenchment in the local economy should retard declining office space per worker requirements as compared to the national average. For this reason, we will utilize 215 square feet per office worker for the purpose of projecting office space needs over a seven-year time horizon.

Calculating the Office Worker Coefficient

A second critical variable needed to project office space demand is the office worker coefficient. This value represents the percentage of employees working in tenant-occupied office space within a defined geographic area. In calculating an office worker coefficient for the Competitive Market as defined herein, we develop a comparative analysis with other markets to substantiate its relative accuracy and to ensure that the factor is reasonable.

- The analysis begins by referencing the total square footage of tenant-occupied space within the market, as published by Co Star Group, Inc., which reports data on commercial lease activity and building capacities. From this publication, we are able to calculate the total amount of occupied office space by reducing the total rentable square feet by the total square footage available directly from landlords and available via sublease agreements. From this publication, we are able to calculate the total amount of occupied office space by reducing the total rentable square feet by the total square footage available directly from landlords and available via sublease agreements. We have done this for the entire four-county MSA as well in order to provide a benchmark for the defined Competitive Market.

### Figure 32: Tenant-Occupied Office Space

<table>
<thead>
<tr>
<th></th>
<th>Total Rentable Square Footage</th>
<th>Available Direct &amp; Sublet Square Footage</th>
<th>Tenant Occupied Square Footage</th>
<th>Vacancy Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tampa Bay MSA</td>
<td>116,967,771</td>
<td>9,646,187</td>
<td>107,321,584</td>
<td>8.2%</td>
</tr>
<tr>
<td>Pinellas County</td>
<td>31,907,201</td>
<td>2,975,886</td>
<td>28,949,327</td>
<td>9.3%</td>
</tr>
</tbody>
</table>

Source: Florida Research and Economic Database; Co Star Group, Inc.
The next step in this process is examination of employment statistics for those sectors likely to utilize office space. The sectors are identified in Figure 33.

### Figure 33

<table>
<thead>
<tr>
<th>OFFICE EMPLOYMENT</th>
<th>Tampa Bay MSA</th>
<th>Pinellas County</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office and Administrative Support Occupations</td>
<td>245,960</td>
<td>99,563</td>
</tr>
<tr>
<td>Sales and Related Occupations</td>
<td>156,259</td>
<td>63,756</td>
</tr>
<tr>
<td>Business and Financial Operations Occupations</td>
<td>59,246</td>
<td>23,075</td>
</tr>
<tr>
<td>Management Occupations</td>
<td>51,531</td>
<td>18,821</td>
</tr>
<tr>
<td>Education, Training, and Library Occupations</td>
<td>50,024</td>
<td>18,789</td>
</tr>
<tr>
<td>Computer and Mathematical Occupations</td>
<td>32,262</td>
<td>14,970</td>
</tr>
<tr>
<td>Healthcare Support Occupations</td>
<td>28,843</td>
<td>11,673</td>
</tr>
<tr>
<td>Arts, Design, Entertainment, Sports, and Media Occup</td>
<td>21,521</td>
<td>9,253</td>
</tr>
<tr>
<td>Legal Occupations</td>
<td>15,147</td>
<td>6,103</td>
</tr>
<tr>
<td>Architecture and Engineering Occupations</td>
<td>12,713</td>
<td>5,506</td>
</tr>
<tr>
<td>Community and Social Services Occupations</td>
<td>11,775</td>
<td>5,460</td>
</tr>
<tr>
<td>Life, Physical, and Social Science Occupations</td>
<td>9,887</td>
<td>9,887</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>695,168</strong></td>
<td><strong>286,856</strong></td>
</tr>
</tbody>
</table>

*Source: Florida Research and Economic Database*

- Divide the total square footage of tenant-occupied space by the average space needed per office worker (215 square feet as shown in Figure 34) to determine the number of workers occupying tenant office space.

- Divide the number of office workers in tenant-occupied space by the total employment reported by FRED for 2007.

### Figure 34

<table>
<thead>
<tr>
<th>OFFICE WORKER COEFFICIENTS BY OFFICE MARKET AREA</th>
<th>Tampa MSA</th>
<th>Pinellas County</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupied SF Leased Office Space</td>
<td>107,321,584</td>
<td>28,849,227</td>
</tr>
<tr>
<td>SF Per Worker</td>
<td>215</td>
<td>215</td>
</tr>
<tr>
<td>Workers Occupying Tenant Space</td>
<td>499,170</td>
<td>134,182</td>
</tr>
<tr>
<td>FRED Employment (Yr 2007)</td>
<td>695,168</td>
<td>286,856</td>
</tr>
<tr>
<td>Percentage Tenant Office Workers</td>
<td>71.8%</td>
<td>46.7%</td>
</tr>
</tbody>
</table>

*Source: Florida Economic and Research Database; Co Star Group, Inc.*
Competitive Market - Approximately 47% of the office employment within the Competitive Market (Pinellas County) work in leased office space.

Tampa Bay MSA – Approximately 72% of the office employment within the MSA work in leased office space. As discussed at the beginning of this section of the report, this comparative analysis is designed to test whether the number calculated for the Competitive Market (47%) is reasonable relative to other markets.

The seeming disparity between tenant office workers in the County versus the larger MSA should not be surprising given the industry clusters in each. Pinellas County’s workforce, median age and current real estate inventories indicate a less proportionate share of office space relative to the larger commercial real estate market than does that for the entire four-county MSA. Conversely, employment clusters utilizing industrial space are more prevalent in Pinellas County than in the region at large.

Office Space Demand Projections 2007 - 2014
Calculating office space demand utilizing the CCIM real estate forecasting model involves a series of steps as follows:

- Determine the relevant time horizon for planning purposes. The projection period is the seven years spanning 2007 – 2014. This time frame coincides with the scope of the study and the available employment data released by FRED.

- Determine the projected change in employment within a defined geographical area. These figures are shown in the next section.

- Multiply the change in employment (as projected by FRED) by the office worker coefficient previously calculated to determine the level of employment that will require leased office space.

- Multiply the number of workers needing office space by the average square feet needed per worker to produce the total square feet of leased office space that will be in demand over the forecast period.

<table>
<thead>
<tr>
<th></th>
<th>Pinellas County</th>
<th>Tampa Bay MSA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected Change in Employment 2007-2014</td>
<td>41,089</td>
<td>107,281</td>
</tr>
<tr>
<td>Office Worker Coefficient</td>
<td>46.7%</td>
<td>71.8%</td>
</tr>
<tr>
<td>Office Workers Needing Space</td>
<td>19,189</td>
<td>77,028</td>
</tr>
<tr>
<td>Average SF Per Office Worker</td>
<td>215</td>
<td>215</td>
</tr>
<tr>
<td>SF of Office Demand</td>
<td>4,125,635</td>
<td>16,560,967 sf</td>
</tr>
</tbody>
</table>

Source: Florida Research and Economic Database

The CCIM Employment Projection Model summarized in Figure 35 indicates that the Pinellas County marketplace can absorb 4,125,635 square feet of office space through 2014, or an average of 589,376 square feet per year over the seven-year period. The entire four-county MSA can absorb just over 16.5 million square feet for the same period, an average of about 2.3 million square feet per year.
2) Population Projection Model

We have looked at population projections for Pinellas County through 2015 and linked that trend to potential growth of the office supply. While population is not as accurate a determinant of demand for office space as employment, it does provide an additional indicator. We have based this model on the relationship between the County’s population and total rentable square feet of office space during the period 2000 – 2006. That coefficient has increased from 30 square feet per person in 2000 to 34 square feet per person in 2006, an increase of about .6 square feet per year. We have assumed that average increase will continue through 2015, resulting in 36 and 39 square feet per person in years 2010 and 2015 respectively. We also used a longer time horizon (2000 – 2015) for this model because of the limited availability and accuracy of population projections.

The Population Absorption Model (Figure 36) projects absorption of 7,835,082 square feet over the nine-year period, or an average of 870,565 square feet per year through 2015, considerably higher than projections derived through the CCIM Model. As noted, population is a less accurate gauge by which to project demand for office space than employment, especially in a market driven in the past by faster than average population growth as Pinellas County has been. We are, therefore, inclined to give this model less weight overall.

3) Historical Absorption Model

This model is created using the following assumptions: Future absorption is projected using the last five years’ average absorption data to create a future trend, a period during which the market experienced robust, but relatively consistent growth. According to this theory, increasing the current inventory of space by a factor that represents reasonable growth produces a projection of future supply.
The Historical Absorption Model (Figure 37) using figures dating back to the end of the second quarter of 2002, reveals an average absorption of 353,180 square feet per year, a number that most brokers in this market consider more realistic.

These demand figures represent two forces in the market that impact demand for office real estate – economic growth and market shifts. The CCIM model is predicated on capturing growth trends in the marketplace, and the FRED forecast accounts for shifts in the market due to a host of variables. The historical absorption forecast is based on previous market performance. What is not accounted for is the force of depleting supply.

**Depletion of Supply**

The forces of depletion (age, replacement life, location, and functional obsolescence) affect the office segment of the marketplace but not to the extent that they affect hospitality and retail real estate.

Office depletion is influenced more by traditional real estate dynamics rather than by passing trends. For example, there will always be a market for Class A space with a cherry wood and marble décor in downtown urban centers for certain law firms, accounting firms, and other corporate services. That traditional décor in a traditional location has lasting demand in the marketplace.

Older office facilities, which can exhibit signs of age, wear, and tear however, can sometimes be less desirable than newer facilities. Replacement life for the physical components of office facilities can be impacted by the sustained use of a facility even though the user is typically mindful of keeping space clean, orderly, and in good repair. Staying up to date in replacing critical building components and systems and keeping good standards of maintenance are required to remain competitive.

Changes in transportation (highways, air travel, mass transit, etc.) can make an existing facility less competitive over time and simultaneously make another location more desirable. This is particularly true for office space because access to commercial amenities such as retail, restaurants, etc., creates a competitive advantage for office property, and transportation improvements often catalyze new commercial development of these same amenities in concert with new office properties.

Functional obsolescence also occurs in a competitive office market. Changes in workplace operations, i.e. commuting versus telecommuting, open work environments versus private offices, multistory facilities versus single-story facilities, suburban versus urban locations, etc. all affect a building’s functionality. A competitive office market confronts these changes in market demand.

Given the forces affecting office space, we estimate that annually 1/30th of the marketplace’s supply is always depleting. This strengthens the demand figures previously calculated.

**Office Market Conclusions**

The CCIM model for office demand in the Competitive Market up to 2014 is 4,125,635 square feet, or an average 589,376 square feet per year. The population model projects
7,835,082 square feet through 2015, or 870,565 square feet per year, and the historical absorption forecast indicates 2,472,260 square feet through 2014, or an average of 353,180 square feet per year. It is important to note that the CCIM and the population models forecast demand based on growth in employment and population, respectively, and thus are measures of demand for office space, not necessarily a direct reflection of future performance when tempered by realities in the marketplace. The last time the Pinellas County market absorbed over a half million square feet of office space was in 2003. Pinellas County, in fact, has absorbed an average 363,567 square feet of office space each full year since that time and is experiencing negative absorption thus far in 2007.

The historic absorption in the Competitive Market in this case is likely a far better indicator of realistic growth of the office market, especially given the current density of Pinellas County. If, however, growth occurs in a denser pattern as prescribed through Pinellas by Design and advocated by County officials, it is conceivable that this market could absorb an annual amount of office space closer to that predicted through the CCIM model. Should such measures to accommodate denser development not be taken, Pinellas County is likely to lose development opportunities to neighboring counties with more room to expand and accommodate demand for new office space. Given this, we predict realistic growth in the marketplace of between 350,000 and 400,000 square feet of new office space per year through 2014. According to minimum floor area ratios and calculations completed by the Pinellas Planning Council for this report, this could translate into the need for an additional 280 to 320 acres of land over the seven-year period to accommodate our predicted office absorption.

INDUSTRIAL

Industrial Supply Summary

Pinellas County had 56,615,737 square feet of industrial space (combined flex and warehouse) at the end of March 2007, 2,803,553 square feet (4.9%) of which was vacant and available. Co Star reported a negative absorption of 161,646 square feet during the first quarter of 2007 with only 315,159 square feet under construction throughout the County, one such building being an 84,000-square foot flex building at Mainstream Business Park in the Gateway submarket. Colliers Arnold has reported negative absorption of 70,075 square feet for the second quarter as well (Co Star data for the second quarter were not yet available to us at the time of this study). Negative absorption and limited construction in Pinellas County while the larger MSA market continues to flourish (the Tampa Bay market absorbed 863,000 during the first quarter) are largely by-products of a market that lacks available land for new development according to both government and real estate experts.

The built-out condition of Pinellas County has been a significant factor affecting industrial real estate more so than other sectors. Assembly, warehousing, and distribution facilities generally require more land area upon which to build than do office buildings, retail centers, and hotels and often are not consistent with redevelopment efforts. Pinellas County has put forth a redevelopment and land use strategy that calls for more efficient use of available properties including higher density.
Finally, depletion of supply also impacts demand for industrial real estate. Traditionally, depletion of supply is not a significant force for demand in industrial real estate. Today however, with the changing definition of industrial space and the broadening of demand, functional obsolescence is of greater significance.

**Industrial Demand Analysis**

An examination of industrial space demand is given relatively less attention in professional real estate literature than demand for retail, office, and hospitality space. Planning models and standard methodologies exist for office and retail demand forecasting; yet, there is no explicit, structured methodology for measuring industrial space demand that delivers forecast results as accurately as methods used for other land uses.

Currently, academic models for forecasting industrial space demand adapt the "office demand model" to create a "manufacturing demand model." Unfortunately, because of the wide variety of industrial real estate classifications and their wide range of density estimates (square feet per industrial employee), this demand model is not functionally accurate and, therefore, not applicable for all industrial real estate space and users. For example, an automated warehouse requires fewer employees per square foot than that needed for a research and development facility; however, both uses can occupy the same type of industrial space.

Industrial space needs vary considerably. Unlike office space, which is relatively homogeneous possessing similar characteristics and uses that are adaptable to numerous users, industrial space is specialized or heterogeneous. Industrial users, which include warehouse/distribution and manufacturing companies, have very different land and building requirements. For example, ceiling heights may be too high or too low, truck bays may be insufficient, and floor plates may not be arranged properly to accommodate necessary machinery. Space requirements for the various subcategories of manufacturing can become even more specialized.

Because of the wide variation of uses and definitions, industrial real estate does not lend itself to establishing clear lines of delineation. The broad category of industrial uses includes some of the following sub classifications:

- Heavy manufacturing
- Standard industrial
- Light industrial
- Flex space
- Research & Development
- Warehouse and distribution
- Location specific (e.g., near customer/supplier clusters)
- Airport proximity dependent
- Special needs (e.g., bonded, refrigerated, high security)
- High-tech/Low-tech products being manufactured
- Level of automation of their production function

Another challenge in gathering data useful for projecting future demand is that important facts about the industrial real estate market are sparse. Information is disseminated by
a variety of commercial real estate brokerage firms and public economic development agencies and often reported differently each year or not at all. Industrial real estate and industry classification systems differ among the groups reporting the data, and the length of time data are reported varies, which makes establishing trends and patterns of supporting information a more challenging task.

For our primary source of information, we researched data compiled and released by the area’s major commercial real estate brokerage firms. Other helpful information sources include PCED, which maintains a database of available sites and buildings and provides information on real estate inquiries made by companies interested in relocating to or expanding within the region. We also accessed employment figures available from federal, state, and local sources, which helped us to understand the strength and potential of the business sectors that represent users of industrial real estate.

To project market demand for industrial real estate, we have developed an absorption model similar to that used to project demand for office space. We have used employment projections published by FRED to determine those workers likely to be employed within sectors using some type of industrial space. Since industrial uses may include a variety of operations as noted above, some duplication is possible.

1) Employment Projection Model

Calculating Square Footage per Industrial Worker
To calculate demand for industrial space a key variable that needs to be determined is the number of square feet used for each worker. This number can be calculated for existing space quite easily by dividing the total square footage of an industrial facility by the number of workers engaged in industrial employment. While this methodology is less accurate than that used to project office space needs, it does produce a useable coefficient.

For the purpose of this industrial demand analysis, we derive the average square footage of space per worker as follows:

- Determine the number of workers employed in industrial occupations that would likely occupy industrial space (as defined by the variety of categories listed above. This information has been derived from the FRED for 2006.
- Divide the amount of occupied space in the Competitive Market by the number of workers at the given time period.

Calculating Square Footage Per Industrial Worker
As with office space, we have developed a comparative analysis with the Tampa Bay MSA in order to substantiate its relative accuracy and to ensure that the factor is reasonable.

- We start the analysis by referencing the total square footage of tenant-occupied industrial space in the market (Figure 38), as published in the Co Star Industrial Report for first quarter 2007. From this publication, we are able to calculate the total amount of occupied space by reducing the total rentable square feet by the total square footage available directly from landlords and available via sublease agreements. We have done this for the four-county Tampa Bay MSA as well.
The next step in this process is examination of FRED employment statistics for those sectors likely to utilize office space (Figure 39).

### Figure 38

<table>
<thead>
<tr>
<th></th>
<th>Total Rentable Square Footage</th>
<th>Available Direct &amp; Sublet Square Footage</th>
<th>Tenant Occupied Square Footage</th>
<th>Availability Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tampa Bay MSA</td>
<td>231,916,188</td>
<td>11,645,563</td>
<td>220,270,265</td>
<td>5.0%</td>
</tr>
<tr>
<td>Pinellas County</td>
<td>57,615,737</td>
<td>2,803,558</td>
<td>54,812,179</td>
<td>4.9%</td>
</tr>
</tbody>
</table>

Source: Florida Research and Economic Database; Co Star Group, Inc.

- No accepted industry coefficient exists for industrial space; therefore, we have created one by dividing the amount of available space in each market by the number of industrial workers as reported above. We have arrived at a coefficient of 709 square feet per worker in all of Metro Tampa Bay and 439 square feet per worker in Pinellas County alone (the disparity between the regional and county coefficients could be a result of the tight industrial real estate market in Pinellas County compared to the region, an indication consistent with professional observations).

### Industrial Space Demand Projections 2007 - 2014

Calculating industrial space demand utilizing this real estate forecasting model involves a series of steps as follows:

- Determine the relevant time horizon for planning purposes. The projection period is the seven years spanning 2007 – 2014. This time frame coincides with the scope of the study and the available employment data released by FRED.

- Determine the projected change in employment within a defined geographical area. These figures are shown in the next section.
• Multiply the number of workers needing space by the average square footage needed per worker to produce the total square feet of leased industrial space that will be in demand over the forecast period.

<table>
<thead>
<tr>
<th></th>
<th>Pinellas County</th>
<th>Tampa MSA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected Change in Employment 2007-2014</td>
<td>26,204</td>
<td>70,181</td>
</tr>
<tr>
<td>Average SF Per Industrial Worker</td>
<td>439</td>
<td>709</td>
</tr>
<tr>
<td>SF of Industrial Demand</td>
<td>11,503,556 sf</td>
<td>49,758,329 sf</td>
</tr>
</tbody>
</table>

Source: Florida Research and Economic Database

The Employment Projection Model indicates a total absorption of 11,503,556 square feet of industrial space through 2014 in the Competitive Market, or an average of 1,643,365 square feet per year for the seven-year period. This employment model is less accurate than that used to calculate office space demand, given the absence of an industry standard coefficient. Most real estate professionals familiar with this demand projection believe that the Pinellas market is not only unlikely, but also simply incapable of absorbing this amount of industrial space, especially given the lack of available land for new development.

2) Population Projection Model

We have examined population projections for Pinellas County through 2015 and linked that trend to the potential growth of the industrial supply. While population is not as accurate a determinant of demand for industrial space as employment, it does provide an additional indicator.

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2006</th>
<th>2010</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>922,313</td>
<td>924,413</td>
<td>978,498</td>
<td>1,007,414</td>
</tr>
<tr>
<td>SF/Person</td>
<td>52</td>
<td>59</td>
<td>63</td>
<td>69</td>
</tr>
<tr>
<td>Historic/Projected RBA</td>
<td>48,000,000</td>
<td>54,812,179</td>
<td>61,645,374</td>
<td>69,511,566</td>
</tr>
<tr>
<td>Historic/Projected Increase</td>
<td>6,812,179</td>
<td>6,833,195</td>
<td>7,866,192</td>
<td></td>
</tr>
</tbody>
</table>

Source: Co Star Group, Inc.; Pinellas County Economic Development

The population projections model indicates an estimated demand of industrial space of 14,699,387 square feet through 2015, or an average of 1,633,265 square feet per year during the nine-year period, nearly the same as that projected annually when using employment growth as a basis.

3) Historical Absorption Model

This model is created using the following assumptions: Future absorption is projected using the last five years absorption data to create a future trend. Increasing the current inventory of space by a factor that represents reasonable growth projects future supply.
**Figure 42**

<table>
<thead>
<tr>
<th></th>
<th>Year</th>
<th>2002</th>
<th>2007</th>
<th>2010</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avg. Annual Absortion</td>
<td></td>
<td>500,181</td>
<td>212,552</td>
<td>356,366</td>
<td>356,366</td>
</tr>
<tr>
<td>Avg. Rents</td>
<td></td>
<td>$5.50</td>
<td>$7.53</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total RBA</td>
<td></td>
<td>54,101,187</td>
<td>57,615,737</td>
<td>62,224,996</td>
<td>67,202,996</td>
</tr>
<tr>
<td>Vacancy Rate</td>
<td></td>
<td>4.5%</td>
<td>4.9%</td>
<td>5.4%</td>
<td>6.5%</td>
</tr>
</tbody>
</table>

*Source: Co Star Group, Inc.; Colliers Arnold; Pinellas County Economic Development*

The Historical Absorption Model reveals a calculated average absorption of 356,366 square feet per year through 2014. While perhaps more realistic than the CCIM and population models, which indicate significantly higher absorption, it is important to note that Pinellas County annual absorption since 1999 has been as high as 565,000 square feet during one quarter and as low as negative 404,000 square feet during another. Such dramatic fluctuations in industrial market activity make this model less reliable than when used to predict the more stable office market.

**Depletion of Supply**

Of the four real estate market segments addressed in this Market Study, the forces of depletion (location, age, replacement life, and functional obsolescence) traditionally affect the industrial segment the least. Since industrial real estate is more difficult to categorize given the various uses that fall within the definition, and because use is changing, today, depletion of supply has more significance to market demand than in the past.

Historically, manufacturing companies dominated industrial real estate space and required proximity to good transportation. With the definition of industrial real estate changing, more of today’s tenants are less reliant on transportation. Conversely, distribution is a growing segment of the industrial marketplace that strongly relies on good transportation access. Over time, changes in transportation infrastructure (highway, air travel, mass transit, etc.) can make an existing facility less competitive and simultaneously make another location more desirable for certain segments of the industrial real estate marketplace.

There are demand fluctuations in the marketplace. Heavy manufacturing versus light manufacturing, clean room standards versus general area standards, hybrid office versus dedicated office, campus environment versus an industrial park, and flex space versus fixed space are all examples of demand fluctuations that impact a building’s functionality. These fluctuations can render a facility functionally obsolete.

Finally, older industrial facilities frequently are considered less desirable than newer ones. Yet, certain industrial space can be adapted for a new tenant’s use, unless a facility has been custom constructed for a particular manufacturing process. Industrial tenants tend to “nest” due to the high cost of relocation. While replacement life affects certain components of industrial property due to steady and often rugged use, reasonable standards of maintenance are all that are needed to remain competitive.

Given the forces affecting industrial space, we estimate that annually, 1/40th of the marketplace’s supply is always depleting.
**Industrial Market Conclusions**

The demand models detailed above indicate potential demand for up to 1.6 million square feet of new industrial real estate space over the next seven years based on increased employment and population; yet, history in the market place indicates that absorption of only about 350,000 square feet per year has been the average since 2002, a period of significant economic growth in the market place.

Concern regarding lack of available land for new development is greater among industrial real estate experts than it is among other sectors, largely because industrial buildings require more land area upon which to locate. All real estate professionals familiar with the market and interviewed for this study have said that adequate land to accommodate the demand indicated by our models simply doesn’t exist within the Competitive Market, making it likely that such demand will have to be accommodated in nearby counties.

Although Pinellas County government and economic development officials are developing policies to make more land available through redevelopment initiatives and more efficient land use policies, it seems a stretch to imagine that demand for 1.6 million square feet of new product can take place within a market area so built out already. Based on our demand models and further tempered by these realities, we predict potential realistic absorption of between 300,000 and 500,000 square feet of new industrial space within the Competitive Market through 2014. According to floor area ratios calculated by the Pinellas Planning Council for this report, this could translate into the need for as much as 200 to 400 acres of additional land area.

**RETAIL**

Projecting market demand for retail development utilizes an economic forecasting model based on population projections and other demographic statistics. Retail developers typically will study a regional market to identify locations that present niche market opportunities or submarkets that are under-served by retail.

Business clusters exemplify a niche market that isn’t reflected within an economic model. Employment numbers are not fully considered in the standard economic modeling; however, clusters of businesses provide opportunities for retail that provides business support services, such as office supply stores, copy centers, and communication companies as well as employee services such as restaurants and drug stores. There is no economic model that projects square feet of retail that could develop as a function of a specific square footage of office or industrial space.

Prior to commencing a quantitative exercise to project demand (which is measured in square feet) for retail development, we should first assess two key market conditions that impact retail development, and represent general market thresholds driving potential for retail development. They are:
The level of competition in proximity to the proposed retail site(s).

The existing capacity, at or near the proposed retail site(s), of the three market
drivers for retail development:
  o Residential population
  o Traffic
  o An employment population

**Existing Competition**

Generally, there are six categories of retail development. These are as follows:

- **Convenience Centers** serve basic neighborhood needs, i.e., gas stations, convenience stores, flower shops, restaurants, and video stores. They include retail shops that serve a population or user base within one mile to three miles of their original locations. They require, at minimum, a high traffic road system and proximity to residential development.

- **Neighborhood Centers** are expanded convenience centers anchored by a grocery store and/or a drug store. The anchor attracts traffic, yet a significant density of residential development or a significant employment base must characterize the location.

- **Community Centers** include discount department stores, large supermarkets, and/or home improvement stores. “Big-box” retailers anchor them, and they have a trade area of a 3-5 mile radius or a population over 30,000.

- **Power Centers** are a critical mass of big-box retailers that rely on a larger population base and greater geographic reach than a Community Center.

- **Regional Malls** are anchored by department stores and/or discount department stores and serve a trade area of over 100,000 people.

- **Super-Regional Malls** are found in major metropolitan areas and are anchored by three or more department stores and include peripheral development that includes community centers and power centers.

The retail clusters closest to the Subject Site are the Gulf-to-Bay Boulevard and Route 19 corridors centered around Clearwater Mall, Gulf-to-Bay Plaza, and Largo Towne Center, all within about five miles and located east and north. Another retail cluster is located along Route 19 at Gandy Boulevard around ParkSide Mall in Pinellas Park. Both of these clusters seem to serve the general shopping demands of the existing residential and employment base of the Gateway Area.

Numerous freestanding establishments – primarily restaurants and hotels – are present along Ulmerton Road near the Airport and the Subject Site. An examination of the competition in the marketplace demonstrates, however, that a market opportunity may exist for community, neighborhood and convenience center retail to support existing yet limited local demand, to replace outmoded facilities and product, and to support or serve new commercial development at the airport. No significant community center (anchored
by a major discount department store) exists to serve the needs of the residential population or employment base closest to PIE.

The Subject Site that is currently in use as the AIRCO Golf Course, while large enough to accommodate a variety of retail uses, has limited access, frontage and visibility relative to busy Ulmerton Road. These are three factors critical to the success of retail anywhere. Existing land use on and near Airport property consists primarily of office and flex developments with retail operations rather scattered and, in some cases, dated. New retail development in and around the neighborhood would, from a real estate perspective, place a “new face” on the marketplace.

While further commercial development at the Airport would clearly add new traffic and add an additional customer base, it would also provide the marketplace much-needed stimulus. This would transform the commerce image of the immediate airport area and encourage private investment in new product to replace the dated and low-performing retail outlets; however, it would not dramatically transform retail behavior. It would strengthen local retail as a viable option for the surrounding area. It would to some degree compete with existing retail by offering convenience and a newly developed shopping experience, albeit with a limited array of products and services.

Of the three drivers for retail development (residential development, traffic, and employment), the only viable driver for new development is an employment base created by new and existing industrial and office development and the more likely reuse alternatives to be considered at the Subject Site. Retail development at the Airport would need to serve new employees working on or at new developments at the Site, as well as the existing employment base at and near the Airport.

Depletion of Supply

The forces of depletion (location, age, replacement life, and functional obsolescence) greatly affect retail properties, second only to hospitality, where there is a significant mass of retail development. For example, changes in transportation infrastructure (highway, air travel, mass transit, etc.) can render an existing facility uncompetitive virtually overnight while simultaneously enhancing a competing retail establishment or catalyzing development of new competition.

As with most real estate that serves the direct consumer, older retail facilities often are considered less desirable than newer structures. Replacement life greatly affects retail properties due to intensity of use and the need to stay fresh and accommodating. Good standards of maintenance are critical to remain competitive.

While there are examples of retail properties being redeveloped into a different product that targets a different market segment, retail real estate is very “formula”. Changes in the marketplace can render a building functionally obsolete in the highly competitive retail industry. Demand shifts from big box retail, specialty stores, or category killers versus department stores, outdoor lifestyle centers versus enclosed malls, and designer fashions versus generic brands, all affect a building’s functionality.

Because retail development, which will be driven by other commercial development, will be new for airport property, and primarily will not replace older, existing product, depletion of supply will be limited. Given the forces affecting the retail industry, we
estimate that annually, 1/20th of the marketplace’s supply is always depleting and can be anticipated at the Airport over time.

**Pace, Type, and Scale of Retail Development**

As we previously reported, there are quantitative methods for projecting the amount of retail square feet that could be absorbed in a market when it is being considered as the primary land use for a development project. The market, however, dictates that retail will be, at best, a secondary land use at the Subject Site. It is difficult to produce a quantitative forecast because there is no universally accepted, quantitative forecasting method for retail development under these conditions. Retail is primarily a function of residential development; at the airport, there is no residential development. What follows is a description of the pace, type, and scale of retail development that could occur in concert with the uses that will drive development at the Subject Site.

The pace at which retail development occurs will mirror the pace at which office and industrial product are developed, because retail will primarily serve employees associated with these uses. The size of the customer base that is derived from these two uses and the market outlook for their development are quite different.

While office buildings are typically occupied by service industry businesses that are human capital driven, industrial development dedicates more space to equipment and materials. Thus, office uses will generally house more people per square foot of space creating a greater customer base for retail development.

Industrial, hybrid (office/industrial), and specialized product (lab space, etc.) are also commerce centers that attract a retail following of sorts. Should the Subject Site mature into an employment center, the type of retail that will likely develop can be characterized as convenience, neighborhood, and perhaps limited community retail. Uses that can be expected to enter this local marketplace include branded coffee and bagel shops, copy centers, and a few full-service restaurants. Significant build-out of an employment base could attract a drug store anchor or office supply store. These retail uses directly cater to the employment base.

These stores would be assembled into a few small, strip-style centers that serve a geographic domain primarily limited to the employment center. Their scale is not significant. Coffee shops are approximately 1,000 square feet; copy centers and restaurants can be between 3,000 and 8,000 square feet; and a drug store anchor can be 10,000 to 16,000 square feet. Five or six uses assembled into a 30,000 to 40,000 square foot retail center will require approximately three to five acres of land at most. Scattering a few retail centers in and among other development would sufficiently serve the employment base.
HOSPITALITY

The Competitive Market

Pinellas County’s hospitality market consists of 219 hotels with a total of 18,326 rooms for an average sized establishment of 84 rooms. Seventeen hotels are located within four miles of the Subject Site (see Section VI). At least 24 hotels with a total of 2,210 rooms were added to the market since 2000, with an average of 92 rooms per each new establishment. Eighty-two hotels – many of them older establishments lacking any national affiliation – have either closed or been converted to use as condominiums during the same period. Two new hotels have opened near the Subject Site within the past 18 months.

The Competitive Market’s hospitality industry has performed reasonably well, with room rates and RevPAR increasing steadily over the five-year study period conducted by Smith Travel Research for this report. Occupancy, however, stood at 68.4% at the end of June 2007, down from 70.6% a year earlier and from a five-year high of 73.2% in June 2005.

Outlook on New Development

Dan Mount, Assistant Professor of Hotel, Restaurant, and Recreation Management at Penn State University estimates that nationally, 95% of all new hotel construction during 2000 was classified as economy and limited service facilities, which can operate profitably at a lower occupancy percentage than full-service hotels. Full-service hotels are defined as those including food and beverage service, meeting and conference facilities, and recreational amenities such as a pool and exercise facilities. Limited, or select service, establishments often provide food and beverage service along with meeting space, but they do so on a much more limited basis. Most of the new hotels added in the county have been limited service establishments.

According to Mount, the key driver for new hotel/motel development is increased business activity. Mount also asserts that new hotel/motel development in less desirable locations in underserved markets is catalyzed by cheaper development costs (land and financing). New development across the country in the 1990s occurred because of the decade’s economic expansion and affordable development financing.

There are two indicators of an underserved market: a higher occupancy percentage than the industry average and rising average room rates. Using this knowledge about what triggers new development and utilizing local hospitality performance statistics, we can generally forecast new hotel/motel development opportunities for the Competitive Market provided we determine the market to be underserved.

When projecting development opportunities, we must examine the development cost advantages (if any) at the Subject Site versus other areas within the Competitive Market. Thus, if occupancy levels are strong and average room rates are rising, indicating there is an opportunity for developing additional product, then the cost of development becomes the most significant determinant for development opportunity at the Subject Site.
According to industry professionals, it is difficult to project future hotel development over a specific time period (for this study up to 2014) once supply “catches up to” market demand because there is no quantitative forecasting model. While business growth and employment are the strongest indicators for projecting market opportunity for additional lodging, the industry does not rely upon a formula that inputs employment and other quantitative variables and outputs a specific number of lodging rooms. Thus, projecting future demand requires a qualitative approach.

**Demand Projections**

The demand projection analysis has been created from two threshold figures, the national break-even occupancy percentage of 53.0%, and a national occupancy rate of 61.1% as projected by the American Hotel and Lodging Association. These figures will define the forecast parameters for analyzing hotel room demand.

Applying the data, our analysis is as follows:

- Total room supply in the Competitive Market is 3,211,917 monthly room nights.
- The occupancy rate for hotel rooms ranged from 64.9% to 73.2% between 2001 and 2007. Using an average occupancy rate of 68.9%, we can estimate that on average, 2,213,011 rooms of the 3,211,917 room nights are occupied.
- A 53.0% breakeven occupancy rate utilizing 2,213,011 occupied room nights would require a supply of 4,175,492 room nights; therefore, the Competitive Market is currently undersupplied by 963,575 room nights.
- A 61.1% national occupancy rate utilizing 2,213,011 occupied room nights would require a supply of 3,621,949 rooms. By this measure, therefore, the Competitive Market is undersupplied by 410,032 room nights.
- Thus, the Competitive Market is undersupplied by as few as 410,032 room nights, or by as many at 963,575 room nights. This translates into a potential demand for between 1,123 and 2,640 physical hotel rooms. Using the average size figure for recent new hotels of 92 rooms, this translates into a potential demand for as many as 28 new hotels.

It is not surprising that a hospitality market that has performed as well as that in Pinellas County should demand more rooms, especially given the disappearance from the market of several older establishments over the last six years. Most of the newer full-service hotels in this market have been constructed on or near the beaches, while most limited-service establishments have been constructed near I-275 and employment clusters, including those near the Subject Site.

Given the proximity of a number of establishments along Ulmerton Road near the Airport and given that most of the land area associated with the Subject Site is neither visible nor directly accessible from Ulmerton, the potential for development of a hotel on the Site seems limited, although still a possibility. Any such development would require access to and visibility from Ulmerton and would have to be able to withstand direct competition with the numerous establishments already located there.
**Depletion of Supply**

Of all four segments of commercial real estate addressed in this Market Study, the forces of depletion (replacement life, functional obsolescence, location, and age) affect hospitality real estate the most. Replacement life greatly affects hospitality properties due to the intensity of use they experience and the need to stay fresh and accommodating. To remain competitive, these properties require high standards of maintenance.

A building’s functionality can fall victim to demand fluctuations in the dynamic and highly competitive hospitality marketplace. For example, demand for king-size bedrooms and two-room suites could suddenly exceed demand for single rooms with a double bed. Desirability of fast food restaurant service versus full service dining could shift. The business market could demand extended stay rooms versus single-night stays. These demand fluctuations impact a building's functionality and operation, and the result can be functional obsolescence of the building.

Another example of a force for depletion is change in transportation infrastructure (highway, air travel, mass transit, etc.). Significant transportation projects can render an existing, successful hospitality property uncompetitive while simultaneously enhancing the desirability of a competing property virtually overnight.

Finally, in the hospitality marketplace, older hotels and their restaurants oftentimes are considered less desirable than newer establishments. They become victims of the new experience.

Given the forces affecting the hospitality industry, we estimate that annually, $\frac{1}{15}$ of the marketplace’s supply is always depleting.

**Projecting Future Growth**

As reported earlier, there is no economic forecasting model to project market demand for additional hotel rooms; therefore the following is a qualitative examination of what could positively impact the market and create additional demand in the Competitive Market.

- Consistent with findings reported earlier in this section, the three conditions that characterize a healthy, local hospitality marketplace must be evident: a) stable to rising average room rates; b) a sustained hotel occupancy rate that far exceeds the national average break-even threshold, and continues to exceed the national average overall occupancy rate; and c) a growing employment base. The Pinellas market clearly has all three of these.

- A growing travel and tourism industry supports a growing hospitality sector, and this has certainly been a factor in western Pinellas County. While this industry remains vulnerable to threats like rising fuel prices and harsh weather conditions (hurricanes), most experts predict a continued upsurge in travel and tourism as the affluent baby boom generation matures.
The factor likely to attract hotel/motel development at the Subject Site is a critical mass of commercial development, particularly office and industrial development that sustains an employment base and functions as an employment center. Any further hotel/motel development on or near Airport property has the best opportunity to occur in an area that affords the opportunity for commercial development.

FACTORS AFFECTING DEMAND

While population and employment growth remain the most accurate measures of predicting real estate demand, a number of qualitative factors exist in any marketplace that could also impact that demand. These factors, which can have both positive and negative effects on real estate markets, include demographic shifts, transportation developments, and cultural events. Pinellas County and the Gateway Area exhibit unique features that are likely to affect demand for office, retail, and hospitality establishments well into the future and could have an impact on decisions made regarding development at the Subject Site.

NON AVIATION DEVELOPMENT AT THE AIRPORT

PIE has had considerable success with non aviation land development over the years; established commercial development on Airport properties set it apart from most other airports with land available for non aviation use. Aside from the Subject Site under study, the Airport property features an additional approximately 350 acres of developed land that includes office and industrial space, county facilities, retail, and hotels, all located primarily south and west of the airfield. Additionally, the Airport is currently considering development of three separate land parcels totaling an additional 40 acres for both aviation related and non aviation development. One of these proposed developments is the 22.5-acre parcel at the corner of Ulmerton Road and Roosevelt Boulevard that will feature office space and a hotel.

Major non aviation land users at the Airport consist of the following:

- **Airport Business Center** – a 41-acre, multitenant office park located west of the airfield and terminal complex at 49th Street and 140th Avenue, this development opened in 1988 and is managed by Hallmark Development.

- **Airport Industrial Center** – a multitenant flex and industrial park located adjacent to the Airport Business Center and also managed by Hallmark.

- **Smith Industries** – meter manufacturer located on Roosevelt Boulevard west of the airfield.

- **Pinellas County** – leases 58 acres from the Airport for various criminal justice operations, including the Sheriff’s office, courts, and a correctional facility.

Airport land tenants located along Ulmerton Road south of the airfield include Cracker Barrel, Panda Express, Chik-Fil-A, Springhill Suites, and Sleep Inn.
As a public entity and major landholder active in spawning private development, the Airport is a major player in the marketplace and conceivably becomes competition to potential development at the Subject Site. This factor is, of course, mitigated considerably by the apparent shortage of available pad-ready sites throughout the Competitive Market, making the use of public land for private development something of a necessity in order to help satisfy the growing demand for more office and industrial space.

**AVIATION DEMAND AND DEVELOPMENT**

The Airport is, of course, an airport first, and its primary function is aviation-related operations. When faced with decisions regarding the use of excess property, airports must always consider how much land they will need for future aviation functions before committing to non aviation development. PIE has done this and has set aside several parcels still vacant and development-ready for aviation purposes – either for their own use or through lease to third-party aviation operators.

Current aviation land users leasing Airport property at PIE include

- United Parcel Service;
- Sheltair and Signature fixed base operators;
- Avantair; and
- “The Landings” T-hangar development.

Additionally, the Airport is preparing two separate parcels with access to the airfield for future lease to aviation-related users, and is in negotiations with a corporate aircraft provider for those sites.

Figure 43 is a summary of projected growth in aviation operations as indicated in the PIE 2004 Master Plan Update for five and ten years beyond the base year of 2001. The Airport Layout Plan included in the Master Plan Update includes approximately 100 acres of land for expansion of aviation-related activities. Of that amount, 48.5 acres are portions of the AIRCO Golf Course and adjoining buffer area (closest to the airfield) that comprise the Subject Site.

The Site enjoys access to the airfield and could easily accommodate aviation-related uses, a possibility that County officials have not ruled out. Factors to consider when making these determinations include airport needs, future aviation demand (both commercial and general), cash flow, development costs, and the increasing demand for pad-ready sites in the marketplace. Any amount of land now a part of the Subject Site that is designated for aviation use is more land not available in what has become a very tight land development market.
<table>
<thead>
<tr>
<th></th>
<th>Base Yr Plus 5</th>
<th>Base Yr Plus 15</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007</td>
<td>2017</td>
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<tr>
<td><strong>Passenger Enplanements</strong></td>
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<tr>
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<td>Avg Day/Peak Month</td>
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<td>Peak Hour</td>
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<td>862</td>
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<tr>
<td><strong>Operation</strong></td>
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<td></td>
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<tr>
<td>Itinerant</td>
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<tr>
<td>Air carrier/air taxi</td>
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<td>Military</td>
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<td>9,761</td>
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<tr>
<td>Local</td>
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<tr>
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<td><strong>Peak Hour Operations</strong></td>
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<td>Commercial</td>
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<td>(enplaned+enplaned tons)</td>
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<td>54</td>
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<tr>
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<td><strong>Avg aircraft size (seats)</strong></td>
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<tr>
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<td>168</td>
<td>180</td>
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<tr>
<td>Commuter</td>
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<td>19</td>
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<tr>
<td><strong>Avg enplaning load factor</strong></td>
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<td>Air carrier</td>
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<tr>
<td>Domestic</td>
<td>72.6%</td>
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<tr>
<td>International</td>
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<tr>
<td>Commuter</td>
<td>61.0%</td>
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<tr>
<td><strong>GA operations per based aircraft</strong></td>
<td>601</td>
<td>645</td>
</tr>
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</table>
HOUSING MARKET

Although experts are taking some comfort in a more stabilized housing market of late, commercial real estate agents have indicated that the sluggish housing market could have some impact on commercial real estate activity, since business growth requires new employees, and new employees require housing. If workers can’t afford adequate housing, they – and their employers – may look elsewhere. Further, an expensive housing market competes for limited land for development, a particular concern in land-short Pinellas County.

PINELLAS BY DESIGN

As reported herein, Pinellas County faces growth in population and employment, and has become the most densely populated county in Florida. One result has been a diminishing amount of developable vacant land, making the few such parcels that remain (including the Subject Site) more valuable.

The community has recognized this shift and embarked on a unique redevelopment strategy to manage population growth, preserve quality of life, and foster business development. Pinellas by Design is a redevelopment land use plan aimed at preserving green space, enhancing the quality of downtowns, public parks and recreation facilities, facilitating new construction projects, and renovating older commercial/industrial buildings for a variety of mixed uses.

Redevelopment is crucial to maintaining a vital and healthy economy. Local governments, businesses, and members of the community have united to create this comprehensive redevelopment strategy that will preserve quality of life, foster business expansion and job growth, and create mixed-use development that best utilizes green space.

Pinellas by Design is an ongoing effort that will continue to study the issues and provide the tools to shape communities, resulting in a smarter future for businesses and citizens. This plan establishes the economic, real estate, and regulatory considerations upon which the recommended strategies for countywide economic development and redevelopment are founded. The plan recognizes the need to maximize sites for business growth and expansion and further recognizes that such an effort might require public subsidies, emphasizing the added costs of redevelopment versus greenfield development.

It is too early to predict the effects that implementation of this plan will have on the future of commercial real estate in the Competitive Market. Real estate professionals interviewed for this study reserved any judgment. If put to effective use, the plan could facilitate productive partnerships between the public sector and the private sector development community to maximize the use of limited land and other resources and leverage them into meeting the predicted demand for office and industrial space. The Subject Site under study could be one such opportunity.
LAND COSTS AND AVAILABILITY

The cost of acquiring land for development is a primary consideration when exploring land use options in any market. It is a critical one in Pinellas County, where so few parcels suitable for development are available. According to Pat Marzulli at Colliers Arnold, actual sales for undeveloped industrial land are taking place in the $7.00-$8.00 per square foot range and $10.00 to $12.00 for premium locations. Premium locations already subdivided and pad-ready command $30.00 to $40.00 per square foot. Raw land for office development sells for $12.00 to $15.00 per square foot, and $50.00 to $60.00 per square foot pad-ready.

The limited availability of sites is, of course, having its effect on the market. Marzulli states “I haven’t seen too many actual closings and sales this year. I think the market is bumping into an affordability issue, …and that is holding down the actual demand. So while there is a shortage of land, the land sites that are on the market aren’t getting a lot of play unless they are priced well. But prices haven’t gone down yet because of the underlying demand. It’s a little bit of a circle.”

Besides the Subject Site under study, highway improvements either planned or underway near the Airport (detailed below) could also add potentially developable property to the Gateway market, as will the 240-acre Toy Town site.

IMPROVEMENTS TO ROOSEVELT/ULMERTON INTERCHANGE

The Florida Department of Transportation (FDOT) awarded a contract to Parsons Brinkerhoff (PB) to design improvements to Roosevelt Boulevard (SR 686) in 2004. This project involves upgrading a section of Roosevelt Boulevard — 49th Street to Ulmerton Road — from a four-lane rural facility to a six-lane controlled access highway with frontage roads. The project is part of the development of a controlled access facility in Pinellas County.

Included in the project is a concept study to add a flyover at an adjacent interchange and other improvements to the interchange, although construction has not yet been scheduled.
MARKET SUMMARY AND CONCLUSIONS

It is the goal of any market study to provide relevant indications of a given competitive marketplace for application to a specific product. The Client in this case is seeking real estate market indicators for land uses that include aviation, office, industrial, retail, and hospitality products in order to assist in determining an optimal land use mix for redevelopment of the Subject Site.

Real Estate Drivers

The key drivers of growth for real estate markets in any area are population and job growth. The Competitive Market (defined herein as Pinellas County) associated with this study has performed well in both categories and is expected to continue doing so, although a volatile housing market, recent sluggish job growth, increasing taxes and insurance costs, and a lack of land for expansion have all become major concerns.

Highlights include:

- The 2006 unemployment rate was only 3.2%, lower than both state and national rates, and a three–year low for the County.
- Population grew by 8.3% from 1990 to 2000 and is projected to increase by 9.0 percent between 2006 and 2015, slower than Florida and the larger MSA but still phenomenal for an area so densely populated already.
- Even though the County’s median age remains higher than average at 43, it decreased steadily since 1980, while state and national trends edged upward.
- Home values stood at an average $280,800 in June 2007. The sluggish housing market appears to have stabilized somewhat.
- Pinellas is the most densely populated county in Florida and is considered to be largely built out in terms of real estate development.
- A volatile and expensive housing market has been a threat to the County’s otherwise vibrant economic growth.
- Property insurance has become expensive and more difficult to obtain in Pinellas County.

Market Conclusions

Synergy was tasked to explore market conditions and potential for office, retail, industrial, and hospitality land uses as they relate to a defined Competitive Market and to the Subject Site. Highlights of the market conclusions for each of these designated categories are as follows:

Land Development

- Only five major office and industrial parks within proximity of the Subject Site claim to have pad-ready sites still available (an aggregate 320 acres).
- Few developable sites remain in the County, making adaptive reuse and redevelopment efforts a must and making it a challenge to satisfy growing demand for new office and industrial space.
**Office Market**
- Market vacancy currently stands at 2,975,886 square feet, or 9.3% of the County’s total office market, considerably less than the national average vacancy rate of 12.6%.
- Absorption models outlined herein indicate potential future absorption of between 350,000 to 870,000 square feet per year, an amount that will be difficult to absorb in a tight market with few buildable sites.
- Realistic absorption of new space based on findings detailed herein is between 350,000 and 400,000 square feet per year through 2014.

**Industrial Market**
- Industrial vacancy is currently 2,803,553 square feet, or 4.5% of the market.
- Models based on employment and population growth indicate potential demand for up to 1.6 million square feet per year, suggesting an immediate and sustained demand for additional product.
- Realistic absorption of this demand is limited by a lack of new sites and increasing construction and operating costs.
- The industrial market in Pinellas County compared to the MSA has become sluggish, and limited activity in this sector threatens to drive jobs and economic growth elsewhere in the region.
- Realistic absorption projections detailed herein are between 300,000 and 500,000 square feet per year.

**Retail Market**
- Retail development follows job and population growth.
- Retail vacancy is currently 1,277,105 square feet, or 5% of the market, consistent with the larger MSA.
- Major retail clusters are located from two to five miles away from the Subject Site.
- Limited access and visibility throughout most of the Site along with greater demand and need for office and industrial space make retail a secondary land use recommendation.

**Hospitality Market**
- The region’s hospitality market has performed well over the past five years with occupancy levels between 65% and 71%.
- The Competitive Market could be underserved by as many as 2,640 rooms, or approximately 28 establishments.
- The area within four miles of the Airport and the Subject Site features 17 hotels, several of which opened within the last five years.
- The projected demand for more office and industrial space combined with the presence of numerous competing establishments in the immediate area make hospitality a secondary land use consideration at the Subject Site.

While further study of the economics and financial feasibility of various land uses would further define the best potential development mix for the Subject Site, this study has revealed several factors for consideration as the Client pursues next steps:
• Developable land in the Competitive Market is very limited, and demand for industrial space remains high, creating an urgent need for the creation of new sites.
• The industrial market in the County is not capable of absorbing the projected demand over the next several years, likely forcing expanding and relocating businesses to seek space elsewhere.
• All or portions of the Subject Site zoned for industrial use could provide an opportunity for development of flex buildings to accommodate new and expanding businesses unable to find space elsewhere in the County.
• A growing population and employment base will increase demand for office product.
• The County must make more efficient use of redevelopment efforts and is poised to do so through implementation of Pinellas by Design.
• Significant retail and hospitality uses of the Subject Site are limited by frontage and access and constitute a less efficient use of the Site given the proximity of competing retail and hospitality products. Such uses would only make sense as accessory to office and industrial development elsewhere on the Site.
• Although market indicators remain strong, some real estate experts have indicated a slowing office and industrial market, indicating concern over rising operating costs associated with new development.

RETURN GOALS AND OBJECTIVES

Based on the results of this study, Synergy developed the following summary chart (Figure 44) after a Client stakeholder meeting on September 27, 2007 in order to provide some measure of how the potential land uses explored herein meet the return objectives set forth by the Client and detailed on Page 16. We have assigned positive (+), negative (-), or neutral (0) ratings in order to rank the land uses relative to the Client’s goals. The return goals were further refined during the next phase of work, including the evaluation of those goals not yet ranked here.
RETURN GOALS & OBJECTIVES

<table>
<thead>
<tr>
<th>Goal #</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>Total</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office</td>
<td>(+)</td>
<td>(+)</td>
<td>(+)</td>
<td>(+)</td>
<td>(+)</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Industrial</td>
<td>(+)</td>
<td>(+)</td>
<td>(+)</td>
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<td>(0)</td>
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<td>2</td>
</tr>
<tr>
<td>Hospitality</td>
<td>(0)</td>
<td>(-)</td>
<td>(-)</td>
<td>(+)</td>
<td>(-)</td>
<td>-2</td>
<td>3</td>
</tr>
<tr>
<td>Retail</td>
<td>(-)</td>
<td>(-)</td>
<td>(-)</td>
<td>(-)</td>
<td>(-)</td>
<td>(0)</td>
<td>-4</td>
</tr>
</tbody>
</table>

Return Goals
1. Revenue (NOT YET RANKED)
2. Highest & Best Use (NOT YET RANKED)
3. Acceptance (NOT YET RANKED)
4. Economic Development/Partnership
5. Job Creation
6. Enhance Cluster Industries
7. Higher Density Redevelopment
8. FAA Financial Constraints (NOT YET RANKED)
9. Flexibility

Given these rankings, office development is a clear favorite based on current Client goals. It should be noted, however, that industrial development includes both flex and warehouse space, and flex buildings physically more often resemble office buildings than warehouses or manufacturing facilities. A mixed-use flex and office development at the Subject Site with limited, ancillary retail could be the optimal land use mix that best meets the Client’s goals in this case.

Next Steps

Understanding the market as it relates to the potential redevelopment of the Subject Site is only a first – albeit important – step in creating an optimal development plan. The scope of work associated with this assignment now calls for additional value-added work that will help define the Competitive Market more specifically, determine the financial feasibility of the potential land uses identified herein, and create a marketing strategy to position the Site for a public/private partnership that benefits the Client and all involved stakeholders. Specific future steps are as follows:

- Feasibility Analysis
  - Planning,
  - Regulatory, and
  - Economic;
- Community Outreach; and
- Marketing Implementation Strategy.
PART II: FEASIBILITY ANALYSIS


INTRODUCTION

The following analysis prepared for the Client assesses the financial feasibility of the proposed redevelopment of the Subject Site at the Airport. The analysis assumes a development scenario in which the Airport acts as its own “master” developer, constructing the necessary infrastructure (roads and utilities) and leasing development-ready sites to end users. The relevant questions for this scenario are the following: Can the Client assume this role more efficiently than private developers? What financial incentives or subsidies, if any, will be necessary to prepare the subject land for lease to the private sector?

To answer these questions, the Consultant Team has constructed a discounted cash flow analysis (DCF) to determine whether the financial benefits of developing the Subject Site outweigh the costs of development. The inputs to the DCF analysis include estimates of future lease income to the Airport and estimated costs of infrastructure development. These inputs and the DCF analysis are presented below.

This phase of work follows completion of a comprehensive market study (Part I herein) that was presented to the Client on September 27, 2007. That study identified certain market conditions and price points that have been utilized and referenced herein.

What follows is an economic and physical examination of the Subject Site relative to its potential for development supporting aviation and non-aviation businesses. This includes engineering analyses and financial modeling of different land use scenarios at the Site in order to determine land preparation and infrastructure costs, revenues, profitability, fiscal impact, and each scenario’s compatibility with the Client’s overall return goals and objectives established at the beginning of the assignment.

Land rent scenarios used herein have been derived based on information revealed in the market study and further refined to reflect land use restrictions and realistic predictions for absorption of the land available at the Subject Site.

DEVELOPMENT SCENARIOS

Results detailed in the market analysis indicated demand for office, industrial, retail, and hospitality space within the defined competitive market area as it related to the Subject Site. The study also indicated a shortage of available development sites within Pinellas County, particularly sites capable of accommodating office and industrial buildings. The Client has, therefore, indicated a willingness to accommodate office and industrial development on a majority of the Subject Site; the exceptions are land that might be more efficiently utilized for aviation-related purposes adjacent to the airfield and portions of the Site adjacent to Ulmerton Road that offer access and visibility demanded for retail or hospitality uses. Upon review of market conditions and of the Site itself, it was determined that a mix of office, industrial, and hospitality uses would be analyzed for the entire property and that a 45-acre portion just south of the airfield would be further analyzed for use as either industrial or aviation-related development.
**ABSORPTION**

The real estate market analysis for the Subject Site projected an annual demand for between 350,000 and 400,000 square feet of office space per year and between 300,000 and 400,000 square feet of industrial space per year in the Pinellas County marketplace over the period 2007-2014. That same study indicated demand for as many as 2,640 additional hotel rooms. Further, Airport and County officials indicate immediate demand for T-hangar space and longer term sustained demand for bulk hangars at the Airport. The 2007 Airport Master Plan Update projects absorption of land for aviation uses at a rate of approximately five acres per year.

The current supplies of available industrial space and office space consist of about 57 million square feet and 32 million square feet, respectively. This analysis assumes that, given the relatively low industrial vacancy of 4.5% and the shortage of available sites for new development, there is an immediate demand for new space. Further, the recent escalating cost of development-ready land in Pinellas County has prohibited new development of industrial product or “flex” space (a hybrid combination of office and industrial uses). Thus the absorption of both office and industrial space at the Subject Site is projected to begin immediately upon development, as is absorption of hotel rooms (hospitality).

Based on information revealed in the market study we have estimated the following levels of absorption in the Pinellas County marketplace, assuming that land is available for development immediately:

- Office: Five Years
- Industrial: Seven Years
- Hospitality: Seven Years
- Aviation: Five Years

The Subject Site will have to compete with other developments for the existing demand for space. It is hard to predict at this time how much competitive space will be on the market several years in the future.

**PHASING OF DEVELOPMENT**

Development of the Airport properties is not likely to occur all at once nor will it begin immediately. Absorption projections indicated above do not reflect that conclusion; rather, various developments will occur over time based on market conditions, as well as financing, public approvals, and coordination of infrastructure work. Much will also depend on size and timing requirements of end users or developers. Given the variety of these elements and the complex nature of real estate development, it is difficult to predict how the various developments will be phased. The mixed-use nature of the land use plan delineated further herein, however, should permit a more expeditious development process.

We have assumed certain absorption of property (shown in acres in the analysis section of the report). We have also prepared the following preliminary phasing plan for development of the Subject Site for the purposes of this analysis. The phasing indicated is based on market conditions and tempered by Floor Area Ratio (FAR) requirements mandated by Pinellas County. It is further assumed that site preparation and
infrastructure development will take at least two years to complete prior to the beginning of absorption.

Aviation: Five acres per year, beginning in 2010
(Full absorption of available land by 2015)

Non Aviation: Seven acres* per year, beginning in 2010
(Full absorption of available land by 2016)

*Please note that Floor Area Ratio (FAR) requirements reduce gross acreage for different land uses thereby reducing total useable acres.

These phases are delineated further into building pads that correspond in size to the projected annual absorption rates.

**AVIATION VS. NON AVIATION USE**

The PIE 2007 Master Plan Update identified approximately 45 acres of the Subject Site for future use as aviation-related facilities, primarily bulk hangars for use by private aircraft owners. Airport officials have indicated that immediate demand exists for such facilities, and the Consultant team analyzed the financial feasibility of such development on 25 acres of land, the remaining 20 acres being reserved for taxiways and other required improvements related to aviation (please see Figures 4 and 5 on Pages 90-93 and Figure 9 on Page 101). The team also explored the economic feasibility of developing the same 45 acres for industrial use rather than aviation in order to make a comparative analysis (Figure 6 on Pages 94 and 95).

The Consultant then looked at potential development scenarios for the remaining approximate 78 acres of the Site designated for non aviation uses (office, industrial and hospitality) and considered various planning, regulatory, and economic challenges.

**DEVELOPMENT SCENARIO ONE: FULL BUILD-OUT**

A maximum use of the entire Subject Site using current Floor Area Ratio (FAR) requirements instituted by Pinellas County assumes that office buildings will occupy one half of available land area when fully developed (a FAR of .5) and that industrial buildings (assumed to be a mix of warehouse and flex-style buildings) will occupy one third of available land area (a FAR of .33). Upon estimation of the maximum build-out capacity of the Site under this scenario, the following elements were explored by the Client and the Consultant:

Acreage:
- 78 acres of office (521,730 SF) and light industrial/flex (1,217,369 SF) mix
- 25 acres reserved for aviation
- 10 acres of hotel (400 rooms)

Required pre-development steps:
- Large-scale Future Comprehensive Land Use Plan amendment
- Zoning change from Airport District to M-1 District
- Development of Regional Impact (DRI) analysis required
Traffic mitigation
Environmental mitigation
FAA approval
Infrastructure development (roads, utilities, water, sewer, storm water retention)

Timeline for required steps/approvals: Two to three years.

Timeline for absorption after completion of steps:
- Office: Five years
- Light Industrial/Flex: Seven years
- Hospitality: Seven Years
- Aviation: Five years

DEVELOPMENT SCENARIO TWO: BUILD-OUT WITHIN DRI CONSTRAINTS

Scenario One would require a DRI analysis as indicated because of the size and complexity of such a large-scale development. This is an expensive and time-consuming process that could be avoided if the scale and type of development were reduced to a certain extent. The Consultant was asked to determine the maximum level of development permitted at the Site without triggering the necessity to do a DRI analysis and determined the following:

Acreage:
- 78 acres of office (199,000 SF) and light industrial/flex (720,000 SF) mix
- 25 acres reserved for aviation
- 5 acres of hotel (200 rooms)

Required pre-development steps:
- Large-scale Future Comprehensive Land Use Plan amendment
- Zoning change from Airport District to M-1 District
- Traffic mitigation
- Environmental mitigation
- FAA approval
- Infrastructure development (roads, utilities, water, sewer, storm water retention)

Timeline for required steps/approvals: Two years

Timeline for absorption after completion of steps:
- Office: Five years
- Light Industrial/Flex: Seven years
- Hospitality: Seven Years
- Aviation: Five years

DEVELOPMENT SCENARIO THREE: MINIMUM BUILD-OUT

A third scenario for purposes of comparison assumed that development of the Site would only occur with minimal changes to current zoning and land use regulations, thereby allowing development to occur sooner, but dramatically limiting the scale. Such
a scenario generally only permits development of aviation-related use, since the current zoning designation permits it.

Acreage:
- 25 acres reserved for aviation
- 20 acres reserved for related apron area
- No commercial development

Required pre-development steps:
- Future Comprehensive Land Use Plan amendment
- No further regulatory action needed
- Environmental mitigation dependent upon aviation uses
- No major infrastructure development needed (dependent upon aviation uses)

Timeline for required steps/approvals: Nine months to one year.

Timeline for absorption after completion of steps:
- Aviation: Five years

**GROSS POSSIBLE INCOME**

The gross possible income that the Subject Site can attain depends on the rents that the County can realize developed sites and the rate at which space can be absorbed into the market.

**WEIGHTED AVERAGE COST OF CAPITAL**

A market capitalization rate can be derived using the “Band of Investment” technique. This approach uses a weighted average to blend the typical requirements for both debt and equity holders of property and results in a rate that satisfies the return expectations for both types of investors.

Lenders typically are very conservative in establishing loan levels for land. We contacted several commercial real estate lenders, and the general limits quoted were a 60 to 70 percent loan-to-value (LW) ratio. In addition, mortgage interest rates for land transactions were generally quoted at one percentage point above the prime rate, the interest rate that banks charge their most credit-worthy customers. Based on current market conditions, we have estimated a mortgage interest rate of 7.00 percent. We will assume a 30-year amortization schedule.

The mortgage constant (or sometimes referred to as the debt constant) is the ratio of the annual debt service to the principal amount of the mortgage loan. It is the unique payment for every payment period that includes interest and principal payments. It takes into consideration that the principal unpaid balance of the loan is higher in early periods; therefore, more of the debt service payments must be applied to interest than principal. The mortgage constant also adjusts the portion of interest payments from the total debt service payment in subsequent payments to be lower due to the lower principal balance on the loan that results from the portion of principal pay down that occurred in the previous payment period. It is a function of the interest rate and the amortization period.
of the loan; the higher the interest rate and shorter the amortization period the higher the mortgage constant. The lower the interest rate and longer the amortization rate the lower the mortgage constant.

\[
\begin{align*}
\text{LTV} \times \text{Mortgage constant} &= \text{rate 1} \\
\text{LTV} \times \text{Equity dividend} &= \text{rate 2} \\
\text{Capitalization Rate} &= (\text{rate 1} + \text{rate 2})
\end{align*}
\]

OR

\[
\begin{align*}
70\% \times 0.0806 &= 5.64\% \\
30\% \times 0.1500 &= 4.50\% \\
\text{Capitalization Rate} &= 10.14\% \\
\text{Rounded to} &= 10\%
\end{align*}
\]

From these calculations, annual rents at the Subject Site are estimated to be 10 percent of the land value.

**LAND RENTS**

Ground rents can be projected in one of two ways: from ground rents for comparable properties or by capitalizing land values. Because we have been unable to locate comparable ground leases, we have taken the latter approach.

Since it is the stated purpose of this analysis to determine the cost/benefit of prepared and subdivided parcels, we have relied on data collected from Tampa Bay area real estate brokers to determine the potential land values of non aviation land that would be presumably prepared for development (graded with infrastructure already in place). Synergy interviewed a variety of commercial real estate brokers as part of this assignment and the earlier market analysis in order to ascertain commercial real estate market conditions. Based in part on those interviews, we have estimated the following values for the respective potential land uses at the Airport:

- **Industrial/Flex:** $9.00 per square foot
- **Office:** $15.00 per square foot
- **Hospitality:** $23.00 per square foot

We have assigned these values with some variation based upon certain mitigating factors such as access and visibility when conducting our analysis. This is noted accordingly in the analysis section of this report.

Current Airport land leases indicate rents of $.35 per square foot per year, with consideration of an additional $.05 per square foot for the cost of storm water remediation and $.19 per square foot for design and permitting of an apron which would ultimately be constructed and used by all aviation-related tenants. These additional costs have been amortized over 20 years and factored into the land rent. We will therefore use $.59 per square foot when calculating the feasibility of aviation land uses at the Subject Site. The resulting revenue projections when applied to the approximate 25 acres of the Subject Site are summarized in Figure 1, while non aviation land rents are shown in Figure 2:
Figure 1: Aviation Revenue

<table>
<thead>
<tr>
<th>Leaseable Land Area</th>
<th>Acres</th>
</tr>
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<tbody>
<tr>
<td>Apron</td>
<td>$ 9.92</td>
</tr>
<tr>
<td>Bulk Hangars</td>
<td>$ 5.32</td>
</tr>
<tr>
<td>Parking</td>
<td>$ 10.17</td>
</tr>
<tr>
<td><strong>Total Area</strong></td>
<td>$ 25.41</td>
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<tr>
<td>Sq Footage</td>
<td>1,106,860</td>
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<tr>
<td><strong>Land Rent Rate</strong></td>
<td>$ 0.59</td>
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<tr>
<td>Gross Effective</td>
<td>$ 653,047</td>
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</table>

Figure 2: Non Aviation Revenue

| Units of Land Per Acre refer to allowable square footage (for office and industrial) and rooms (for hospitality) per acre of land after respective FAR applications. |

### LAND DEVELOPMENT COSTS

Synergy developed preliminary construction cost estimates for preparing the Site for aviation uses based on unit costs and certain available funding sources. Land preparation costs for non aviation land are estimated at $15.00 per square foot of “buildable” land area (that portion of land used for building) and reflected in the analyses detailed herein. Synergy developed a phasing plan for constructing the infrastructure that corresponds to the proposed phasing of the overall development discussed above. These figures are reflected in Figures 4, 5, and 6 on pages 90-95. Aviation costs are detailed separately below in Figure 3. The total estimated cost for the necessary infrastructure is $14,510,000 for aviation land and $9,720,000 for non aviation land. Of the $14,510,000 for aviation land $12,106,500 is eligible for FAA and FDOT funding. Two scenarios have been developed. Both scenarios assume that the roadway and utilities serving the aviation component, although eligible, would not receive any grant funds due to the low priority of the project in securing limited grant dollars. One scenario assumes all other eligible items are funded over a three-year period. The other scenario assumes 50% funding from the FAA for the taxiways and taxi lanes.
## Figure 3: Aviation Infrastructure Costs

### Scenario 1: Funded at Full Eligibility

<table>
<thead>
<tr>
<th></th>
<th>Estimated Cost</th>
<th>FAA</th>
<th>FDOT</th>
<th>Local</th>
</tr>
</thead>
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<tr>
<td>1.) Design and Permitting of Apron</td>
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<td>-</td>
<td>-</td>
<td>$1,300,000</td>
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<tr>
<td>2.) Roadway and Utilities</td>
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<td>$1,460,000</td>
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<tr>
<td>3.) Taxiways and Taxi lane</td>
<td>$11,750,000</td>
<td>$11,163,000</td>
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<td>$14,510,000</td>
<td>$11,163,000</td>
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<td>$3,053,500</td>
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</table>

### Scenario 2: 50% Funding from FAA for Taxiway / Taxi lanes

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<th>FDOT</th>
<th>Local</th>
</tr>
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<td>1.) Design and Permitting of Apron</td>
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<tr>
<td>2.) Roadway and Utilities</td>
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<tr>
<td>3.) Taxiways and Taxi lane</td>
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<td>$14,510,000</td>
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<td>-</td>
<td>$8,635,000</td>
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</table>

Note: These figures are based on 2008 dollars and are for planning purposes only. More accurate estimates will be derived once a plan is finalized and engineering is in progress. Although the road and utilities may be eligible their low priority would most likely yield little or no grant funds.

### REVERSION

In order to use the DCF model and show relative values, we need to make an assumption about what happens to the project at the end of the 20-year holding period. It is reasonable to assume that the project will have a value equal to other investment opportunities available to investors, and although the land may not be sold, the balance of the Lease and respective options may be. We estimate the reversion to the Airport for selling the Lease at the end of year 20 of the holding period. We will utilize projected rents, expenses, and lease payments for year 21.

### DISCOUNTED CASH FLOW ANALYSIS

As described above, Synergy will utilize a DCF model as the methodology to measure the project’s profitability. In addition to the inputs described above, the DCF model incorporates the following assumptions.

### HOLDING TIME PERIOD

The overall DCF incorporates the assumptions described in subsequent paragraphs.
REQUIRED RATE OF RETURN

The DCF model discounts future cash flows by a rate that reflects the required rate of return. The required rate of return is based on presumed risk, holding period, and opportunity costs. Required rates of return are unique to various real estate developers. We will assume a required rate of return of 15%, generally less than developers would require for leased land, yet generally higher than a public sector agency might desire.

ABSORPTION

It is further assumed that the revenue from tenants will commence in the year the pad is absorbed, and that the Lease payments to the Airport will commence at the same time.

RENT INCREASES

It is assumed that leases at the Subject Site will incorporate rent adjustments of 10% every 10 years, a fairly acceptable standard for commercial land leases.

PART 77 AND TERPS ANALYSIS

Under Federal Aviation Administration Part 77, a 35-foot building could be constructed on the apron outside of the building restriction line (BRL). Depending on the exact location of the building a higher building could be built.

FAA Order 8260.3B, “United States Standard for Terminal Instrument Procedures (TERPS)” presents the design criteria and guidance for instrument approach procedures to runway ends. TERPS criteria consider the impact that objects have on instrument approach and departure procedures. The objective of the TERPS analysis is to establish building heights that will not adversely affect the existing instrument and departure minimums to the airport runway ends.

Based on the analysis the maximum building height at any location within the AIRCO property leasehold is set at 80' AMSL.

There may be some areas on the leasehold premises where a structure higher then 80 feet can be constructed without affecting the minimums. These should be evaluated on an individual basis once a specific location is identified.

A full copy of the Part 77 and TERPS report is attached as Appendix E.

FEASIBILITY DATA

The following tables (Figures 4, 5, and 6) detail the anticipated annual rents for each proposed land use after consideration of initial land development costs (shown in year “0”), phased occupancy, capitalization, and transaction costs. A reversion occurs in year 21, and a Net Present Value (NPV) of the potential profit (after the 15% required rate of return) is indicated. This number represents the sum of all cash flows less costs, adjusted for inflation. Thus, the NPV represents profit potential over the 20-year time horizon but adjusted accordingly and shown here in current dollars.
Figures 4 and 5 detail the comparative uses of the 25-acre portion of the Site nearest to the airfield for aviation (along with 20 acres for the related apron area) and the entire 45-acre area for non aviation (industrial) purposes. Figure 6 details the use of the remaining 78-acre portion of the Site for a mix of office, industrial, and hospitality uses as indicated.
### Figure 4: Aviation Comparative Analysis Funded at Full Eligibility (25 Acres) Part 1

<table>
<thead>
<tr>
<th>Aviation Funded at Full Eligibility</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
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<tbody>
<tr>
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<td>0.63</td>
<td>$</td>
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<td>Aviation Land</td>
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<tr>
<td>Net Reversion</td>
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<td>$</td>
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<td>$</td>
<td>120,659</td>
<td>$</td>
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88
Figure 4: Aviation Comparative Analysis Funded at Full Eligibility (25 Acres) Part 2

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<td>$779,807</td>
<td>$779,807</td>
<td>$779,807</td>
<td>$857,788</td>
<td>$857,788</td>
</tr>
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</table>

Capitlization Rate 10% $8,577,881
Cost of Transaction 10% $857,788
Net Reversion $7,720,093

89
### Figure 5: Aviation Comparative Analysis Funded at 50% Eligibility (25 Acres) Part 1

<table>
<thead>
<tr>
<th>Aviation Funded at 50% Eligibility</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
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<tr>
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<tr>
<td>Revenue</td>
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<td>$530,278</td>
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**NPV at 15%** $ (4,121,300)
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capitalization Rate</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
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<tr>
<td>Cost of Transaction</td>
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<td>$ 8,577,881</td>
<td>$ 8,577,881</td>
<td>$ 8,577,881</td>
<td>$ 8,577,881</td>
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<td>$ 8,577,881</td>
<td>$ 8,577,881</td>
<td>$ 8,577,881</td>
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### Figure 6: Non Aviation Comparative Analysis (45 Acres) Part 1

<table>
<thead>
<tr>
<th></th>
<th></th>
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<tr>
<td>Zoning and Planning</td>
<td>$</td>
<td>(250,000)</td>
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</tr>
<tr>
<td>Storm Water Management</td>
<td>$</td>
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<td></td>
<td></td>
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<td></td>
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<tr>
<td>Off Site Improvements</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land Development ($15 per sq ft after FAR)</td>
<td>$ (9,720,000)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acres (Acres)</td>
<td>7.0</td>
<td>7.0</td>
<td>7.0</td>
<td>7.0</td>
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<tr>
<td>Rent (Per Square Foot)</td>
<td>$0.94</td>
<td>$0.95</td>
<td>$0.97</td>
<td>$0.95</td>
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<td>Cumulative Revenue Industrial</td>
<td></td>
<td>285,405</td>
<td>$575,518</td>
<td>$873,454</td>
<td>$1,176,328</td>
<td>$1,485,250</td>
<td></td>
<td></td>
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<tr>
<td>5 Year Appreciation 10%</td>
<td></td>
<td>291,113</td>
<td>$296,956</td>
<td>$302,674</td>
<td>$308,932</td>
<td>$315,110</td>
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<td></td>
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<tr>
<td>Net Reversion</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Cash Flow</td>
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<td>(9,720,000)</td>
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<td>$575,518</td>
<td>$873,454</td>
<td>$1,176,328</td>
<td>$1,485,260</td>
<td>$1,987,715</td>
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<tr>
<td>NPV at 15%</td>
<td>$</td>
<td>(547,450)</td>
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### Figure 6: Non Aviation Comparative Analysis (45 Acres) Part 2

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Values</td>
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<td></td>
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<td>$1,887,715</td>
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<td>1,893,763</td>
<td>2,083,140</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>20,623,083</td>
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</table>

**Net Reversion:** $20,623,083

Capitization Rate: 10%
Cost of Transaction: 10%
Net Reversion: $20,623,083
### Figure 7: Non aviation Uses (78 Acres) Part 1

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<tr>
<th>Year</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
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<td>Zoning and Planning</td>
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<tr>
<td>Storm Water Management</td>
<td>$ (500,000)</td>
<td></td>
<td></td>
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<tr>
<td>Off Site Improvements</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Land Development</td>
<td>$ (13,786,000)</td>
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#### Area

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<th>56,250</th>
<th>56,250</th>
<th>100,000</th>
<th>100,000</th>
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</thead>
<tbody>
<tr>
<td>Office</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Industrial</td>
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<td>100,000</td>
<td>100,000</td>
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</tr>
<tr>
<td>Hospitality (in Rooms)</td>
<td>100</td>
<td>90</td>
<td>90</td>
<td>90</td>
<td>90</td>
<td>90</td>
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#### Rents Per Sq Ft

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<th>3.53</th>
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<tr>
<td>Industrial</td>
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<td>Hospitality (in Rooms)</td>
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#### Revenue

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<th>1,667,074</th>
<th>2,360,594</th>
<th>2,693,533</th>
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</thead>
<tbody>
<tr>
<td>Office</td>
<td>194,795</td>
<td>198,681</td>
<td>202,666</td>
<td>206,718</td>
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</tr>
<tr>
<td>Industrial</td>
<td>289,107</td>
<td>294,889</td>
<td>300,787</td>
<td>306,803</td>
<td>312,939</td>
<td>319,197</td>
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</tr>
<tr>
<td>Hospitality (in Rooms)</td>
<td>191,159</td>
<td>194,262</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
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</tr>
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</table>

#### 5 Year Appreciation 10%

|          | $ 166,707 |       |       |       |       |       |       |       |       |

#### Net Reversion

|          |       |       |       |       |       |       |       |       |       |

#### Cash Flow

|          | $ (750,000) | $ (13,786,000) | $ 675,061 | $ 1,363,622 | $ 1,667,074 | $ 2,360,594 | $ 2,693,533 | $ 3,199,438 |

#### NPV at 15%

|          | $ 3,133,639 |       |       |       |       |       |       |       |
|------|------|------|------|------|------|------|------|------|------|------|------|------|
| 9    | 3.98 | 3.98 | 3.98 | 3.98 | 3.98 | 3.98 | 3.98 | 3.98 | 3.98 | 3.98 | 3.98 | 3.98 |
| 10   | 3.28 | 3.28 | 3.28 | 3.28 | 3.28 | 3.28 | 3.28 | 3.28 | 3.28 | 3.28 | 3.28 | 3.28 |
| 11   | 2.38 | 2.38 | 2.38 | 2.38 | 2.38 | 2.38 | 2.38 | 2.38 | 2.38 | 2.38 | 2.38 | 2.38 |
| 12   |      |      |      |      |      |      |      |      |      |      |      |      |
| 13   |      |      |      |      |      |      |      |      |      |      |      |      |
| 14   |      |      |      |      |      |      |      |      |      |      |      |      |
| 15   |      |      |      |      |      |      |      |      |      |      |      |      |
| 16   |      |      |      |      |      |      |      |      |      |      |      |      |
| 17   |      |      |      |      |      |      |      |      |      |      |      |      |
| 18   |      |      |      |      |      |      |      |      |      |      |      |      |
| 19   |      |      |      |      |      |      |      |      |      |      |      |      |
| 20   |      |      |      |      |      |      |      |      |      |      |      |      |

$3,199,438
$3,525,019
$3,525,019
$3,525,019
$3,525,019
$3,525,019
$3,525,019
$3,525,019
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$3,525,019

$325,581
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$352,502
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$352,502

$3,525,019
$3,525,019
$3,525,019
$3,525,019
$3,525,019
$3,525,019
$3,525,019
$3,525,019
$3,525,019
$3,525,019
$3,525,019
$3,525,019

Capitalization Rate: 10%
Cost of Transaction: 10%
Net Reversion: $38,367,462

$42,652,735
$4,266,274
$38,367,462
AVIATION

Upon application of potential revenues from land and hangar rents and of associated land development costs to the Client, it was estimated that the 25 acres adjacent to the airfield would produce an NPV of $732,178 if utilized for aviation-related purposes and if related infrastructure improvements are funded at full eligibility as detailed in Figure 4 on Pages 90 and 91. This means that the Client would realize a future profit (discounted to 2008 dollars) over 20 years of $732,178 after a 15% minimum return (the “hurdle” rate) and all associated land development costs, indicating a profitable use of this portion of the Subject Site for aviation purposes. Aviation use of this land if infrastructure is funded at only 50% eligibility would produce a significant loss (Figure 5 on Pages 92 and 93).

The same acreage (along with the additional 20 acres otherwise designated for use as apron and taxiways for aviation users) if used for industrial purposes would produce a negative NPV of $547,450 for the same period using the same analysis as indicated in Figure 6 on Pages 94 and 95. Reasons for the associated loss are:

1. Lower rents for industrial land than aviation,
2. Longer absorption period for industrial use of the land (seven years) than aviation use (five years).
3. Available subsidies (see Figure 3 on Page 87) for costs of aviation land preparation.

Given the financial success demonstrated, this portion of the Site’s proximity to the airfield and the optimal overall mixed use plan sought by the Client, it was determined that these 25 acres of the Site would be designated exclusively for aviation uses.

NON AVIATION

Each of the three development scenarios outlined earlier herein was examined for its respective overall merits, and it was concluded that only Scenario Two met the Client’s current return goals and objectives; therefore, it was the only scenario for which Synergy conducted a cash flow analysis. Scenario One, given its complexity, expense, and extended timeline with DRI requirements, was eliminated from consideration. Scenario Three is essentially that described above when only aviation-related use of the Site is applied.

The resulting NPV is a positive $3,133,639, or $40,175 per acre.
CONCEPTUAL SITE PLANS

Figure 8 shows the preliminary conceptual site plan for the Subject Site prepared by Synergy based on use of the Site as detailed herein. The plan shows four primary land use types and building areas identified in previous analysis:

- Aviation (up to 200,000 square feet)  25 acres  Blue
- Apron area for aviation uses  20 acres  Blue
- Industrial/Flex (up to 720,000 square feet)  50 acres  Pink
- Office (up to 299,000 square feet)  20 acres  Pink
- Hospitality (up to 200 rooms)  10 acres  Yellow
Figure 8: Conceptual Site Plan
CONCEPTUAL SITE PLAN – AVIATION

Figure 9 depicts a conceptual site plan for the 25-acre portion of the Site designated for aviation-related uses. This site plan is also the basis from which aviation revenues and associated costs for land preparation have been created.

Figure 9: Conceptual Site Plan – Aviation
**FISCAL IMPACT**

The Client has asked for a preliminary analysis of economic impact associated with potential development of the Subject Site based primarily on potential tax revenues. We have done this by estimating revenues from real estate taxes (school district and county), hotel room taxes, and intangible sales tax (on lease revenues). Figure 10 details the resulting $1,353,631 per year in potential new tax revenue upon full build-out of the Site under (predicted by year 2016) conditions detailed in Scenario Two (Pages 83).

*Figure 10: Economic Impact at Full Build-Out (Year 2016)*

<table>
<thead>
<tr>
<th>REAL ESTATE TAXES</th>
<th>Per Sq Ft Potential Sq Ft</th>
<th>Mkt Value</th>
<th>School Annual RE Taxes</th>
<th>County Annual RE Taxes</th>
<th>Total Annual RE Taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avg Off Sale</td>
<td>$45.15</td>
<td>150,000</td>
<td>$21,005,040</td>
<td>$141,735</td>
<td>$366,606</td>
</tr>
<tr>
<td>Avg Ind Sale</td>
<td>$62.90</td>
<td>720,000</td>
<td>$30,000,000</td>
<td>$196,603</td>
<td>$460,661</td>
</tr>
<tr>
<td>Avg Hotel Sale (200 Rooms)</td>
<td>$175.00</td>
<td>50,000</td>
<td>$6,750,000</td>
<td>$67,646</td>
<td>$10,265</td>
</tr>
<tr>
<td>Bulk Hangars Avg Value</td>
<td>$80.00</td>
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<td>$143,840</td>
<td>$90,539</td>
</tr>
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<td></td>
<td></td>
<td></td>
<td>$234,179</td>
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<td></td>
<td></td>
<td></td>
<td>1,191,123</td>
</tr>
</tbody>
</table>

Tax Rates

- **County**: 4.07%
- **School**: 7.73%
- **Total**: 12.64%

**ROOM TAX**

5%

**Rm Nights (200 Rooms X 365)**

- **RevPAR**: $68.86
- **Room Revenue (at 69% Occupancy)**: $3,483,476
- **Annual Room Taxes**: $173,424

(RevPAR reflects average daily room rate after market vacancy)

**SALES TAX**

- **1% of Rents**

<table>
<thead>
<tr>
<th>2016 Rent Revenue</th>
<th>1% Sales Tax</th>
<th>Annual Sales Tax Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non Aviation Land (Figure 5, Part 2)</td>
<td>$1,833,763</td>
<td>$18,338</td>
</tr>
<tr>
<td>Aviation Land (Figure 4, Part 2)</td>
<td>$624,592</td>
<td>$5,625</td>
</tr>
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</table>

**Potential Annual Tax Revenue**: $1,388,731

This model assumes average market values and land rent revenues upon full build-out of the Site as described under Scenario Two and further detailed in Figures 4 and 6 herein. Hotel room revenues assume average occupancy levels of 69% at revenues per available room (RevPAR) of $68.86 as detailed in the market study. Indicated sales tax revenue of 1% represents the County portion only.
FEASIBILITY SUMMARY AND CONCLUSIONS

The analyses herein detail the Consultant Team’s desktop review of engineering, land use, and economic issues as it relates to future potential development of the Subject Site. The Consultant’s conclusions and recommendations are based on these analyses along with Client input, goals, and objectives. The result is an optimal land use mix that includes 25 acres reserved for future aviation use and the remaining 78 acres dedicated to non aviation commercial uses. Current estimates for land development site work and approvals are up to two years, meaning that construction activity at the Site likely wouldn’t happen until 2010. Current floor area ratio (FAR) requirements restrict the amount of buildable land to about 20 acres for aviation uses and about 32 acres for non aviation uses.

The aviation land will include various bulk hangars built on land leased to private users by the Airport. Development of bulk hangars is estimated to take until year 2015. The cash flow analysis detailed in Figure 4 (pages 90 and 91) herein indicates a net present value (NPV) of the 25-acre aviation parcel of $732,178 after land development costs and a 15% per year return to the Airport.

The non aviation land will include a mix of office (up to 199,000 square feet) and industrial buildings (up to 720,000 square feet) and one or two hotel establishments of up to 200 rooms. This mix accommodates the maximum amount of development currently allowed before triggering the need for a DRI analysis (detailed in Appendix D). It is estimated based on current market conditions that full absorption of the available land will take a little over seven years, and will begin in 2015 upon completion of land development work and public approvals. The cash flow analysis detailed in Figure 7 herein results in an NPV of $3,133,639 for the recommended mix of non aviation uses.

The recommended land use mix will make optimal use of the Site based on financial and qualitative return goals that have been defined by the Client as part of the evaluation process detailed herein. Each use should produce positive cash flow for the Airport, make optimal use of the available land, and provide much needed land for development of office and industrial facilities and the resulting jobs and tax revenues that such facilities create.

Since this is a long-term recommendation, it is conceivable that the land use mix will change by way of acreage, phasing, revenues, or any combination thereof. We do, however, believe that, given current market conditions in Pinellas County, this is a reasonable plan that will withstand the test of time for the foreseeable future.

It must be noted that this is a preliminary analysis that is based on the results of the aforementioned market study and a cursory view of planning, regulatory and economic factors that affect the outcomes indicated. A more detailed analysis based on in-depth engineering data and exploration of funding sources and marketing strategies will be necessary in order to further add value to the Subject Site and produce a sound development plan. This should include:

- Determination of the level of public Involvement
- Development management
- Public/private partnerships
• Financing/funding
• Potential Brownfield designation
• Designated Development Area
• Preliminary storm water analysis
• Zoning/comprehensive plan amendment
• Public involvement with neighboring Feather Sound
• Survey
• Environmental Phase 1

RETURN GOALS & OBJECTIVES

Not surprisingly, office and hospitality indicate the strongest financial performance while office and industrial rate high when measured against qualitative returns. The recommended land use mix allows flexibility among the uses, especially office and industrial, which have not even been delineated within the conceptual site plan. Fewer clear distinctions exist now between office and industrial space within markets with flex space becoming more a fixture in most markets.

Office ranks highest as a potential land use because of projected financial return and because it meets all established qualitative return goals defined as part of this assignment. Industrial, while ranking low when considering financial return, ranks high among more qualitative goals such as quality job creation and best use of the property. Hospitality provides a strong financial return (ranking second) yet ranks lowest of the four uses explored when considering other goals. Aviation ranks lowest for financial return and third among other goals. (Please see Appendix I: Return Goals & Objectives on Page 158).

Land value is typically a fair early indicator of overall potential financial return; however, by its very nature it does not take project costs, timing, and operating expenses into consideration. There are instances where overall financial return, when more fully measured in the feasibility analysis, will result in a different overall ranking with other alternatives whose initial land value may be lower.
PART III: IMPLEMENTATION RECOMMENDATIONS
INTRODUCTION

Phases already presented herein include market analysis (Part I) along with feasibility and engineering analyses (Part II) that have established an optimal land use mix of aviation, office, industrial, and hospitality uses for the Site.

This portion (Part III) presents the development of a program for the Subject Site that will allow the fine-tuning of the necessary value-added work that is required before the Site goes to market. The Consultant, with input from the Client, will develop a program that considers the types of uses, potential revenues, and other measures of return sought by the County. This element will also serve to identify the level of site infrastructure preparation that is optimal and the minimal amount of investment anticipated by the County to attract the desired tenant base and/or developer(s). To assist with implementation, boilerplate language will be prepared for use by the County in the future solicitation of development proposals.

Creation of a Development Action Plan

Since the project is determined to be feasible, a Development Action Plan needs to be delineated. The Development Plan set forth details all the components necessary for construction to begin (whether performed by the Client or the marketplace) including: site plans, access issues, parking, utilities, height restrictions, design standards, covenants, conditions, and restrictions.

Marketing

Eventually the project will need to be marketed to developers and end users who will take the prepared sites and complete the development with the construction of buildings and other improvements. The marketing effort will encompass three broad areas:

Economic Development - The existing economic development infrastructure available to the development needs to be considered throughout all steps in the process but it especially needs to be considered before the marketing process commences. Building partnerships with local economic development agencies and personnel will be value-added to the project and increase its likelihood for success.

Solicitation - In cases where public solicitation of specific development proposals is required or desired, we have successfully developed an open and fair process that has integrated inclusion of local, national, and international developers and end users.

Deal Making - As part of the marketing program, a positioning message will be created that gives the project a positive differential in the marketplace that considers issues such as lease negotiations, repair and maintenance responsibilities, escalation provisions, rent amount, and marketing materials.
REAL ESTATE DEVELOPER’S PERSPECTIVE

Land development projects at PIE have three significant audiences:

End Users — Businesses that will operate and own their own facilities on leased land. Although they may have an investor perspective, it is more likely that they will be long term tenants and, therefore, not be overly concerned about the land lease deal.

Fee Developers — Developers who are being paid - typically by end users - to have their facilities built and possibly operated. These developers are in and out of the project quickly and typically do not have “investor” concerns with the project or the deal.

Investor Developers — these are developers who are making long-term investments and want to enjoy the investment returns from their efforts. They are concerned with control, paydays, diminishing returns and financing issues. It is likely, given the desire to encourage investment into the project, that PIE will have interest from Investor Developers.

Control

Investor Developers are speculators. They pursue financial rewards over time by applying their talents, expertise, and resources to a site with the hope that some day it will become more valuable than their out-of-pocket expenses and opportunity costs. Like speculators, they want to have firm control on the rewards that may come from their efforts so as not to lose them to others.

PIE can handle this through some method of option or developer selection for certain parcels of land, as recommended in detail herein.

Pay Days

Investor Developers typically have three pay days:

1. Development Fees - If the project is financially strong enough developers can typically extract a group of fees for their effort to date of the financing package. The lease deal should not affect this opportunity; in fact since capital expenditures are lower, so is the size of the financing principal which could lead to opportunities to enhance the development fees.

2. Cash Flows - After paying the debt service and the equity investors, it is typical for the developer to be entitled some portion of the cash flows through ownership interests. The lease deal should not affect this opportunity.

3. Reversion - At some point the project is sold and the developer will want to take a portion of these profits through their ownership interests. These profits come from two sources:
**Loan Principal Pay-Down** - As the cash flow has paid debt service, the principal loan balance has been amortized. When the project is sold in the reversion, this principal pay-off will create a larger profit for the Investor Developer.

**Appreciation** - It is likely that the value of the project will increase over time (from real growth in value and inflation). The reversion allows for the “harvesting” of these idle captured profits.

A land lease does not permit the full opportunity for reversion. Early in the term some lease deals can be successfully sold, but usually at great discount. As the loan balance decreases and appreciation increases over time, the diminishing returns for an expiring lease term reduce these paydays significantly.

**Diminishing Returns**

As time progresses through a land lease term, in addition to its negative affect on reversion it creates disincentives on continued reinvestment into the property. Why invest in something you are not going to enjoy long term? As Investor Developers’ subleases expire, it will be difficult for the space to be released with little time left on the master lease.

The PIE master lease can require continued maintenance and reinvestment. This may only discourage interest from the beginning since now the developer will be penalized for acting rationally on investment. PIE can also provide some options in term extensions, but eventually the same problem will arise.

**Financing**

Interest rates on real estate loans are low because the bank has a low risk mortgage that allows them to “rescue” a poor performing loan by foreclosure on the property and allowing the lender to “self help” by operating the property or selling it to recoup their loan.

A land lease does not permit the lender the opportunity to sell the property (although they may be able to assign the lease). Without PIE’s willingness to “subordinate the loan” to the lender, they may not be able to cure the borrower’s default. PIE may be able to give satisfactory “cure” language to tenants’ lenders in order to permit them the opportunity to lend at reasonable rates to the Investor Developers in place of subordination.
LAND DEVELOPMENT MODEL

In its current state as a golf course, the AIRCO property has yet to attract alternative development. The development plan of action must incorporate several vital components that stimulate, rather than stifle, development initiatives and product demand. Each of the following is expanded in more detail and presented in the sections to follow.

Master Developer

Comparable airports have functioned successfully as the master developer of projects similar to that being considered for the Subject Site. The importance of the Airport as being the master developer focuses on these critical issues:

Maximize Return on Assets — Value is created when improvements are made to the property and its environs. The highest financial rewards are generated on development-ready sites that yield the airport “retail,” as opposed to “wholesale,” rates of return.

Development Control — The control issue has several dimensions. First, the pace of development must be in concert with the overall goals of the Airport and the County. Second, decisions on the specific types of structures and tenants are important to maintain the Airport’s conceptual development scheme and the County’s Comprehensive Plan and overall land use goals. Finally, control over the pace of development at the Subject Site will help mitigate potential competition with private sector developers.

The Client in this case has indicated a desire to pursue development that implements urban design standards as established in the County’s *Pinellas by Design* guidelines. This would include denser types of commercial development, effective use of green spaces, and creation of more pedestrian-friendly environments. The Airport as master developer could ensure adherence to these standards more effectively than one or more private sector developers might.

Infrastructure

The norm is for the Airport to assume responsibility for building or improving the infrastructure. The development community has generally been reluctant to bear the costs and burden of providing necessary infrastructure. This corresponds directly to the rate of return maximization concept. An incentive plan will be necessary to convince developers to bear the burden of infrastructure development.

The feasibility analyses conducted as part of this assignment indicated that development beyond an established threshold would trigger a DRI, thereby requiring intensive study and reconfiguration of traffic patterns into and out of the Site. The recommended level of development at this point avoids a DRI, yet still may require further traffic mitigation. Detailed traffic studies will be necessary before any further development occurs at the Site, even if that development is minimal.

Public Approval

Zoning is a sensitive issue at all airports, and it has been determined that changes in
zoning as well as adoption of a Comprehensive Plan land use amendment will be necessary for profitable development to occur at the Subject Site. Other airports have either devised unique methods for overcoming zoning obstacles, or they simply do not have zoning problems. In the cases studied, the airports spearheaded the zoning and public approval process since it is in their best financial interests to streamline the development process. Creation of an Airport Development Zoning District, a special zoning district specific to land near an airport that could allow multiple aviation and non aviation uses without further approvals, may help streamline the process. An Airport Zoning District is detailed further herein on page 116.

Funding

The use of the term “non aviation” land can be misleading. All land available for development is an airport asset. The meaningful real estate developments at airports around the country blend airport resources for both aviation and non aviation uses. These funds come from a number of internal and external sources, including debt offerings, airport funds, grants, and commercial land leases. The understanding is that commercial investments and land lease income are directly related to the airport through their impact on lowering the airport’s cost structure. The Client in this case has opted to pursue an optimal mix of development that includes both aviation and non aviation uses, and certain funding sources were discussed for infrastructure improvements as they relate to aviation. We will explore other funding sources further herein.

Marketing the Opportunities

Creation and implementation of an effective program to market the land development opportunities at the airport will be the foundation of the overall development plan. A program must incorporate the unique nature of the land use opportunities that have evolved from the market and feasibility analysis and take advantage of the interest likely to result from such an offering. It is critical that the Client control the process of soliciting, evaluating, and selecting developers and/or end users that will develop the Subject Site in order to fulfill the return goals established at the outset of this assignment. We have detailed a marketing approach herein that will do so. Targeted prospects, detailed evaluation criteria, web-based and electronic marketing communication, pinpoint outreach and follow through, as well as effective interface with the real estate brokerage and economic development communities are major components of this process.
DEVELOPMENT ACTION PLAN

We have structured a Development Action Plan that begins to make the Airport property competitive within the region and exposes land development opportunities not available elsewhere in the competitive market area. The Development Action Plan’s main components include strategies for expediting the public approval process, financing infrastructure development, creating a financial incentive package for developers and end users, and solicitation of developers and end users. It incorporates recommendations reported in this and previous reports and structures it into a program action plan.

Each of the steps listed below represents a major milestone that must be achieved for successful real estate development to occur. While they are numbered 1 to 9, the development action plan is by no means as straightforward as the list may imply; rather, it is a dynamic process that proceeds in a multi-faceted, geometric progression.

For example, some steps may move ahead or be delayed, while others continue unimpeded. Also, many steps move forward simultaneously, some steps can only be finalized once others are completed. The reality is that real estate development is a well-established process practiced everyday; however, success is rooted in managing and controlling the dynamics within, and the completion of these numerous steps, and their myriad details to keep the development “on-goal, on-time, and on-budget.”

STEP 1 — LAND RELEASE

To simplify the overall development process, the first step in the plan of action is to obtain the release of the land from the Federal Aviation Administration (FAA). This will shorten the development timetable by removing a layer from the approval process. An appraisal of the Subject Site will be required to do this.

An independent appraisal should be performed to estimate the market value of the property, and Synergy has conducted extensive market reconnaissance. This will allow the capitalization of the value in order to determine if the rent offered is reasonable. Capitalization rates equivalent to the airport’s cost of capital are inappropriate, in our opinion. Due to the market cost of capital, based on the project’s financial risk, the private sector typically demands higher returns that either approach or achieve double digit return rates. We are not aware of any reason why the Airport should not expect a return competitive with that of the private sector.

Rent escalations should, at minimum, recapture the lessor’s loss of buying power due to the devaluation of the dollar (inflation) plus attempt to capture real property value appreciation (real growth) over the term

STEP 2— FINANCIAL NEED
The estimated cost for infrastructure and other site improvements (Part II, Pages 86 and 87) for the preferred land use mix at the Subject Site revealed as part of the feasibility work was as follows:

<table>
<thead>
<tr>
<th>Infrastructure</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aviation infrastructure</td>
<td>$14,510,000</td>
</tr>
<tr>
<td>Zoning and planning</td>
<td>$250,000</td>
</tr>
<tr>
<td>Storm water management</td>
<td>$500,000</td>
</tr>
<tr>
<td>Land development</td>
<td>$13,785,000</td>
</tr>
</tbody>
</table>

**Total** $29,045,000

These estimates were based on a preliminary engineering analysis, and additional, more detailed analysis will be needed to determine actual financial need. Potential subsidies from state and federal sources in the amount of $12,106,500 were identified for development of aviation-related infrastructure, reducing the estimated total amount necessary to $16,938,500.

**STEP 3—FINANCIAL RESOURCES**

The State of Florida, and Pinellas County, and the federal government sponsor a variety of business incentive and technical assistance programs that could be applicable to development at the Subject Site. Many of these are designed for use by private sector concerns while others are available to assist public entities with job creation and other economic development initiatives. These applications that may have merit for further development of the Subject Site. The following summary list provided by Pinellas County Economic Development (PCED) briefly explores existing programs offered that could potentially be used:

**Community Redevelopment Area**

Under Florida law (Chapter 163, Part III), local governments are able to designate areas as Community Redevelopment Areas when certain conditions exist. Because all the monies used in financing CRA activities are locally generated, CRAs are not overseen by the state, but redevelopment plans must be consistent with local government comprehensive plans. Examples of conditions that can support the creation of a CRA include inadequate infrastructure and insufficient roadways (possibly applicable to the Subject Site). To document that the required conditions exist, the local government must survey the proposed redevelopment area and prepare a Finding of Necessity. If the Finding of Necessity determines that the required conditions exist, the local government may create a Community Redevelopment Area to provide the tools needed to foster and support redevelopment of the targeted area.

The activities and programs offered within a CRA are administered by the Community Redevelopment Agency. The Agency is responsible for developing and implementing the Community Redevelopment Plan that addresses the unique needs of the targeted area. The plan includes the overall goals for redevelopment in the area, as well as identifying the types of projects planned for the area. The redevelopment plan is a living document that can be updated to meet the changing needs within the CRA; however, the boundaries of the area cannot be changed without starting the process from the beginning.

**Tax Increment Financing**
Tax increment financing (TIF) is a unique tool available to cities and counties for redevelopment activities. It is used to leverage public funds to promote private sector activity in the targeted area. The dollar value of all real property in the CRA is determined as of a fixed date, also known as the “frozen value.” Taxing authorities who contribute to the tax increment continue to receive property tax revenues based on the frozen value. These frozen value revenues are available for general government purposes; however, any tax revenues from increases in real property value, referred to as “increment,” are deposited into the Community Redevelopment Agency Trust Fund and dedicated to the redevelopment area.

It is important to note that property tax revenue collected by school boards and any special districts are not affected under the TIF process. Further, unlike in some states, Florida taxing entities write a check to the CRA trust fund, after monies are received from the tax collector. The tax increment revenues can be used immediately, saved for a particular project, or can be bonded to maximize the funds available. Any funds received from a TIF area must be used for specific redevelopment purposes within the targeted area and not for general government purposes.

CRAs are a specifically focused financing tool for redevelopment. CRA Boards do not establish policy for the County - they develop and administer a plan to implement that policy. The CRA acts officially as a body distinct and separate from the governing body, even when it is the same group of people. The CRA has certain powers that a city or county by itself does not do, such as establishing tax increment financing and leveraging local public funds with private dollars to make redevelopment happen. The CRA term is limited to 30 years, 40 years if extended. After that time, all revenues (presumably much increased from the start of the CRA) are retained by each taxing entity that contributed to the CRA trust fund.

Community Development Block Grants (CDBG)
The U.S. Department of Housing and Urban Development (HUD) awards funds by a national formula to states, urban counties, and cities to allow them to design and carry out community and neighborhood improvements in such areas as affordable housing, public works, and economic development.

CDBG Section 108
Allows CDBG grantees to borrow federally guaranteed funds for community development purposes, including the lending of these funds to private businesses. Because they can borrow up to an amount that is five times their annual entitlement, localities can undertake or support large-scale projects that otherwise would not be possible with their smaller annual CDBG allocations.

Economic Development Transportation Fund
Grant funding can be awarded to local governments in need of assistance for transportation projects that will serve as an inducement for a company’s retention, expansion, or relocation to Pinellas County. The Economic Development Fund is an incentive tool designed to alleviate transportation problems that adversely impact a specific company’s location or expansion decision. These grants are limited to $2 million and are awarded to the local government for public transportation facility improvements.
Enterprise Bonds Program
This state program offers tax-exempt low interest bond financing to qualified manufacturing and 501C(3) nonprofit organizations. This program was designed to improve low cost capital availability to Florida's growing and expanding businesses to allow them to be more competitive in the global and domestic marketplace. Loan amounts range between $500,000 and $1,200,000 in Pinellas County.

Industrial Revenue Bonds
Industrial Revenue Bonds are tax-free, below-market-rate bonds used for the long-term financing of fixed assets for qualified manufacturing and 501C(3) nonprofit organizations. They are issued by local governments on behalf of private companies to finance land, buildings, and equipment, but they cannot be used for inventory, working capital, or refinancing of existing debt. While there is no minimum project size, $1 million is considered the minimum to be economically feasible, with a $10 million maximum.

Aviation Infrastructure Funding
The Consultant team identified funding from the FAA and the Florida Department of Transportation (FDOT) that could cover up to 80% of the costs of infrastructure development related to aviation uses of the Subject Site. This funding source has factored heavily into the Client’s decision to designate a substantial portion of the Site for aviation use.

Economic Development Administration (EDA)
The U.S. EDA has a Planning Program and a Public Works Program that can be explored to help fund planning and infrastructure costs. Matching funds would need to be identified to apply for EDA funding.

Economic Development Initiative (EDI) and the Brownfields Economic Development Initiative (BEDI)
HUD provides grants to states or communities to be used to reduce the risk (or "enhance the credit") of Section 108 loans, allowing grantees to provide additional funds to projects, create loss reserves in case borrowers fail to pay, or provide other kinds of credit enhancement through the EDI. BEDI funds are designated specifically to Brownfield designated sites (Brownfield designation is discussed further herein).

STEP 4— INCENTIVE PROGRAM
A financial incentive package will need to be assembled that lowers the operating costs of businesses locating at the Subject Site. This will increase the attractiveness of the area by putting Airport sites on a competitive footing with location alternatives. Features for the Client in this case to consider, administered either through the Airport, PCED, or both, include:

- Creation of an Airport Development Zone (ADZ);
- Inclusion in a Designated Development Area;
- Brownfield Designation;
- Community Redevelopment Area (CRA) and Tax Increment Financing (TIF);
- Rent Abatements; and
- Applicable Incentives.
Airport Development Zone (ADZ)
Florida thus far does not have anything similar, however the Airport can work with the County and the state (if necessary) to create an Airport Development Zone (ADZ), similar in nature to Enterprise Zones, but perhaps less cumbersome to implement. A package of benefits would then be offered to companies as an incentive to locate within the ADZ, including the Subject Site.

For example, in July of 1993 an ADZ was created at the Gary-Chicago Airport by the Indiana legislature to last for a minimum of 20 years. The list of benefits offered to firms locating within the Gary-Chicago ADZ includes the following:

- **Inventory Tax Abatement** — A taxpayer receives a credit equal to the personal property tax on all inventory located in the ADZ on the assessment date.

- **Gross Income Tax Exemption** — Companies are exempt from Indiana Gross Income Tax to the extent of any increase received over the base year.

- **Wage Tax Credit** — Employees are allowed an annual credit, after application of all other Indiana tax credits, against their development zone state tax liability, either gross income tax or adjusted gross income tax, arising from zone activities, or the lesser of the two.

- **Investment Credit** — Individuals or trusts purchasing an ownership interest in a business located in the development zone may be eligible for an investment credit, up to 30% of the purchase price, against their state tax.

- **Individual Wage Exemption** — All qualified employees’ wages will be exempt from Indiana individual income tax, limited to the lesser of: 34% of the employees’ adjusted gross income earned or $7,500.00.

- **Real Estate Tax Abatement** — As designated by the Gary County Council, specific area receives reduced tax assessment.

The Indiana legislation also established an Airport Development Zone for the Evansville Airport in 1997. Florida or Pinellas County may be able to enact similar legislation to authorize the ability of the County and/or PIE to create an Airport Development Zone at PIE only or at airports throughout Florida or Pinellas County in order to strengthen their economic development potential.

**Designated Development Area**

PCED has expressed interest in pursuing inclusion of the Subject Site into a nearby Designated Development Area. Such a designation by the County would allow for a more intensive development scenario by waiving DRI requirements, which was a factor in selection of the preferred development scenario analyzed.

**Brownfield Designation**

Pinellas County has spearheaded successful redevelopment initiatives through its Brownfields Program by encouraging the cleanup and redevelopment of abandoned,
idle, or underused properties. EPA grant funding is available for Phase I and Phase II environmental site audits (although EPA grants may not be applicable at the AIRCO site). The program is a cornerstone in the County’s redevelopment and community revitalization efforts. The Subject Site may meet eligibility requirements for a Brownfield designation, thereby making certain funding and incentive mechanisms available to assist both developers and end users locating there. Further and more detailed exploration of Brownfield application should be conducted if the development project moves forward.

Rent Abatements

The aforementioned land use mix has been determined financially feasible based on costs and revenues stated. One way to entice private sector developers to assume some or all of the responsibilities and costs associated with infrastructure and site development is through a structured rent abatement program, a technique that has been used successfully by the Airport when leasing other properties. This would simply involve either a reduced rental rate for the land or a period of free rent in order to offset the development costs. The lower financial return to the Airport would be offset by the associated lower costs, yet other return goals would still be met.

Applicable Incentives

PCED has recommended specific financially-driven mechanisms that have been detailed in a preliminary draft of the County’s Industrial Land Survey. These recommendations included a combination of infrastructure investment, land assembly, and public-driven tax and financial incentives. Infrastructure development has thus far been factored into the financial plan associated with development and marketing of the Subject Site.

Other incentives and assistance recommended by PCED include:

Qualified Target Industry Tax Refund Program
This investment tool is available for companies that create high-wage jobs in targeted, high value-added industries. This incentive returns a portion of taxes paid by the business after the company meets its job creation and wage commitments. Pre-qualified businesses receive tax refunds of $3,000 per net “new-to-Florida” job. Additional “per job” bonuses are available for businesses paying 150% or more of the average annual wage or locating in Enterprise Zones or Brownfield designated areas.

Brownfield Redevelopment Bonus
The Bonus Tax Refund is available to encourage redevelopment and job creation within designated Brownfield areas. Pre-approved applicants receive tax refunds of up to $2,500 per new job created in the area. The amount of the refund is equal to 20% of the average annual wage of the new jobs created. Refunds are based upon taxes paid by the business. No more than 25% of the total refund approved may be paid in any single fiscal year. The Brownfield Redevelopment Bonus may be awarded in addition to the Qualified Target Industry Tax Refund. Qualifying companies must be pre-approved by state agencies prior to committing to a new location.

Capital Investment Tax Credit
This is a tax credit used to attract and grow capital-intensive industries in the form of an annual credit against corporate income tax for up to 20 years in an amount equal to 5%
of the eligible capital costs. Eligible costs include expenses incurred in the acquisition, construction, installation, and equipping of a project. Amount of annual credit may not exceed a specific percentage of annual corporate income tax liability. Each qualified applicant must be in a designated high impact sector, create at least 100 new full-time jobs, and make a cumulative investment of at least $25 million. Qualifying companies must be pre-approved by state agencies prior to committing to a new location.

Qualified Defense Contractor Tax Refund
This incentive may provide up to $5,000 in tax refunds per job created or saved in Florida through the conversion of defense jobs to civilian production, the acquisition of a new defense contract, or the consolidation of a defense contract impacting Florida employment. Contracts and subcontracts approved by the United States Department of Homeland Security are eligible under this program.

Sales and Use Tax Exemptions
These tax exemptions include those for manufacturing machinery and equipment, electricity used in the manufacturing process, maintenance, or repair of certain aircraft, pollution control abatement or monitoring, semiconductor, defense, and space technology, and the labor component of research and development expenditures.

Quick Response Training
This is a custom-driven training program designed as an inducement to secure new value-added businesses to Florida as well as provide existing businesses the necessary training for expansion. Customized entry-level skills training is limited to 24 months or less and can be conducted at the business’ own facility, at the training provider's facility, or at a combination of sites that best meets the needs of the business. Eligible projects are new, expanding, or existing Florida businesses that produce exportable goods or services, create new permanent, full-time jobs, and employ Florida workers who require customized entry-level skills training.

Incumbent Worker Training Program
This program provides training to existing employees within Florida companies for the purpose of maintaining competitiveness in a global economy and for business retention. Training can be conducted at the business facility, the training provider's facility, or a combination of sites. The program is open to all Florida businesses that have been in operation for at least one year, have at least one full-time employee, and require training for existing employees. Businesses must provide a matching contribution to the project.

High Impact Performance Incentive Grant
A negotiated incentive used to attract and grow major high impact facilities in Florida. Pre-approved applicants must be in high impact industry sectors, create at least 100 new full-time jobs (75 for research and development companies) in a three-year period, and make a cumulative investment of $100 million ($75 million for research and development companies) in a three-year period. Once certified, the high impact business is awarded 50% of their eligible award and the remaining balance once project goals are met.

Foreign Trade Zone Program
This is a cost benefit program available to local companies involved in international trade. It was created to enhance United States production and job opportunities by deferring, reducing, or eliminating payment of duties, eliminating formal customs entries,
removing duty on goods exported from the zone, as well as materials and parts used in production. Additional benefits include a reduction in federal excise taxes and elimination of quota restrictions

Job Creation Incentive Grant
This investment tool is available for companies that create high wage jobs in targeted industries and provide new capital investment of at least $50 million in Pinellas County. Pre-qualified businesses receive tax refunds of $500 per new job paying 150%, and $1,000 per new job paying 200%, of the average county wage. The maximum grant amount cannot exceed 50% of the net new ad valorem and personal property taxes paid annually to Pinellas County as a result of the project.

STEP 5- MARKETING PROGRAM

Target Marketing

Leasing and management experience illustrates the critical role of an owner’s representative in managing the leasing process. The owner has the most to gain - and the most to lose in the leasing transaction and, therefore, needs actively, assertively, and consistently to manage the real estate to a successful and completed transaction. Most owners’ representatives don’t permit any broker or agency to have exclusive listing rights to their property. The listing agreement inherently reduces the incentives for broker effort since competition among the various brokers has now been eliminated. In other words, since the listing broker or agent will earn the same commission during the listing period no matter what effort they put forth; they tend to wait for “lightning to strike.” Owners using this approach know that they do not need to expose real estate opportunities to everyone; merely the right one. To be successful, it is not only important to be economical with resources (time and money), but to deploy them strategically. Being strategic means being smarter and using a “targeted” approach.

Does this approach actually cost more? Consider the standard commission approach, which at first appears to make sense: Give the broker a direct incentive to make money when the real estate makes money and to make more if the real estate makes more. But this approach breeds the system we have today: Work very hard to get the listing (most real estate people covet the listing more than they covet the sale), hold on to it, and then put every effort into getting the next listing. Once the listing is obtained, there is less incentive for the listing broker to do any “smart” work. Since they (and now their clients) are subscribing to the traditional listing process, no one gets paid anything until lightning strikes. Most brokers then make a calculated decision to pursue more listings to increase their chances for success.

The target marketing approach moves some of the commission resources to the front of the transaction to pay for the work necessary to find the target market, focus, and hit it. It leaves the bulk of the compensation at the end of the cycle in order to create the right incentives. By moving some of the compensation up front, however, it allows for the creation of a professional owner's/representative-type marketing program. This approach does not rely on advertising. Instead it relies on informed prospecting. It is not our experience that it costs more, but it definitely “costs different.” The targeted approach would establish a marketing program for the benefit of the property and communicate that directly to targeted prospects while simultaneously working with the
entire brokerage community openly and fairly. This eliminates the reliance on any one broker or agency and stimulates exposure and competition among all brokers.

The Target Marketing Approach should include the following elements:

1. Gather all pertinent data and information necessary to develop marketing materials, terms and conditions, necessary documents and other relevant information for the purpose of selling or leasing units.

2. Develop goals and expectations concerning sales and/or lease price/rates, terms, conditions, and other expectations determined as measures of success. Develop an effective broker outreach program for optimal sales/leasing results (detailed herein on page 122).

3. Create a customized professional web site for the development project with linkage and search mechanisms designed to reach maximum target audiences.

4. Develop marketing information in brochure form for the purpose of reaching potential buyers and the brokerage community.

5. Develop a database of targeted users matching the audience profile that will form a custom end-user list.

6. Access each sales opportunity and develop a customized profile of the targeted audience based on land use preferences.

7. Develop an outreach strategy to contact targeted prospects. The contact program is as follows:
   a. a letter and brochure to every prospect
   b. a personal call to every prospect
   c. a series of follow-up reminders of the opportunity via phone and were arranged in advance, via email or fax
   d. regular contact with all parties that demonstrate any level of continued interest

8. Recommend a custom communications program for the economic development professional community and the brokerage community.

9. Communicate the broker compensation program and program goals through targeted, customized promotions.

10. Develop an “event” at the Airport to promote the real estate marketing program goals to the brokerage and economic development communities and other targeted prospects.

11. Consider retention of a designated real estate representation agent (the Marketing Agent) or designation of specific Airport or PCED personnel to implement the outlined strategy.
Target “Hit Lists”

The following businesses and organizations should be targeted for initial contact by the Marketing Agent (Number 8 above). Contact information is generally available in electronic format from a variety of sources and should be made part of a permanent database as part of the Marketing Program:

- Chamber of Commerce members;
- Existing Pinellas County and Tampa Bay area businesses;
- Real estate brokers;
- Building contractors;
- Real estate investment firms;
- Architects;
- Engineers;
- Architect/builder services;
- Council of Commercial Investment Members (CCIM);
- Institute of Real Estate Management (IREM) members;
- National Association of Industrial & Office Park (NAIOP) members;
- Society of Office & Industrial Realtors (SOIR) members;
- Real estate developers;
- Government entities and service firms;
- Economic development agencies;
- Site selection firms; and
- Hotels and hospitality holding and operating companies.

Web-Based Joint Development Marketing Program

While the key element of any real estate marketing program involves target market identification and outreach, it is also essential to augment those efforts with effective marketing materials and use of advanced technology. We recommend development of a web-based program that will serve as the basis by which the Subject Site will be promoted to developers and end users by Airport or county in-house personnel or by a Marketing Agent.

Web-based real estate marketing is a revolutionary business-to-business eMarketPlace for promoting unique real estate development opportunities that benefit owners, developers, investors, and communities. It brings together principals from the private and public sectors that are owners and proposers for joint development opportunities.

Proposals are sought through a public offering process that establishes the framework in which offers are to be considered, which is usually for a limited time. Owners review all proposals and may consider one or more of them during a negotiation process. The negotiation is designed to result in an agreement (joint venture, partnership, sale, lease, option, or memorandum of understanding) through a collaborative process mutually beneficial to the parties and the development project.

 Owners are seeking to optimize return on their underutilized real estate assets through relationships with other parties. This system will work for any property owner to assist them in identifying a partner who mutually benefits from the property’s development.
The property owner develops a marketing strategy, determines target markets, identifies targeted prospects, creates marketing materials, and develops, manages, and executes the offering plan. The result is that underutilized assets are placed into production, yielding returns desired by the owner such as increased revenue, greater utility, and public goodwill.

Web-based marketing is revolutionizing the process available to owners to promote a property’s value. It is not a passive process of traditional brokerage (erect a sign and hope that someone responds), or an overly aggressive process (like an auction) that creates hype similar to a fire sale. Instead, it empowers owners to target pools of likely proposers and, for a limited time, promote the opportunity site to them directly.

Limiting the competitive, public offering period creates urgency for the proposers to put forth their most competitive offer. The objective is to secure multiple offers on a particular opportunity by placing the owner in a strong negotiating position.

**Target Marketing Area**

The market study completed as part of this assignment identified a primary competitive market area relative to the potential development lands at the Airport as well as all of Pinellas County. While this should be the primary focus of initial marketing efforts, the scope of marketing at hand is likely to appeal to developers and end users beyond county borders and probably even beyond the larger Tampa Bay region. We therefore recommend a geographic outreach area for this Marketing Program that includes the entire Gulf Coast region. This will be the Target Marketing Area.

**Broker Outreach**

While we recommend a marketing effort that focuses on direct contact to the end users, involving the commercial real estate brokerage community is critical to the success of marketing any kind of commercial real estate. It is essential to maintain an informed and sustained outreach effort to a wide range of brokers in the Target Marketing Area and beyond. While a relatively small number of brokerage firms specialize in commercial properties, many firms handle such transactions, and all should be a part of the outreach effort.

Numerous national and local firms are active within the Gulf Coast regional market. CB Richard Ellis, as well as Grubb & Ellis, is full-service, worldwide commercial real estate firms with active offices in Tampa. Other large, active firms include Cushman & Wakefield, Colliers, and Trammell-Crow. While any major firm is capable of handling sales and marketing for the opportunity at hand, the reality that most brokers work harder to obtain a listing than they do to market them remains true even for the larger and more sophisticated commercial firms.

It is our recommendation to the County that 1) a more specialized firm be retained to develop an exclusive marketing effort for the airport properties, or that 2) an individual charged specifically with that responsibility be retained in house by the Airport or the County. (The Airport currently employs personnel for this purpose and that has been successful although development on the scale being proposed at the Subject Site may necessitate retention of additional, or more site-specific, help).
The Marketing Program outlined is one that has been implemented successfully by public agencies for the marketing of specialized properties. This program places all brokers — local, regional and beyond — on a level playing field and provides the incentives to procure developers and end users. This Marketing Program is one that can be tailored to any real estate opportunity at any location.

Any broker is obligated under the laws of agency to make his or her client aware of all potential deals. If a buyer broker is seeking a site on behalf of a client for a business facility in Pinellas County, then that broker will likely take some interest in the Subject Site, regardless of compensation. In today’s more sophisticated markets, their clients often compensate buyer brokers directly, rather than via full commission from the seller.

Given this complex scenario, the marketing program we recommend, while aimed more directly at potential end users and developers, is designed to stimulate broker interest too.

Recommended Broker Outreach:

- Compilation of a detailed database of all individual brokers and firms specializing in any aspect of commercial real estate throughout the Target Marketing Area.

- Initial distribution of marketing information to the entire database via direct and electronic mail.

- Creation of a special registration mechanism for brokers only on the Subject Site web site.

- Direct telephone follow-up to each individual broker targeted in the initial mailing; all relevant information maintained electronically on the database.

- Hold a “special event” for brokers only at the site offering tours, free gifts, and special incentives to all who participate (perhaps an added commission beyond the established norm for any broker who brings an interested client along).

- Concerted and continued direct contact to all brokers throughout the marketing process, including notification of newsworthy items concerning the Site (new businesses, new development, etc.)

When possible, the entire broker outreach effort should be electronic, since it is instant, less expensive, and desirable to this more sophisticated clientele.

Advertising

It has been our experience that advertising is no substitute for direct marketing. It is, however, an alternative — and often necessary - element of any property marketing effort. Newsworthy events (i.e. new business openings, new phase developments, etc.) are often more effective and certainly less expensive than paid advertisements. Development and management of key media contacts within relevant business publications can go a long way toward getting the word out at no cost.
We recommend placement of a limited number of classified ads near the beginning of the marketing effort in select local and regional publications.

It may also prove worthwhile to advertise on an even more limited basis in select business publications in the various Gulf Coast markets as well as national site selection and real estate publications.

Other, more specialized advertising opportunities may arise over the course of the marketing effort. Chambers of Commerce and other business organizations offer trade publications on an occasional basis that may be worthwhile. Further, trade and business organizations that offer listing services usually promote advertising throughout their various publications and often do so at a discounted rate for members.

Any advertising will, of course, depend on the overall marketing budget designated for promotion of the Site.

**Economic Development Partnerships**

A part of the overall outreach to targeted audiences should include local and regional economic development agencies, some of which maintain their own listings and databases. These include:

- PCED,
- Tampa Bay Partnership,
- Enterprise Florida, and
- Florida Small Business Development Network.

**Trade Organizations**

Numerous opportunities exist for promotion of office and industrial sites through trade organizations like the National Association of Industrial & Office Parks (NAIOP) and the Society of Industrial & Office Realtors (SIOR). These and other organizations usually offer free listings for available business properties on their web sites.

A cursory search of the 100 most popular sites revealed the following listing services for available properties:

- [www.bizsites.com](http://www.bizsites.com) - Online complement to *Plant Sites and Parks* magazine, providing location strategies for corporate relocation, expansion management, and area development.

- [www.sitemnet.co/bizparks/](http://www.sitemnet.co/bizparks/) - Provides listings of prepared sites for sale or lease in the United States, Canada, and Mexico.

- [www.dmoz.org/business/real_estate/development](http://www.dmoz.org/business/real_estate/development) - Open directory of properties for industrial and commercial development.

- [www.globalofficessearch.com](http://www.globalofficessearch.com)

- [www.psbusinessparks.com](http://www.psbusinessparks.com)
Additionally, PCED has recommended the following organizations as further sources for potential outreach and marketing of Airport properties:

- Urban Land Institute, Tampa;
- Florida Gulf Coast Association of Realtors;
- Bay Chapter; and
- CoreNet, Tampa Bay Chapter.

Both the National Association of Industrial and Office Parks (NAIOP) and the Society of Industrial Realtors (SOIR) have active chapters in the Tampa Bay area. Each of these organizations provides a variety of member benefits and services, and maintains a variety of listings for business parks and other commercial properties.

www.sior.com
www.naiop.com

Following is a listing of industry resource property listings provided by NAIOP.

Black's Guide — Provides comprehensive office and industrial space information on more than 88,000 properties and 4,000 service companies in 20 markets nationwide. Information includes maps, market and submarket overviews, regional and national statistics and industry related articles. Data appear in an easy to use, standardized format. Access is free.

CountyFeet.com — A portal for property listings for sale or lease, as well as a venue for posting available sites. Sign up for e-mail notification of space that meets your needs. (Note: there is a fee for listing properties, although searching for available space is free.)

Co Star Group — Offers building specific information on 800,000 properties, enhanced by photographs, floor plans, and 3-D images. Includes details such as comparable sales, buildings for sale, cap rates, income and expense data, lease expirations, and loan terms. According to their web site, covers “virtually every building in every major County” and six million tenants, owners, and brokers, using a 700-person research team.

LoopNet — Offers a selection of online products and services designed to streamline commercial real estate transactions. With over 113,000 commercial real estate professionals using its services, LoopNet provides its users more efficient and cost effective ways to list, search, market, and finance commercial real estate properties. In addition to a commercial real estate listing service, LoopNet’s services include; LoopLeads, a buyer/seller matching service; MarketNow, an online marketing and targeted delivery service; and LoopLender, an online financing service.

FL SiteFinder — One-stop shopping for property information and other assistance for brownfields real estate transactions.

PropertyManagerz.com — PropertyManagerz.com is a business-to-business vertical portal bringing information, interactive services, and e-commerce to the commercial real estate industry. PropertyManagerz.com serves building owners, property managers,
building engineers, vendors, contractors, and tenants in commercial/industrial, multifamily, and retail industries. They help professionals stay current on information, locate and qualify vendors and contractors, maintain building-specific records, and interact with tenants and building owners.

SpaceForLease.com — Nationwide listings for commercial properties targeted to landlords, tenants and brokers. Property groupings are site-specific (for example, medical buildings, office warehouses and malls) and offer cross-database posting opportunities. One-time site registration is required.

Sublease.Com — Provides a venue for commercial property searches and for listing available properties targeted specifically to the sublease market. Features the sublease “Hot Sheet,” a frequently updated list of available properties organized by state. (Note: There is a fee for listing properties.)

WebRealEstate.com — “With over 300 real estate companies listing more than 100 million square feet of property, we help decision makers determine the right commercial properties to lease, purchase or sell. We even take aerial and ground photos to help you get your property online quickly and inexpensively in a content-rich, banner-free environment.”

Industry Resources are compiled and maintained by the NAIOP Information Center. For customized research services, members may contact Anne Simpson Prior at 703-904-7100.

STEP 6 – PROCUREMENT

The selection of land end users and/or real estate developers should be a result of an aggressive and proactive marketing campaign to promote this airport property development opportunity to as many local, regional, and national prospects as possible, making the procurement process fair and open. The Client should have an opportunity to review alternative development and land use proposals, and thus undertake a competitive negotiation process. This will increase the likelihood of an optimal deal.

We recommend that the Client (either in-house or through a designated marketing agent) perform the following:

- Develop a comprehensive RFQ/RFP that solicits developers and/or end users and determines their ability to perform and details the goals and expectations set forth.
- Conduct an aggressive and proactive marketing effort utilizing extensive electronic media and telephone solicitation techniques (detailed herein) to present the development opportunity to as wide an audience as possible.
- Present qualified proposals and make recommendations for selection.
STEP 7—LAND LEASE

The Airport has executed numerous land leases already. Due to the multitude of uses and locations, it will be impossible to develop a “pro forma” lease. All of the deals will need to be negotiated on a “case-by-case” basis. By executing the leases in this manner, PIE can customize each deal to optimize the developments benefit to airport operations. Following are considerations for inclusion as part of a developer or end user land lease at the Subject Site:

Term - Given the following characteristics of the proposed development, the initial term for a Lease Agreement should be at least 20 years, and not more than 50 years:

The project is a staged development, possibly over an extended period of years, and it will be located in an unproven marketplace with unknown absorption rates. Acceptable returns from improvements can be realized within 20 to 30 years. The amount of capital improvements that the Lessee contributes for the construction and operation of the improvements, and the time needed to recapture the costs invested in the improvements combined with estimated time for construction and lease-up. An initial lease term of 29 years and 11 months is quite typical for this kind of property development and is done to avoid creating a taxable event.

Renewal Terms - Land leases typically have longer option terms compared to building space leases because both the landowner and the owner of the improvements require acceptable rates of return and the deal carries less risk and requires less flexibility for the landowner. While multiple options are typical, they should not be so excessive in number and term so as to handcuff PIE’s control of the property. PIE will have to endure the relationship for the possible duration of both the initial term and all option years. We recommend the following structure:

- One option period of 20 years and one month.
- Option Terms should be exercised upon 30 day written notice to Landlord by Lessee; the Lease should otherwise become month-to-month, at a rental rate 200 percent of the rent then in effect.

Use - Use of the property needs to be defined for construction, operation, and maintenance of specified primary and ancillary land uses that are consistent with the goals and objectives established by PIE.

Design and Construction - Lessee has the duty and obligation of design, construction, and installation of improvements at its sole risk, cost, and expense, and in accordance with an established project schedule and site plans.

Review and Approval - A Master Plan and Site Plan should be developed by the Lessee and subject to approval by PIE, such approval to be determined within a reasonable time period for submission of required materials.

Timing for Commencement and Initial Phases - Any development needs to have the flexibility of “phasing” over an extended period of time. The Lease Agreement should detail as specifically as possible the timing of construction and lease-up of specific buildings on the Premises.
Initial construction of a proposed structure (with a set minimum square footage requirement) should begin within 90 days of a “Notice-to-Proceed” date set by PIE. The earliest of the start of construction or expiration of this 90-day period would be the “Commencement Date,” said notice issued upon receipt of documentation finding no significant impact by the proposed development. Lessee shall obtain required permits, and may request an extension of the Commencement Date upon third-party delays. Lessee should be required to submit a marketing plan to PIE and begin marketing activities prior to the start of construction on its project.

**Additional Phases** - Upon reasonable lease-up of the initially constructed phase of the development (“reasonable” to be determined through negotiation between Lessee and PIE), Lessee should be required to begin design of the next planned structure (if any was planned) and related improvements. Lessee should be required to complete the permitting process and commence construction upon 85 percent lease-up of the initial phase and after receipt of a Notice to Proceed from PIE (the “Phase Commencement Date.”). Lessee should provide PIE with monthly occupancy reports and notify them upon new lease executions. This process should continue with all undeveloped parcels within any one deal structure in order to ensure the timely development of the Park at a pace reasonable for developers. The process discourages “land banking.”

**Lapse of Rights to Undeveloped Land** - PIE should retain the right to terminate the Lease with respect to any said parcel and remaining undeveloped parcels should the Lessee fail to meet Commencement or Phase Commencement Dates, or if improvements are not completed within ten years of Lease execution.

**Insurance and Performance Bonds** - Lessee should deliver relevant Certificates of Insurance to PIE and also deliver a Performance Bond and Labor and Materials Bond, both in amounts 110 percent of the estimated cost of improvements, or an irrevocable letter of credit of identical undertaking for both.

**Rent** - Rent should be set per gross square foot of land contained in a parcel per year for each developed parcel, and commence upon substantial completion of improvements, but not less than 18 months after the Commencement or Phase Commencement Dates.

In order to incentivize developers to complete certain infrastructure, PIE might allow the Lessee to offset rent via a credit by an amount equal to the cost of building or extending roads or utility lines to the Leased Premises.

**Rent Adjustments** - Rent adjustments should commence after no more than ten years into the Lease Term and every five years thereafter and should be increased at an amount that generally keeps pace with anticipated inflation.

**Renewal Term Rent** - Fair market rental value should be determined upon Lessee’s expressed intent to exercise Renewal Term by appraisal, provided by Lessee, within 30 days of said intention; the value will become the rent for the Renewal Term. If PIE disputes such findings, it may hire its own appraiser to determine a fair market value, and both PIE’s and Lessee’s appraisers will submit their findings to an Independent Appraiser for final determination of a fair market value. If the parties still disagree on a fair market value, then the lease may be terminated.
**Taxes, Maintenance and Utilities** - Lessee’s sole responsibility; Lessee should be required to provide proof of payment of all impositions; increased taxes due to higher assessments should be paid pro rata.

**Insurance** - Lessee should maintain at all times during the Lease Term comprehensive general liability insurance, umbrella liability insurance, statutory workers’ compensation insurance, and fire insurance, naming PIE as additional insured.

**Damage** - Lessee should be responsible for repair of such; any insurance pay-outs should benefit PIE first, Lessee second, and third parties last.

**Indemnification** - Lessee should indemnify PIE and the County.

**Assignment and Subletting** - Only with consent of PIE.

**Leasehold Mortgages** - Lessee should be permitted, with PIE approval, to assign leasehold interest in premises as collateral, provided such funds are used for purposes of constructing buildings and improvements on leased Premises; such Leasehold Mortgages should be assigned only with PIE approval.

**Environmental** - PIE held harmless and Lessee should be responsible for compliance with applicable law at or related to the Leased Premises.

**Default** - Failure by Lessee to pay rent, or to comply with other terms of the Lease for more than 30 days; also by bankruptcy, court order, government action or abandonment.

**Termination** - By default, or agreement of the parties under terms of the Lease.

**Remedies** - Upon default, PIE should maintain the right to reenter and repossess the Leased Premises and Improvements and terminate the Lease.

**Approvals** - PIE must procure necessary FAA and relevant airline approvals.

**Condemnation** - Lessee should be permitted to terminate in the event of condemnation of all or a substantial part of the Leased Premises.

**Title to Improvements** - To Lessee during the Lease Term and to PIE upon termination.

**FAA Requirements** - PIE must reserve the right to develop and improve all areas as required without interference or objections from Lessee. An avigation easement should apply to the Leased Premises in order to permit the indisputable operation of aviation.

**STEP 8— APPROVAL PROCESS**

All of the proposed developments will need to be reviewed to ensure they meet the requirements outlined in the respective land use and zoning districts, unless a special zoning district (such as an ADZ as described in detail on Pages 115 and 116) is created for airport development, as recommended herein.
STEP 9—CONSTRUCTION SUPERVISION

Once development plans have been approved and all other necessary building permits obtained, construction can commence on the individual parcels. Projects will need supervision to ensure good construction practices, conformance with building codes and approved plans, and quality product delivery.

IMPLEMENTATION SUMMARY AND CONCLUSIONS

The Development Action Plan detailed herein is a “tool box” of recommendations, resources and techniques that the Client may or may not choose to employ as part of its marketing implementation strategy. The action steps have been developed based on our experience and research at other airports and on the Client’s particular goals and objectives for the Subject Site. They are all designed to add value to the Site prior to its exposure in the marketplace.

The Consultant Team identified certain steps that would further add value to the Subject Site (not a part of the current scope of work) that need to be accomplished prior to many of the recommendations detailed herein. Steps discussed at the February 8, 2008 Client meeting included:

- Environmental Phase 1,
- Survey,
- Appraisal,
- Zoning/comp plan amendment,
- Preliminary storm water analysis,
- Designated Development Area,
- Potential Brownfield designation,
- Financing/Funding,
- Public/Private partnerships,
- Development management,
- Determine level of public Involvement, and
- Transportation issues.

We recommend delineation of these items along with the recommendations set forth herein as soon as possible in order to expedite the redevelopment initiative.
APPENDICES

A. ENGINEERS’ SITE DATA AND RECOMMENDATIONS
B. DEVELOPMENT POTENTIAL AND DEMAND ANALYSIS
C. PINELLAS COUNTY ZONING SUMMARY
D. DRI THRESHOLD CRITERIA
E. TERPS ANALYSIS
F. PART 77 EVALUATIONS
G. PINELLAS COUNTY TAX RATES
H. UTILITIES ANALYSIS PLAN
I. RETURN GOALS & OBJECTIVES
J. BIBLIOGRAPHY
K. MARKET STUDY HYPOTHESIS
L. HOTEL DEMAND PROJECTIONS
M. BASIC ASSUMPTIONS AND LIMITING CONDITIONS
<table>
<thead>
<tr>
<th><strong>Location</strong></th>
<th>Northwesterly corner of the Evergreen Ave. – Old Roosevelt Blvd. intersection</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PIN</strong></td>
<td>34/29/16/00110/000/0023</td>
</tr>
<tr>
<td><strong>Legal</strong></td>
<td>Airport Sub (Unrecorded), part of Section 03/30/16 described from the Northeast Corner of Section 3, then west 50 feet and south 58 feet (S) for Point-of-Beginning</td>
</tr>
<tr>
<td><strong>Lot Size</strong></td>
<td>123.9 acres</td>
</tr>
<tr>
<td><strong>Evacuation Zone</strong></td>
<td>B</td>
</tr>
<tr>
<td><strong>Flood Zone</strong></td>
<td>AE – Base Elevation is 9 feet</td>
</tr>
<tr>
<td><strong>Future Land Use</strong></td>
<td>R/OS – Recreation/Open Space</td>
</tr>
</tbody>
</table>

Primary Permitted Uses: Public/Private Open Space; Public/Private Park; Public Recreation Facility; Public Beach/Water Access; Golf Course/Clubhouse

Traffic Generation Standards: 4 trips/day/acre

Density/Intensity Standards -Max. Floor Area Ratio (FAR) = 0.25 -Max. Impervious Surface Ratio (ISR) = 0.60 -The standard for the purpose of establishing relative intensity and potential impacts shall be a FAR of 0.15 and an ISR of 0.45.

**Zoning** | Airport Zoning District

Development parameters are in accordance with FAA Rules and Regulations. The permitted height and use on the site is dependent on the distance from runway approach zones and noise exposure contours.

If determined that the Airport Zone is appropriate for the future development of this site, distance and decibel parameters will be established.
Adjacent Zoning Districts

North: Airport  South: C2 (General Commercial and Limited Services) & M-1 (Light Manufacturing and Industry)  East: M-1 and R-3 (Single-family, 6,000 SF Minimum Lots)  West: Airport

Adjacent Future Land Use Plan Categories


Existing Use of Adjacent Properties

North: Airport  South: Commercial, Retail, Hotel, Restaurant  East: Office, Office/Warehouse Flex, Vacant and Single-family  West: Airport

Zoning and Future Land Use Plan Issues and Recommendations

Future Land Use Plan

As indicated above, the site’s existing R/OS Future Land Use Plan designation will not permit office, office/flex and/or light manufacturing uses. As such, the site will require a large-scale future land use plan amendment, due to the site exceeding the 10acre threshold established by the State Department of Community Affairs (DCA). As the State DCA only accepts large-scale future land use plan amendment applications two (2) times per year, it should be anticipated that it will take 9-12 months to obtain a final decision.

A review of the area and adjacent property identifies that a request to amend the site’s Future Land Use Plan designation from R/OS to IL (Industrial Limited) would be consistent with the property to the east, which is also designated IL, and would be compatible with the CG (Commercial General) designation of the property to the south and the T/U (Transportation/Utility) designation of the property to the west and north.
The relevant standards of the Industrial Limited (IL) Future Land Use Plan category are as follows:

- **Primary Uses** – Research/Development; Light Manufacturing/Assembly, Wholesale/Distribution; Storage/Warehouse.
- **Secondary Uses** – Office; Retail Commercial; Personal Service/Office Support; Commercial/Business Service; Transient Accommodations within Permanent Structures; Institutional; Transportation/Utility.

- **Floor Area Ratio** - 0.50

- **Impervious Surface Ratio** - 0.85

- **Traffic Generation Characteristics** – 170 trips/day/acre

- A project located in an area where more intensive development is appropriate may have its maximum FAR increased to 0.60 and have a maximum building footprint of 0.50.

**Zoning Compatibility** - The following zoning districts are compatible with the Industrial Limited (IL) future land use category: -M-1 Light Manufacturing and Industry District -C-3 Commercial, Wholesale and Warehousing District -IPD Industrial Planned Development District
Zoning

An amendment of the Future Land Use Plan designation would also require that the site be rezoned by Pinellas County from its existing Airport district to the M-1 district, which is compatible with the Industrial Limited (IL) Future Land Use Plan category. As identified, the M-1 zoning district would be consistent with the property to the east, which is already zoned M-1, and is compatible with the C-2 zoning district to the south and the Airport zoning district to the west and north.

While the Industrial Plan Development (IPD) district is recognized as being compatible with the recommended IL Future Land Use Plan category, a property that is requested to be zoned IPD is required to have a minimum 100 feet of frontage along an arterial roadway. This requirement would preclude the subject site from being zoned IPD.

AIRCO Golf Course Site Analysis

The primary development standards of the M-1 District are as follows:

Relevant List of Permitted Uses

1. Light manufacturing and industrial uses, except concrete and asphalt products and processing of fiberglass products.
2. Business services (such as printing, engineering and architectural services, blueprint and reproduction services, cabinet shops, equipment repair, technical training facilities, account services, catalog order processing facilities, insurance claims and account processing centers, airline reservations centers, etc)
3. Retail commercial uses shall be allowed only as accessory uses, located on the parcel to which such use is accessory, and shall not exceed 25 percent of the floor area of the principal use to which it is accessory.
4. Wholesaling, distributing and warehousing.
5. Carpet Cleaning Plants.
6. Research and development centers.
7. Wholesale storage of gasoline, liquefied petroleum gas, oil or other flammable liquids or gases.
8. Crematoriums.
10. Professional offices.

Development Standards
- Max height - 75 feet, or 35 feet when located within 50 feet of any residential zoned property.
- Max Floor Area Ratio - 0.60
- Max Building Footprint – 0.50
- Max Impervious Surface Ratio - 0.85.
Setback requirements
-Front: 25 feet.
-Side: 10 feet.
-Rear: 10 feet

Off-Street Parking
The required number of off-street parking spaces will be dependent on the mix of uses proposed by the Client and will be required to conform to Pinellas County Ordinance Section 138-1302. The following provides the required off-street parking ratios for potential uses on the subject site.

-General business, commercial or personal service establishments: One space per 250 square feet of gross floor area.
-Medical clinics or offices: One space for each 200 square feet of gross floor area.
-Other office buildings: One space per 250 square feet of gross floor area.
-Commercial (such as wholesale or business services), manufacturing and industrial concerns not catering to the retail trade: One space per each 400 square feet of gross floor area.
-Warehousing: One space per each 1,500 square feet of gross floor area.
## APPENDIX B

### AIRCO GOLF COURSE
DEVELOPMENT POTENTIAL AND DEMAND ANALYSIS

<table>
<thead>
<tr>
<th>Use</th>
<th>Office</th>
<th>Light Industrial</th>
<th>Hotel</th>
<th>Airport</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acreage</td>
<td>79</td>
<td>10</td>
<td>45</td>
<td></td>
</tr>
<tr>
<td>Proposed Zoning</td>
<td>M-1</td>
<td>M-1</td>
<td>C-2</td>
<td>P.C.AIRPORT</td>
</tr>
<tr>
<td>Proposed FLUP</td>
<td>IL</td>
<td>IL</td>
<td>CG</td>
<td>T/U</td>
</tr>
<tr>
<td>FAR</td>
<td>0.50</td>
<td>0.50</td>
<td>0.40</td>
<td>0.70</td>
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<tr>
<td>Permitted Floor Area (sq.ft.)</td>
<td>2,956,468</td>
<td>174,422</td>
<td>1,398,289</td>
<td></td>
</tr>
<tr>
<td>Proposed Floor Area (sq.ft.)</td>
<td>521,730 (30%)</td>
<td>1,217,369 (70%)</td>
<td>N/A</td>
<td>200,000*</td>
</tr>
<tr>
<td>ISR</td>
<td>0.85</td>
<td>0.85</td>
<td>0.90</td>
<td>0.90</td>
</tr>
<tr>
<td>Permitted Impervious Surface Area (acres)</td>
<td>67.87</td>
<td>9.01</td>
<td>41.27</td>
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<tr>
<td>Permitted Density (Hotel Units)</td>
<td>N/A</td>
<td>N/A</td>
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<td>N/A</td>
</tr>
<tr>
<td>Permitted Units</td>
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<td>400</td>
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<tr>
<td></td>
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</table>

*Square footage of Aviation Use identified for the Airco Golf Course in the Preferred GA Alternative Figure 7-24 of the Airport Master Plan

<table>
<thead>
<tr>
<th>Uses</th>
<th>Dwelling units/Square Footage/Beds</th>
<th>Daily Trips</th>
<th>Net Difference in Average Daily Trips</th>
<th>PM Peak Trips</th>
<th>Net Difference in PM Peak Trips</th>
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<tbody>
<tr>
<td>Existing</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Golf course (ITELU430) (5.04 trips/acre)</td>
<td>80 acres</td>
<td>402</td>
<td>N/A</td>
<td>31</td>
<td>N/A</td>
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<tr>
<td>Proposed</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Office (ITELU710) (11.01 trips/1,000 sq.ft.)</td>
<td>521,730 square feet</td>
<td>5,744</td>
<td>N/A</td>
<td>777</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Ulmerton Road Trips: B/w I-275 & Roosevelt (Analysis Section ID 1095; 2007 LOS Report)
<table>
<thead>
<tr>
<th>Uses</th>
<th>Dwelling units/Square Footage/Beds</th>
<th>Daily Trips</th>
<th>Difference in Average Daily Trips Net</th>
<th>PM Peak Trips</th>
<th>Net Difference in PM Peak Trips</th>
<th>Ulmerton Road Trips: B/w I-275 &amp; Roosevelt (Analysis Section ID 1095; 2007 LOS Report)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Existing</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Golf course (ITELU430) (5.04 trips/acre)</td>
<td>10 acres</td>
<td>50</td>
<td>N/A</td>
<td>4</td>
<td>N/A</td>
<td>53,500</td>
</tr>
<tr>
<td><strong>Proposed</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hotel (ITELU310) (8.17 trips/room)</td>
<td>400 Units</td>
<td>3,271</td>
<td>3,221</td>
<td>244</td>
<td>240</td>
<td>56,721 or 6.02%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Uses</th>
<th>Acreage/ Employees</th>
<th>Daily Trips</th>
<th>Net Difference in Average Daily Trips</th>
<th>PM Peak Trips</th>
<th>Net Difference in PM Peak Trips Ulmerton Road Trips: B/w I-275 &amp; Roosevelt (Analysis Section ID 1095; 2007 LOS Report)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Existing</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Golf course (ITELU430) (5.04 trips/acre)</td>
<td>46 acres</td>
<td>231</td>
<td>N/A</td>
<td>18</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Proposed</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial Aviation (ITELU021) (13.40 trips/employee)</td>
<td>40* employees</td>
<td>1,600</td>
<td>1,369</td>
<td>40</td>
<td>22</td>
</tr>
</tbody>
</table>

* Use groups defined by the International Building Code, and incorporated by reference into the Uniform Construction Code, identify Aircraft Hangars as part of Use Group S, which generate 1 job per 1,000 square feet of gross floor area.
## Estimated Overall Traffic Generation

<table>
<thead>
<tr>
<th>Use</th>
<th>Dwelling units/Square Footage/Beds</th>
<th>Daily Trips</th>
<th>Net Difference in Average Daily Trips</th>
<th>PM Peak Trips Net Difference in PM Peak Trips</th>
<th>Ulmerton Road Trips: B/w I-275 &amp; Roosevelt (Analysis Section ID 1095; 2007 LOS Report)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Existing</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Golf course</td>
<td>130 acres</td>
<td>683</td>
<td>N/A</td>
<td>53</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Proposed</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aviation, Flex Warehouse/Office &amp; Hotel</td>
<td>130 acres</td>
<td>19,100</td>
<td>18,417</td>
<td>2,376</td>
<td>2,323</td>
</tr>
</tbody>
</table>

### Estimated Overall Utility Demand Chapter 10-D-6, Florida Administrative Code

<table>
<thead>
<tr>
<th>Unit</th>
<th>Hotel</th>
<th>Office</th>
<th>Industrial</th>
<th>Aviation¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rooms/Sq.ft./Employees</td>
<td>400</td>
<td>521,730</td>
<td>1,217,369</td>
<td>40</td>
</tr>
<tr>
<td>Water (gal/day)²</td>
<td>48,050.14</td>
<td>93,911</td>
<td>121,737</td>
<td>20,000</td>
</tr>
<tr>
<td>Wastewater (gal/day)³</td>
<td>40,041.78</td>
<td>78,259</td>
<td>97,390</td>
<td>1,200</td>
</tr>
<tr>
<td>Solid Waste (tons/yr)²</td>
<td>409.89</td>
<td>3,287</td>
<td>2,861</td>
<td>700</td>
</tr>
</tbody>
</table>

1. Warehouse category used to calculate the proposed aviation hangar uses for a more realistic analysis than the Airport category.
2. Utility demand calculated using Pinellas County demand model.
APPENDIX C

SUMMARY OF ZONING ORDINANCE
PINELLAS COUNTY GOVERNMENT
March 1, 1990, As Amended
Revised 10/18/02

NOTICE TO USERS OF THIS SUMMARY: This summary is provided to be a convenient reference of the Zoning Ordinance. It does not contain the complete requirements of the Ordinance, and should only be used for “quick reference”, and should NEVER be substituted for the complete Ordinance. Copies of the Ordinance are available in Pinellas County Development Review Services Department.

<table>
<thead>
<tr>
<th>ZONING DISTRICTS</th>
<th>PERMITTED</th>
<th>MIN LOT SIZE Width X AREA Depth</th>
<th>MIN YARD SETBACKS FRONT</th>
<th>SIDE</th>
<th>REAR</th>
<th>MAX BUILD HEIGHT</th>
</tr>
</thead>
<tbody>
<tr>
<td>A-E, Agricultural Estate Residential District, (2 acre minimum)</td>
<td>Single family dwellings, general agricultural and livestock for Owner's use only. General agriculture if specifically approved by the BCC.</td>
<td>2 Acres 90' X 100' 50'</td>
<td>25'</td>
<td>25'</td>
<td>45'</td>
<td></td>
</tr>
<tr>
<td>E-1, Estate Residential District, (3/4 acre minimum)</td>
<td>Single family dwellings, home occupations, Accessory Dwelling Unit, greenhouse, general agriculture and livestock for owner’s use only.</td>
<td>32,670 sq.ft. 125'X125' 25'</td>
<td>15'</td>
<td>20'</td>
<td>45'</td>
<td></td>
</tr>
<tr>
<td>R-R, Rural Residential District (16,000 sq.ft.)</td>
<td>Single family dwellings, home occupations, Accessory Dwelling Units, gardening and livestock</td>
<td>16,000 sq.ft. 90'X100' 25'</td>
<td>10'</td>
<td>15'</td>
<td>45'</td>
<td></td>
</tr>
<tr>
<td>ZONING DISTRICTS</td>
<td>PERMITTED</td>
<td></td>
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<td>----------------------------------</td>
<td>---------------------------------------------------------------------------</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R-1, Single Family Residential District (9,500 sq. ft. minimum)</td>
<td>Single family dwellings, home occupation, Accessory Dwelling Units</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>9,500 sq.ft.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>80'X90' 25' 8' 10' 45'</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R-2, Single Family Residential District (7,500 sq.ft. minimum)</td>
<td>Single family dwellings, Accessory Dwelling Units, home occupations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>7,500 sq.ft.</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>70'X80' 20' 7' 10' 45'</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R-3, Single Family Residential district (6,000 sq.ft. minimum)</td>
<td>Single family dwellings, Accessory Dwelling Units, home occupations</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>6,000 sq.ft.</td>
<td></td>
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<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>60'X80' 20' 6' 10' 45'</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R-4, One, Two &amp; Three Family Residential District</td>
<td>Single family, duplex, triplex dwellings, home occupations, Accessory Dwelling Units (single family)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>7,500 sq.ft.</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>75'X80' 25' 7.5' 10' 45'</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R-6, Residential, Mobile Home Parks and Subdivisions District</td>
<td>Mobile home parks and mobile home subdivisions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>PARKS 15 acres 3,500 sq.ft. per lot</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>150'X200 (SEE ORDINANCE) 35'</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ZONING DISTRICTS</td>
<td>MIN LOT SIZE</td>
<td>MIN YARD SETBACKS</td>
<td>MAX BUILD HEIGHT</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>------------------</td>
<td>--------------</td>
<td>-------------------</td>
<td>-----------------</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RM, Residential, Multiple Family District</td>
<td>6,000 sq.ft. per lot</td>
<td>60'X80'</td>
<td>10'</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>7,500 sq.ft.</td>
<td>75'X80'</td>
<td>25'</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RPD, Residential Planned Development District</td>
<td>2 acres</td>
<td>RPD-0.5 to RPD-12.5</td>
<td>(SEE ORDINANCE)</td>
<td>45' Single Family</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(SEE ORDINANCE FOR ADDITIONAL INFORMATION)

- Single family, duplex, triplex, multi-family dwellings, home occupations
- Public ROW 35' Private ROW 25'
- 7.5' for 1 family dwelling 15' for multi-family dwelling 20' for multi-family dwelling
- MIN YARD SETBACKS FRONT: 25' 10' for 1 family dwelling 15' for multi-family dwelling 20' for multi-family dwelling SIDE: 6' 45'

(SEE ORDINANCE FOR ADDITIONAL INFORMATION)
<table>
<thead>
<tr>
<th>Zoning District</th>
<th>Description</th>
<th>X AREA Depth</th>
<th>REAR Depth</th>
<th>(SEE ORDINANCE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRR, Planned Residential Resort District</td>
<td>Single family dwellings, multi-family dwellings, transient guest accommodations</td>
<td>PRR-0.5</td>
<td>50 acres</td>
<td>35' single family</td>
</tr>
<tr>
<td></td>
<td></td>
<td>PRR-1</td>
<td></td>
<td>70' multi-family</td>
</tr>
<tr>
<td></td>
<td></td>
<td>PRR-2.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>PRR-5</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>PRR-7.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>PRR-10</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>PRR-12.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P-1, General Professional Offices District</td>
<td>Offices, clinics, studios, funeral homes</td>
<td>6,000 sq.ft.</td>
<td>60'X80'</td>
<td>15'</td>
</tr>
<tr>
<td></td>
<td></td>
<td>25'</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>15'</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>75' (35' when located within 50' of res zone)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P-1A, Limited Office District</td>
<td>Limited office and professional uses</td>
<td>6,000 sq.ft.</td>
<td>60'X80'</td>
<td>20'</td>
</tr>
<tr>
<td></td>
<td></td>
<td>25'</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>20'</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>35' (20' when abutting a single family zone)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C-1, Neighborhood Commercial District</td>
<td>Retail business of neighborhood scale, personal services, service stations, uses in</td>
<td>6,000 sq.ft.</td>
<td>60'X80'</td>
<td>None unless abutting residential use (SEE</td>
</tr>
<tr>
<td></td>
<td></td>
<td>25'</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### P-1 district

- **C-2, General Retail Commercial and Limited Services District**
  - Retail sales, bowling alleys, dry cleaners, limited auto repair, repair of household items, service stations, personal/bus.svc. uses and wholesale/dist. facilities (when located in completely encl. bldgs.), congregate care facilities

<table>
<thead>
<tr>
<th>ZONING DISTRICTS</th>
<th>PERMITTED</th>
<th>MIN LOT SIZE</th>
<th>MIN YARD SETBACKS</th>
<th>MAX BUILD HEIGHT</th>
</tr>
</thead>
<tbody>
<tr>
<td>C-3, Commercial, Wholesale, Warehousing &amp; Industrial Support District</td>
<td>Warehousing, wholesale and professional office</td>
<td>12,000 sq.ft.</td>
<td>80'X100'</td>
<td>25'</td>
</tr>
<tr>
<td>C-2, General Retail Commercial and Limited Services District</td>
<td>Retail sales, bowling alleys, dry cleaners, limited auto repair, repair of household items, service stations, personal/bus.svc. uses and wholesale/dist. facilities (when located in completely encl. bldgs.), congregate care facilities</td>
<td>10,000 sq.ft.</td>
<td>80'X100'</td>
<td>25'</td>
</tr>
</tbody>
</table>

None unless abutting residential use (SEE ORDINANCE)
<table>
<thead>
<tr>
<th>District</th>
<th>Use Description</th>
<th>Lot Size</th>
<th>Perimeter</th>
</tr>
</thead>
<tbody>
<tr>
<td>CR, Commercial Recreation District</td>
<td>Travel trailer parks, campgrounds, marinas, golf courses, stables, parks, fish camps, utilities</td>
<td>1 area (upland)</td>
<td>150’X200’ 35’ 20’ 50’</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(SEE ORDINANCE)</td>
</tr>
<tr>
<td>CP, Commercial Parkway District</td>
<td>Residential commercial, restaurants, hotels, motels, offices, institutions, research, congregate care facility</td>
<td>1 acre</td>
<td>150’X200’ 50’ fronting on major arterial; 25’ on minor roadways; 25’ on side and rear</td>
</tr>
<tr>
<td>IPD, Industrial Planned Development District</td>
<td>High quality industrial parks along with accessory support services</td>
<td>50 acres</td>
<td>100’X200’ 50’ Arterial 10’ 10’ 75’ (35’ when located within 50’ of res zone)</td>
</tr>
<tr>
<td>M-1, Light Manufacturing and Industry District</td>
<td>Light industrial uses (See ordinance for specific industrial uses), and professional office</td>
<td>12,000 sq.ft</td>
<td>80’X100’ 25’ 10’ 10’ 75’ (35’ when located within 50’ of res zone)</td>
</tr>
<tr>
<td>M-2, Heavy Manufacturing &amp; Industry District</td>
<td>Public service facilities, any use in M-1, concrete</td>
<td>25,000 sq.ft</td>
<td>100’X200’ 25’ 20’ 20’ 100’</td>
</tr>
</tbody>
</table>
plants, manufacturing plants and similar uses

<table>
<thead>
<tr>
<th>ZONING DISTRICTS</th>
<th>PERMITTED</th>
<th>MIN LOT SIZE Width X AREA Depth</th>
<th>MIN YARD SETBACKS FRONT SIDE REAR</th>
<th>MAX BUILD HEIGHT</th>
</tr>
</thead>
<tbody>
<tr>
<td>AL, Aquatic Lands District</td>
<td>Parks and recreation areas, wild life management, docks and piers, boating and fishing</td>
<td>SUBJECT TO SITE PLAN REVIEW</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P/C, Preservation Conservation District</td>
<td>SEE ORDINANCE</td>
<td>SEE ORDINANCE 25’ 25’ 25 35’</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PSP, Public/Semi-Public District</td>
<td>Schools, museums, hospitals, nursing homes, government facilities</td>
<td>1 ACRE 100’ x 100’ 25’ 20’ 20’ 50’</td>
<td></td>
<td></td>
</tr>
<tr>
<td>WPD, Wellhead Protection Overlay District</td>
<td>SEE UNDERLYING ZONING DISTRICT</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HPD, Historical</td>
<td>SEE UNDERLYING ZONING</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>District Name</td>
<td>Description</td>
<td>Restrictions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>---------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------</td>
<td>-------------------------------------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preservation Overlay District</td>
<td>Churches, synagogues, public or private elementary or middle schools, libraries, day care centers, facilities for fraternal or civic organizations</td>
<td>1 acre 100’X100’ 25’ 15’ 15’ 50’ (35’ when abutting any single family res area)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IL, Institutional Limited District</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>APO, Archaeological Preservation</td>
<td>SEE UNDERLYING ZONING</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OPH-D, Old Palm Harbor Downtown</td>
<td>SEE UNDERLYING ZONING</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
APPENDIX D
DEVELOPMENT OF REGIONAL IMPACT (DRI)
THRESHOLD CRITERIA

Per Florida Statute 380.0651 Paragraph 3 (h) Multiuse Development - A DRI is required for any proposed development with two or more land uses where the sum of the percentages of the appropriate thresholds identified in chapter 28-24, Florida Administrative Code, or this section for each land use in the development is equal to or greater than 145 percent. Any proposed development with three or more land uses, one of which is residential and contains at least 100 dwelling units or 15 percent of the applicable residential threshold, whichever is greater, where the sum of the percentages of the appropriate thresholds identified in Chapter 28-24, Florida Administrative Code, or this section for each land use in the development is equal to or greater than 160 percent. This threshold is in addition to, and does not preclude, a development from being required to undergo development-of regional-impact review under any other threshold.

- **Light Industrial** - Per 380.0651 (c) 1. - A DRI is required if the development provides parking for more than 2,500 motor vehicles.

  \[
  \text{At one space for 1,500 s.f.} \quad \frac{1,271,369 \text{ s.f.} + 200,000 \text{ s.f.}}{1,500 \text{ Spaces/s.f.}} = 981 \text{ Spaces} \\
  \text{Or 39\% of the threshold (Parking ratio needs to be verified by TBE)}
  \]

- **Office Space** - Per 380.0651 (d) 2 - A DRI is required if the development encompasses more than 600,000 square feet of gross floor area in a county with a population greater than 500,000 and only in a geographic area specifically designated as highly suitable for increased threshold intensity in the approved local comprehensive plan.

  \[
  \%	ext{ of threshold} = \frac{521,730 \text{ s.f.}}{600,000 \text{ s.f.}} = 87\%
  \]

- **Hotel** - Per 380.0651(f) 2 - A DRI is required if any proposed hotel or motel development that is planned to create or accommodate 750 or more units, in a county with a population greater than 500,000

  Proposed hotel units is 400 units \[
  \frac{400}{750} = 53\%
  \]

**In Summary**

<table>
<thead>
<tr>
<th>Land Use</th>
<th>% of Threshold</th>
</tr>
</thead>
<tbody>
<tr>
<td>Light Industrial</td>
<td>39%</td>
</tr>
<tr>
<td>Office</td>
<td>87%</td>
</tr>
</tbody>
</table>
To avoid the DRI we need to get the total % under 145 for the 3 uses (Scenario Two meets this threshold).

The DRI could be 18 months and an additional $500,000 to $700,000 beyond the rezone and comp. plan cost. Exception would be if whole site was aviation related then rezoning would not be required.

Florida Statute 163.3180 is on concurrency (Section 4[b]), and states that airport hangars are exempt from requirements that are implemented in the local comprehensive plans (‘…transportation facilities needed to serve new development shall be in place or under actual construction within 3 years after the local government approves a building permit or its functional equivalent that results in traffic generation. The concurrency requirement as implemented in local comprehensive plans does not apply to public transit facilities…airport passenger terminals and concourses, air cargo facilities, and hangars for the maintenance or storage of aircraft.’)

We believe this means that any additional impacts such as traffic, due to the hangar development does not have to be in place or funded for the hangar to be permitted and receive a certificate of occupancy. We would, however recommend that the Client get a reading from the County’s legal counsel.

Hanson Professional Services Inc.
9015 Town Center Parkway, Suite 105
Lakewood Ranch, FL 34202
Phone (941) 342-6321 x 233
Fax (941) 379-6474 fax
January 24, 2008

Mr. Kelly Rubino, P.E.
Hanson Professional Services, Inc.
9015 Town Center Parkway, Suite 105
Lakewood Ranch, Florida 34202

Re: Airco Property, St. Petersburg Clearwater International Airport

Dear Mr. Rubino:

QED is pleased to submit this report of our findings and recommendations with respect to allowable building heights on the Airco property located at the St. Petersburg Clearwater International Airport. Our analyses considered height limitations associated with imaginary surfaces linked to the existing instrument approach and departure procedures to the runways at the Airport.

The Airco property leasehold has two distinct areas of use. The first area is designated as Airco Golf Course Future Mixed Use (Aviation and Non Aviation Related) on the Airport Layout Plan and is 72.48 acres in size. This area has the general shape of a truncated triangle formed by the land east of the Runway 35R end and south of its intersection with Runway 422 to a point that is the northwest corner of Parcel "F" and bounded by 34th Street N. The second area is on the order of 57.52 acres and is shown on the Airport Layout Plan to be used for future aircraft flight line tie down and box hangar development. It abuts the first area and its western and northern boundaries are limited by Runway 17L35R and Runway 422 and their existing and planned parallel taxiways.

FAA Order 8260.3B, "United States Standard for Terminal Instrument Procedures (TERPS)" and associated documents present the design criteria and guidance for instrument approach procedures to runway ends. TERPS differs from the standards presented in Federal Aviation Regulations (FAR) Part 77, "Objects Affecting Navigable Airspace", which serves as a trigger mechanism for the conduct of an aeronautical study. Objects that penetrate FAR Part 77 surfaces are evaluated under a series of criteria to determine if they constitute a hazard to air navigation. On the other hand, TERPS criteria consider the impact that objects have on instrument approach and departure procedures, irrespective of their hazard status to define achievable instrument approach and departure procedures and minimums. Additionally, the imaginary surfaces associated with FAR Part 77 are fixed in size, dimension and significantly different from those utilized in TERPS, which can be modified within limits to accommodate the obstacle environment.
The objective of the analysis was to establish building heights that would not adversely affect the existing instrument approach and departure minimums to the Airport runway ends. Specifically, given the location of the Airco property leasehold and the runway configuration at the Airport, the existing instrument approach and missed approach procedures that were evaluated are presented in Table 1.

<table>
<thead>
<tr>
<th>Runway End</th>
<th>Type Procedure</th>
<th>Lowest Approach Minimums (HAT – VIS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>VOR w / DME</td>
<td>449 1</td>
</tr>
<tr>
<td>4</td>
<td>VOR – Missed Approach</td>
<td>NA</td>
</tr>
<tr>
<td>17L</td>
<td>CAT I ILS</td>
<td>200 ½</td>
</tr>
<tr>
<td>17L</td>
<td>LOC</td>
<td>452 ½</td>
</tr>
<tr>
<td>17L</td>
<td>RNAV (GPS) LPV</td>
<td>250 ½</td>
</tr>
<tr>
<td>17L</td>
<td>RNAV (GPS) LNAV / VNAV</td>
<td>269 ½</td>
</tr>
<tr>
<td>17L</td>
<td>RNAV (GPS) LNAV</td>
<td>473 ½</td>
</tr>
<tr>
<td>17L</td>
<td>VOR / DME</td>
<td>472 ½</td>
</tr>
<tr>
<td>17L</td>
<td>CAT I ILS – Missed Approach</td>
<td>NA</td>
</tr>
<tr>
<td>35R</td>
<td>CAT I ILS</td>
<td>200 ¼</td>
</tr>
<tr>
<td>35R</td>
<td>LOC / DME</td>
<td>370 1</td>
</tr>
<tr>
<td>35R</td>
<td>RNAV (GPS) LPV</td>
<td>287 1</td>
</tr>
<tr>
<td>35R</td>
<td>RNAV (GPS) LNAV / VNAV</td>
<td>438 1½</td>
</tr>
<tr>
<td>35R</td>
<td>RNAV (GPS) LNAV</td>
<td>450 1</td>
</tr>
<tr>
<td>35R</td>
<td>VOR w / DME</td>
<td>449 1</td>
</tr>
<tr>
<td>35R</td>
<td>CAT I ILS – Missed Approach</td>
<td>NA</td>
</tr>
</tbody>
</table>

Notes: 1. Missed approach segment evaluated for the instrument approach procedure to each runway end with the lowest approach minimums. 2. Runways 9, 17R, 22, 27 and 35L are not served with instrument approach procedures. 3. The Category I ILS serving Runway 17L is planned to be upgraded to a Category II ILS capability. Potential approach minimums have not been identified, but cannot be authorized by the FAA at less than 100-¼.
The geometry of the TERPS obstacle clearance and identification surfaces for the applicable instrument approach, missed approach and departure associated with each runway end overlies one another. These surfaces have differing slopes, and beginning and ending locations and elevations that would require the computation of hundreds of points on the leasehold in order to define allowable building elevation contours. This outcome is unlike elevation contours that can be generated to illustrate the FAR Part 77 surfaces or topography. The maximum allowable elevations from the TERPS perspective vary on the Airco property leasehold depending on the distance that a particular point is from the end of the runway, its offset from the extended runway centerline, and the type of instrument procedure flown. After consideration of these factors for the instrument procedures at the Airport, the following findings can be made:

1 Runways 9, 17R, 22, 27 and 35L are not served with an instrument approach procedure and thus were not factors in the analysis.
2 The existing approach and missed approach procedures and surfaces for Runways 4 and 17L begin and end at higher and equivalent elevations, respectively, than those associated with Runway 35R. However, due to the location of the missed approach points vis-à-vis the Airco property leasehold, neither controls the determination of allowable building heights.
3 The TERPS final approach obstacle clearance surface applicable to the Category II ILS planned for Runway 17L is equivalent to that associated with a Category I ILS. This surface is sufficiently distant from the Airco property leasehold to impact on allowable building heights.
4 The missed approach obstacle clearance surface for a Category II ILS incorporates several segments that differ from those associated with a Category I ILS. These segments emphasize consideration of obstacles within the first 9,800 feet after the aircraft crosses the landing threshold and extend laterally for a distance of 1,200' to either side of the runway centerline. This area of consideration includes portions of the Airco property leasehold. However, due to the beginning elevations and slopes associated with these segments, especially in the latter 6,000 feet, the impact on allowable building heights in the Airco property leasehold is controlled by the applicable TERPS criteria associated with the Category I ILS serving Runway 35R (refer to findings 5, 6 and 7 below.)
5 Each of the instrument approach and missed approach procedures to Runway 35R generate impacts on allowable building heights within the Airco property leasehold. Of these, the CAT I ILS procedure places the greatest height limitations on the Airco property leasehold.

A portion of the Runway 35R Category I ILS TERPS approach obstacle clearance surface overlies the southwestern area of the Airco property leasehold. A larger area associated with the Category I ILS missed approach obstacle clearance surface overlies the majority of the leasehold.
2 The elevations associated with the Category I ILS 35R missed approach obstacle clearance are dependent on the particular section of the missed approach obstacle clearance surface along and lateral to the direction of flight. There are three sections to the missed approach segment, each with differing slopes and starting and ending points that place varying height limitations on the Airco property leasehold. The analysis was based on defining the allowable building height at a variety of locations on the Airco property leasehold. These included those along and within the perimeter of the Airco Golf Course Future Mixed Use area, and within the area designated for aircraft tie down and box hangar development. A total of 26 position points were evaluated, which yielded a pattern of rising and falling elevations dependent on the geometric relationship between the point in question and the applicable TERPS obstacle clearance surface. Therefore, in order to enhance the utility of the obstacle clearance surface elevation data generated for use by the Airco property leaseholder, it was determined to identify the lowest allowable building height within the Airco leasehold and apply it to the entire parcel. The point so determined is located at the western edge of the aircraft tie down area.
Accordingly, the maximum building height at any location within the Airco property leasehold is set at 80' AMSL based on TERPS criteria. In the event that a higher building height is contemplated, its location should be subject to an analysis of its potential impact on approach, missed approach and departure procedures. This will establish the allowable building height at that location. Additionally, Federal Aviation Administration Form 74601, "Notice of Proposed Construction or Alteration" should be filed with the agency and coordinated with Airport representatives.

We appreciate this opportunity to be of assistance. If you have any questions, please contact us.

Sincerely,

[Signature]

Ronald F. Price, P.E. Principal RFP/pss

QED
1. Introduction

Guidelines and standards for allowable heights of buildings and objects in the vicinity of airports and runways are established by Federal Aviation Regulations (FAR) Part 77 and FAA Order T.3B United States Standard for Terminal Instrument Procedures (TERPS). The AIRCO property at St. Petersburg-Clearwater International Airport (PIE) was evaluated using the information in these documents to identify the standards applicable to specific areas of the property and to provide guidance regarding allowable heights of buildings and structures in affected areas of the property.

The extents of FAR Part 77 and TERPS effects are determined by the types of approach procedures in place for the airport’s runways. At PIE, the runway system examined included the following:

- Existing Runway 17L/35R (to be 17R/35L in the future) – Precision Approach to both runway ends;
- Existing Runway 17R/35L – To be closed;
- Future Runway 17L/35R – Visual only;
- Existing and Future Runway 4/22 – Nonprecision approach to Runway 4 with approach minimum greater than ¾ statute mile; and
- Existing Runway 9/27 – To be closed and converted to a taxiway.

This report concerns the effects of FAR Part 77 surfaces. The effects of TERPS are considered in a separate letter report.

2. FAR Part 77 Surfaces

Federal Aviation Regulations (FAR) Part 77 identify and define imaginary surfaces intended to protect airspace in the vicinity of airports. Penetration of these surfaces by an object or structure can result in an obstruction affecting navigable airspace. The surfaces typically shown in an airport’s airspace plan include:

- Primary Surface
- Approach Surface
- Horizontal Surface
- Transitional Surface
- Conical Surface
With respect to the AIRCO property, the Primary Surfaces and the Approach Surfaces are most significant. These are discussed below.

2.1 Primary Surfaces

The primary surface is longitudinally centered on the runway. When the runway has a prepared hard surface, the primary surface extends 200 feet beyond each end of the runway. Runway 17L/35R has a precision approach with a best minimum of ¾ mile; this requires a primary surface width of 1,000 feet. Runway 5-23 is proposed for a nonprecision approach for Runway 5; therefore, it has a primary surface width of 500 feet. Future Runway 17L/35R would be 3,600 feet x 75 feet and intended to serve “Small Aircraft Exclusively”, i.e., aircraft with Maximum Certificated Takeoff Weights of 12,500 pounds or less. The approaches would be visual; therefore, the primary surface would have a width of 250 feet.

The Airport Layout Plan indicates that existing Runway 17R/35L and existing Runway 9/27 are to be closed. As a consequence they were not considered as impacting the property in the long term. The locations and characteristics of these runways are such that they would not impact the AIRCO development.

2.2 Approach Surfaces

The approach surfaces are longitudinally centered on the extended runway centerlines and extend outward and upward from each end of the primary surfaces. The slopes and dimensions of these surfaces are determined for each runway end based upon the type of approach to be provided. Table 1 summarizes the dimensions of the approach surfaces for each runway end considered relevant to this analysis.

<table>
<thead>
<tr>
<th></th>
<th>Existing 17L (Future 17R)</th>
<th>Existing 35R (Future 35L)</th>
<th>Future 17L</th>
<th>Future 35R</th>
<th>Existing and Future 4</th>
<th>Existing and Future 22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inner Width</td>
<td>1,000 feet</td>
<td>1,000 feet</td>
<td>250 feet</td>
<td>250 feet</td>
<td>500 feet</td>
<td>500 feet</td>
</tr>
<tr>
<td>Outer Width</td>
<td>16,000 feet</td>
<td>16,000 feet</td>
<td>1,250 feet</td>
<td>1,250 feet</td>
<td>3,500 feet</td>
<td>1,500 feet</td>
</tr>
<tr>
<td>Length beyond Primary Surface</td>
<td>50,000 feet</td>
<td>50,000 feet</td>
<td>5,000 feet</td>
<td>5,000 feet</td>
<td>10,000 feet</td>
<td>5,000 feet</td>
</tr>
<tr>
<td>Approach Slope</td>
<td>50:1 for first 10,000 feet; 40:1 for 40,000 feet</td>
<td>50:1 for first 10,000 feet; 40:1 for 40,000 feet</td>
<td>20:1</td>
<td>20:1</td>
<td>34:1</td>
<td>20:1</td>
</tr>
</tbody>
</table>

2.3 Transitional Surfaces

The transitional surfaces are inclined planes with slopes of 7:1; they extend upward and outward from the primary and approach surfaces, terminating at the point where they intersect with the horizontal surface at a height of 150 feet above the established airport elevation or any other surface where more critical restrictions are applicable.
The primary surface is longitudinally centered on the runway. When the runway has a prepared hard surface, the primary surface extends 200 feet beyond each end of the runway. Runway 13-31 currently has a non-precision approach with a best minimum of ¾ mile; this requires a primary surface width of 1,000 feet. Runway 5-23 has a primary surface width of 500 feet and is proposed for a nonprecision approach for Runway 5 as described in the next section.

3.0 Effects of FAR Part 77 Surfaces upon the AIRCO Property

The AIRCO parcel was examined within the context of the FAR Part 77 surfaces and guidelines described in preceding paragraphs. The location of the parcel relative to the runway configuration is such that the principal effects are imposed by the primary surfaces, and associated transitional surfaces of Runway 15L/35R (Future) and Runway 4/22. These surfaces were used to define a building restriction line (BRL) that identifies locations outside of which a building/structure height of 35 feet (nominal) would not penetrate the transitional surface. The BRL is based upon an assumption that the base elevation of the building/structure would be the same as the elevation of closest point on a runway (measured perpendicularly from the runway to the building/structure site). The applicable BRLs are depicted in Exhibit 1.

Other surfaces, notably the 20:1 approach surface for Future Runway 35L/17R, traverse the AIRCO property, but their effects are less restrictive than the BRL in areas common to both. Future development is unlikely to be limited by this approach surface, but any building/structure proposal should be examined for appropriate clearance as part of the airport’s review process.
# APPENDIX G

## Tables

**Table 1: Millage Rates**

<table>
<thead>
<tr>
<th>City</th>
<th>County Wide</th>
<th>Muni.</th>
<th>Sch. #</th>
<th>Milage Rate</th>
<th>Parcels</th>
<th>Value of Taxable Property</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>City</td>
<td>County Wide</td>
<td>Muni.</td>
<td>Sch. #</td>
<td>Milage Rate</td>
<td>Parcels</td>
<td>Value of Taxable Property</td>
<td>Code</td>
</tr>
<tr>
<td>City</td>
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<td>Muni.</td>
<td>Sch. #</td>
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<td>Parcels</td>
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</tr>
<tr>
<td>City</td>
<td>County Wide</td>
<td>Muni.</td>
<td>Sch. #</td>
<td>Milage Rate</td>
<td>Parcels</td>
<td>Value of Taxable Property</td>
<td>Code</td>
</tr>
<tr>
<td>City</td>
<td>County Wide</td>
<td>Muni.</td>
<td>Sch. #</td>
<td>Milage Rate</td>
<td>Parcels</td>
<td>Value of Taxable Property</td>
<td>Code</td>
</tr>
<tr>
<td>City</td>
<td>County Wide</td>
<td>Muni.</td>
<td>Sch. #</td>
<td>Milage Rate</td>
<td>Parcels</td>
<td>Value of Taxable Property</td>
<td>Code</td>
</tr>
</tbody>
</table>

## Other Statistics

- **Total Parcels**: 1,552

## Footnotes

1. Includes $5,953/mil for Conference Development/Board.
2. Includes $0.80/mil for School Board.

## References

- **APPENDIX A**: CEC. Pinellas County Tax Collector
- **APPENDIX D**: CEC. Pinellas County Tax Collector
- **APPENDIX E**: CEC. Pinellas County Tax Collector
- **APPENDIX F**: CEC. Pinellas County Tax Collector
- **APPENDIX G**: CEC. Pinellas County Tax Collector

## Notes

- **Notes to Table 1**: Includes $14.20/mil for Parcels Per Acre and $1.50/mil for School Board.
- **Notes to Table 2**: Includes $5,953/mil for Conference Development/Board.
- **Notes to Table 3**: Includes $0.80/mil for School Board.

---

**APPENDIX G**

## Table: Millage Rates

<table>
<thead>
<tr>
<th>City</th>
<th>County Wide</th>
<th>Muni.</th>
<th>Sch. #</th>
<th>Milage Rate</th>
<th>Parcels</th>
<th>Value of Taxable Property</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>City</td>
<td>County Wide</td>
<td>Muni.</td>
<td>Sch. #</td>
<td>Milage Rate</td>
<td>Parcels</td>
<td>Value of Taxable Property</td>
<td>Code</td>
</tr>
<tr>
<td>City</td>
<td>County Wide</td>
<td>Muni.</td>
<td>Sch. #</td>
<td>Milage Rate</td>
<td>Parcels</td>
<td>Value of Taxable Property</td>
<td>Code</td>
</tr>
<tr>
<td>City</td>
<td>County Wide</td>
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<td>Sch. #</td>
<td>Milage Rate</td>
<td>Parcels</td>
<td>Value of Taxable Property</td>
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</tr>
<tr>
<td>City</td>
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<td>Milage Rate</td>
<td>Parcels</td>
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<td>Sch. #</td>
<td>Milage Rate</td>
<td>Parcels</td>
<td>Value of Taxable Property</td>
<td>Code</td>
</tr>
</tbody>
</table>

## Other Statistics

- **Total Parcels**: 1,552

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- **APPENDIX G**: CEC. Pinellas County Tax Collector

## Notes

- **Notes to Table 1**: Includes $14.20/mil for Parcels Per Acre and $1.50/mil for School Board.
- **Notes to Table 2**: Includes $5,953/mil for Conference Development/Board.
## APPENDIX H

### UTILITIES ANALYSIS PLAN

<table>
<thead>
<tr>
<th>Scenarios and Proposed Conditions</th>
<th>Gross Floor Area (SF)</th>
<th>Hotel Rooms (Number)</th>
<th>Daily Utility Estimate (Demand / Generation)</th>
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<tbody>
<tr>
<td><strong>Scenario #1</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Maximum Development Potential)</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Office / Light Industrial Mix (77 acres)</td>
<td>1,739,099</td>
<td>372,167</td>
<td>258,691</td>
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<tr>
<td>Hotel (10 acres)</td>
<td></td>
<td>400</td>
<td>97,200</td>
</tr>
<tr>
<td>Industrial / Aviation (45 acres/$)</td>
<td></td>
<td></td>
<td>98,400</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>98,400</td>
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<tr>
<td>Average Day Total:</td>
<td></td>
<td></td>
<td>649,069</td>
</tr>
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<td>Max Day Total:</td>
<td></td>
<td></td>
<td>649,069</td>
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<tr>
<td><strong>Scenario #2</strong></td>
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<td></td>
<td></td>
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<tr>
<td>(Medium Development with DRI Limits)</td>
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<td>42,586</td>
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<td>180</td>
<td>43,740</td>
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<td>Industrial / Aviation (45 acres/$)</td>
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<td>94,740</td>
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<tr>
<td>(Minimum Development)</td>
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<td></td>
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<tr>
<td>Industrial / Aviation (45 acres/$)</td>
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<td>Max Day Total:</td>
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<td>28,640</td>
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### Levels of Service Standards

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<thead>
<tr>
<th>Utility</th>
<th>Rate</th>
<th>Units</th>
<th>Source ($)</th>
<th>Employees</th>
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<tr>
<td><strong>Water</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office</td>
<td>214</td>
<td>gpd/1000 sf</td>
<td>(4), (5)</td>
<td>3 empty / 1000 sf</td>
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<tr>
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<td>0.6 empty / 1000 sf</td>
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<tr>
<td>Ind/Avi</td>
<td>103</td>
<td>gpd/1000 sf</td>
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<td>2 empty / 1000 sf</td>
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<tr>
<td>County</td>
<td>125</td>
<td>gbl/cap-day</td>
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<tr>
<td>Avg Day to Max Rate</td>
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<td>(5)</td>
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</tr>
<tr>
<td>Fire Protection (Meal Com)</td>
<td>3000</td>
<td>gpm</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Wastewater</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Office</td>
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<td>gpd/1000 sf</td>
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</tr>
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<td>gpd/room</td>
<td>(6)</td>
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<tr>
<td>Ind/Avi</td>
<td>92</td>
<td>gpd/1000 sf</td>
<td>(5)</td>
<td></td>
</tr>
<tr>
<td>County</td>
<td>100</td>
<td>gbl/cap-day</td>
<td>(1)</td>
<td></td>
</tr>
<tr>
<td><strong>Solid Waste</strong></td>
<td>1.5</td>
<td>tons/cap-year</td>
<td>(3)</td>
<td></td>
</tr>
</tbody>
</table>

Note: These LOS rates are used to provide a estimate of future facility needs and should not be used to engineer and design collection, transmission, treatment, reuse, or disposal facilities.

Sources ($*$):

2. Florida Department of Health, Chapter 64E-6, FAC, Standards for Onsite Sewage Treatment and Disposal Systems.
4. Environmental Engineering and Sanitation, Saltwater.
## APPENDIX I

### RETURN GOALS & OBJECTIVES

<table>
<thead>
<tr>
<th>Return Goal</th>
<th>Return Goal #</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
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**Return Goals**

1. NPV Per Acre
2. Highest & Best Use
3. Economic Development/Partnership
4. High Wage Job Creation
5. Enhance Cluster Industries
6. Higher Density Redevelopment
7. FAA Financial Constraints
8. Flexibility
APPENDIX J

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The scientific method is rooted in developing a hypothesis for the study, and the analysis performed either proves or disproves the hypothesis. The hypotheses from which we produce our quantitative analysis are as follows:

- Office and Industrial development represent the development drivers for airport property.
- Retail and other commercial development will be local and primarily support and serve the office and industrial development activity. Area competition prohibits critical mass of retail development.
- Hospitality development will mostly serve airport operations and other unique aviation-related activities (e.g. defense). In addition, it will support office and industrial development on the airport property.

Because office and industrial will drive development at the airport, these land uses are given the most scrutiny, analysis and attention.

Three market forces impact demand for certain real estate land uses in a specific geographical area: economic growth, market shifts, and depletion of supply.

Economic growth creates the purest impact on real estate demand. If a region is growing and experiencing economic expansion, new businesses are emerging, existing businesses are expanding, facility investments are increasing, jobs are being created, and real estate is in greater demand in all geographic areas within the region. Employment growth is the strongest indicator of economic expansion.

Market shifts affect two dynamics. The first dynamic, a geographical shift, represents desirability for one location over another. Whatever the allure – cheaper taxes, better transportation access, proximity to labor, etc. – increased real estate demand in a particular location is caused by desertion of another. There is no “creation of wealth” or growth in this dynamic (unless the new location involves additional capital investment), it is simply a redistribution, or shift in the real estate market.

The second dynamic is a re-direction or shift in the market for the type of real estate being demanded. A surge in the market for flex industrial space over Class B office space represents a shifting of demand. Provided there are tenants that will shift into the Class B office space being vacated, the market is simply shifting. If not, and the space becomes obsolete, a third force for real estate market demand is put into action – depletion of supply.

Real estate improvements (office buildings, manufacturing plants, retail facilities, and hotel/motel facilities) are physical commodities that wear out over time. This attrition of the physical improvements is the result of various forces that include location, replacement life, age, and design/functional obsolescence.

The forces of depleting supply are a result of properties depreciating. Properties increasingly become less competitive and less capable of fulfilling market demand. Owners are then forced to reduce rents and compete with lower grade properties.
that this is a short-term solution that only exacerbates financial issues in the long-term because less revenue is available for corrective actions.

This downward cycle forces some properties completely out of the supply side resulting in supply depletion. Many times, the forces of depletion aggregate affording new properties a clear and tangible advantage in competing for existing demand. As these new buildings lose their ability to satisfy demand over time due to changes in the marketplace, they, too, become part of a downward cycle that causes some properties to regress from Class A, to Class B, then to Class C, and eventually out of the competitive market altogether. It is a complete and continuous real estate cycle.

Location probably affects a given property’s desirability the most; therefore location is a formidable force for depleting supply. A location once considered attractive may lose its desirability due to a variety of changes including transportation modifications, community and regional economics, and changing land uses in vicinity of the site. As sites become less desirable, owners modify and/or adjust the facilities occupying these sites in an attempt to compete with more desirable sites. This ongoing cycle of adjustment eventually renders sites uncompetitive resulting in a shortage of supply. This shortage requires replenishing even in a non-growth environment.

Replacement life of real estate improvements affects all components of the property. Roofs typically last 15 to 20 years, asphalt if well maintained could last 7 to 10 years. HVAC equipment lasts 10 to 12 years, etc. This ongoing depreciation, although somewhat unpredictable, is for the most part cyclical requiring diligent property upkeep and maintenance.

Properties that are not properly maintained deplete more rapidly than necessary. This creates an opportunity for a new property to compete for the demand that could have been fulfilled in the existing structure if it had been properly maintained. This unchecked maintenance deficiency usually can be corrected, but at great expense, and many times at a cost equal to that of new construction.

Well-maintained properties are not immune to replacement life depletion. Even if a property is diligently maintained, systems, materials, and parts wear out and eventually need to be replaced. Sometime in the life of a property, substantial renovations and replacement of significant building components need to occur.

Functional obsolescence is the result of changing needs and economics in the marketplace. For example, open, single-floor work environments are now considered a necessity by many businesses that just a few years ago would have been satisfied with a multi-story building with smaller rooms housing their operational needs. New businesses require new operational approaches that existing buildings cannot always satisfy. It is often cost prohibitive to retrofit these buildings to accommodate the new space needs. Functional obsolescence affects all building types including offices, industrial, retail, and hospitality.

Age also affects properties’ desirability in the marketplace due to factors beyond replacement life and functional obsolescence. There is a portion of the marketplace that demands new facilities, new designs, new locations, etc. Age and familiarity do not satisfy this segment of the marketplace.
This depletion of supply due to location, replacement life, functional obsolescence, age and other factors all combine to cause a constant reduction in market supply for all types of commercial real estate. Assuming demand is not decreasing at a rate equal to or greater than the depletion rate of supply, there will always be demand for new buildings to replace those that are lost due to factors of depletion. Therefore, even in markets that are not growing, a new supply of facilities is required for all types of commercial real estate to satisfy existing demand.
APPENDIX L
HOTEL DEMAND PROJECTIONS

The basis for determining the degree to which the market is over or under-served is through an analysis of industry and local data for break-even occupancy rates, and total occupancy rates. We can then determine how many rooms can be added to the supply.

To do so, we first cite an analysis of the U.S. Hotel Industry released by Bear, Stearns Co, and PricewaterhouseCoopers, using Smith Travel Service Data, in July 2007. They analyzed break-even occupancy levels for the hotel industry. Their findings are as follows:

- The economy segment (e.g. Travel Lodge) breaks even at 41% occupancy.
- The mid-scale segment without food and beverage service (e.g. a limited-service hotel such as Hampton Inn) breaks even at 49% occupancy.
- The upper-tier extended stay segment (e.g. Residence Inn) breaks even at 60% occupancy.
- The upscale segment (e.g. a full-service Marriott Hotel) breaks even at 63% occupancy.
- The industry breaks even at 55.5%.

The industry average at 55.5% is substantially reduced from the breakeven occupancy percentage in 1992, which was 62.6%. According to Bjorn Hanson, Ph.D., New York based chairman of the PricewaterhouseCoopers lodging and gaming group, the favorable reduction is due to, “average daily room rates that have been increasing at greater than the rate of inflation; a redefined hotel revenue mix that emphasizes rooms revenue over revenue from low-margin food and beverage operations; and lower debt and equity costs for the industry as a whole”.

In 1992 when the breakeven percentage was 62.6%, the lodging industry began operating in the black after many years of operating at a loss. A strong economy fueled demand, which increased occupancy for products that had higher profit margins. The increased demand catalyzed new hotel development of product that operated at a lower break-even percentage. Thus, the industry average, break-even percentage decreased during the 1990’s. Increased demand for the more profitable products, mid-scale without food and beverage operations (which have low structure costs and no low-margin food and beverage operations), has kept average daily room rates high. The combination of all these factors has provided a healthy lodging industry throughout the 1990’s and into the 2000’s – high occupancy, rising room rates, and new construction.

The PricewaterhouseCoopers analysis also produced the following industry average occupancy percentages in 1997, and hold true today:

- Upscale Segment 69.4%
- Mid-scale Segment 67.1%
- Upper Tier Extended Stay Segment 79.7%
- Economy 58.5%

The industry average occupancy rate in 1997 is 68.6%, using a straight-line averaging method, which is the most accurate methodology at our disposal. Yet, the PricewaterhouseCoopers lodging and gaming group reports a decreasing occupancy
rate from 63.9% in 1998 to 62.5% in 2000. This is despite the greatest growth in supply in the mid-1990's occurring in the Upper-tier Extended Stay and Mid-scale without food and beverage service segments whose occupancy rates are 79.7% and 67.1% respectively. For our analysis, we will utilize PricewaterhouseCoopers' occupancy projections.

First we need to describe the applicability of the break-even occupancy percentage and the industry average occupancy to our analysis, and make distinctions between the two figures in determining gaps in supply.

A break-even percentage represents the point above which a hotel begins operating at a profit. Because there are no universally accepted, economic models to forecast hotel room demand, we need to determine what “triggers” new development. According to industry professionals the strongest indicators are rising room rates and business growth in an expanding economy. Thus, in some markets that meet these conditions, the break-even occupancy may be the threshold to trigger new development based on a strategy to capture more market share than the competition. This concept is synonymous with the office marketplace in that the market cannot be fully occupied, and typically a 10% office vacancy factor triggers new development. The validity and/or applicability of the break-even percentage as a trigger for new development may be greater in an economic market that relies heavily on hotel product such as communities near Disney World, Las Vegas, or Washington D.C.
APPENDIX M
BASIC ASSUMPTIONS AND LIMITING CONDITIONS

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An impractical and uneconomic expenditure of time would be required in attempting to furnish unimpeachable verification in all instances particularly as to engineering and market related information. It is suggested that the Client consider independent verification as a prerequisite to any transaction involving sale, lease, or other significant commitment of funds.

Testimony, Consultation, Completion of Contract for Services
The contract for consultation or analytical services are fulfilled and the total fee payable upon the completion of the report. The Consultant or those assisting in preparation of the report will not be asked or required to give testimony in court as a result of having made the report unless previous post arrangement is made for an additional fee. If testimony or deposition is required because of any subpoena, the Client shall be responsible for any additional time fees and charges regardless of issuing party.

Exhibits
The sketches and maps attached to this report are included to assist the reader in visualizing the property and are not necessarily to scale. Various photographs, if any, are included for the same purpose. Site plans are not surveys unless identified as a separate survey.

No responsibility is assumed for matters legal in character or nature, or matters of survey, or of any architectural, mechanical, or engineering nature. No opinion is rendered as to the title, which is presumed to be good and merchantable.

The legal description is assumed to be correct as used in this report as furnished by the Client, his/her designee or as derived by the Consultant.

Legality of Use
The report is based on the premise that there is full compliance with all applicable federal, state and local environmental regulations and laws unless otherwise stated in the report; further, that all applicable zoning, building and use regulations and restrictions of all types have been complemented with unless otherwise stated in the report; further, it is assumed that all required licenses, consents, permits or other legislative or administrative authority, local, state, federal and/or private entity or organization have been or can be obtained or renewed for any use considered in the value estimate.

Auxiliary and Related Studies
No environmental or impact studies, highest and best use analysis study or feasibility study has been requested or made unless otherwise specified in an agreement for services or in the report.

Dollar Values, Purchasing Power
The estimates, and the costs used (if any), are as of the date stated in the report. All dollar amounts are based on the purchasing power and price of the dollar as of that date.

Changes, Modifications
We reserve the right to alter statements, analysis, conclusion or any estimate in the report if there becomes known to us, facts pertinent to the process, which were unknown to us when the report was finished.