

FINAL

AIRPORT STRATEGIC DEVELOPMENT PROGRAM
Will Rogers World Airport

Prepared for
Oklahoma City Department of Airports
Oklahoma City, Oklahoma

April 28, 2010



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I. INTRODUCTION

1. AIRPORT OVERVIEW

The Will Rogers World Airport or “Airport” is the primary commercial airport serving the greater Oklahoma City region and central Oklahoma market areas. In calendar year 2009 the Airport had 129,320 operations, 3,384,671 passengers, and 70,358,721 pounds of freight and mail. It is one of the largest small-sized hubs, according to the Federal Aviation Administration (“FAA”), and could soon rank as a medium-sized hub.*

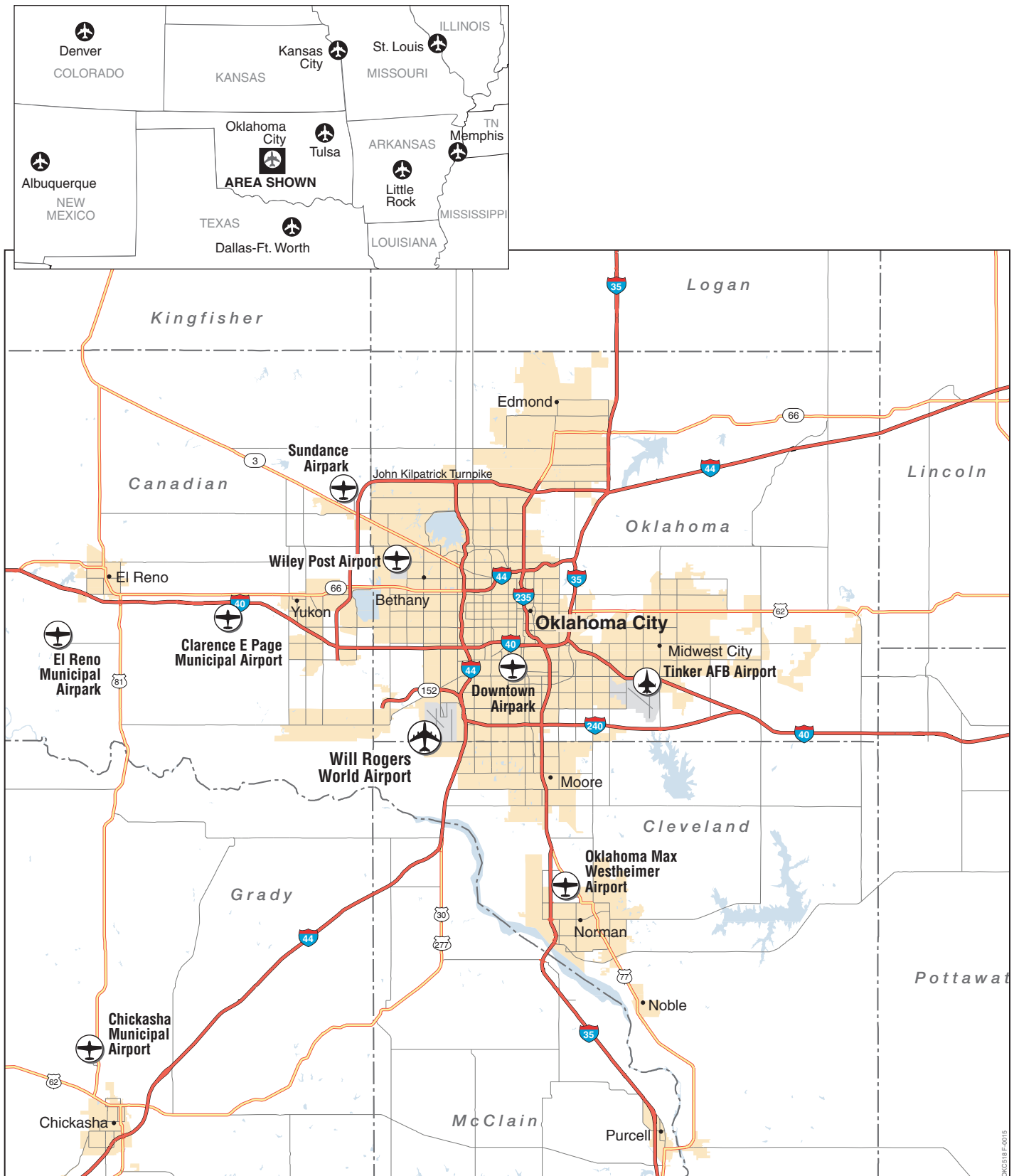
The Airport, as reflected on Figure 1, is located southwest of the City of Oklahoma City’s central business district and occupies approximately 8,100 acres. Serving the aviation needs of the region, the Airport maintains three runways: two parallel and one crosswind and a 409,708 square foot terminal facility providing 17 gates to serve scheduled carriers including American Airlines, Continental Airlines, Delta Air Lines, Frontier Airlines, Southwest Airlines, United Airlines, and several feeder airlines.

The Airport is home to approximately seventy (70) aviation support businesses and government offices. Prominent business facilities on Airport property include (1) the FAA Mike Monroney Aeronautical Center, (2) the Federal Bureau of Prisons Transfer Center, (3) a Southwest Airlines Reservation Center, and (4) Metro Tech Aviation Career Center. Approximately 1,300 acres of Airport property lies within the City’s Foreign Trade Zone.

As shown on Figure 1, the Airport's prime location is reflected in roadway access to major transportation routes. Three interstate highways including Interstate Highway 35 (I-35), Interstate Highway 40 (I-40), and Interstate Highway 44 (I-44) are within close proximity to the Airport.

The Airport is owned by the City of Oklahoma City (“City”) and is leased to and governed by the Oklahoma City Airport Trust (“Trust”) pursuant to a Lease Agreement and Trust Indenture dated April 1, 1956. By law, the Trust is comprised of five members: (1) the Oklahoma City’s City Manager, (2) Oklahoma City’s Mayor, (3) a member of the Oklahoma City Council, and (4) two independent citizen trustees.

*A medium-hub airport is defined as one that has at least 0.25 but less than 1.0 percent of total enplaned passengers within the United States for the calendar year.



LEGEND




-  Passenger air carrier airport
-  General aviation airport
-  Urban area

Figure 1
AIRPORT ENVIRONS
 Strategic Development Plan
 Oklahoma City Will Rogers World Airport
 December 2009

DKG218 F-0015

2. BACKGROUND

The Airport provides the Oklahoma City area with a transportation hub that is well situated geographically, politically and economically to grow the Airport's core business of operating a first class air transportation facility. To enhance this core business, the Trust supports and encourages non-core business developments that are consistent with the City's mission to create partnerships that promote employment opportunities, and provide well managed and maintained infrastructure available for future Airport development.

The Trust, on behalf of the City, retained Jacobs Consultancy to create a "Will Rogers World Airport Development Strategy" to identify commercial development opportunities for Airport properties and to establish a business planning approach to best capitalize upon those opportunities. The results of this combined effort, (the "Strategic Development Plan") was prepared as a complementary document to the Airport's Master Plan, ("Master Plan"), and provides a comprehensive Airport strategic development program ("Program") for the future commercial land development activities of the Airport.

As presented herein, the results of the Program serve as a framework for the long-term development of the commercial areas within Airport property, specifically including the development of roughly 1,000 acres of vacant land located on the east side of the Airport property ("Development Area") that the Trust has identified as available for compatible commercial land uses. It primarily focuses on (1) providing a new program for the Airport for the purpose of generating non-airline related revenues in order to enhance the overall revenues of the Airport, (2) promoting the growth of air service, (3) creating jobs, and (4) ensuring the Airport remains financially self-sustaining. The planning efforts reflected in this Strategic Development Plan are presented as two separate components:

- The **Business Plan** component is directed to the overall land development initiatives at the Airport and includes: (1) determination of on-airport development opportunities and constraints related to the enabling legislation for the Airport and FAA requirements and approvals, (2) classification of land use types (highest and best uses) for both aviation (aeronautical and air cargo) and non-aviation (commercial) uses, (3) creation of a rates and charges program, (4) development of an infrastructure refunding program and common area maintenance program for the Development Area, (5) initial cost-benefit analysis and financial affordability of recommended plan, and (6) development of new land leasing policies and criteria.
- The **Land Use Plan** component is specifically directed to the Development Area and includes: (1) determination of the physical constraints and opportunities of the Development Area as reflected on a new base map, (2) preparation of a market demand study including absorption rate analysis, (3) preparation of development scenarios, concepts, and infrastructure planning and phasing, (4) creation of a recommended

development plan, and (5) creation of design criteria and development standards.

- The Business Plan component is intended to provide a framework for all future commercial land leases on Airport property, regardless of the location of the development. The Land Use Plan component was developed specifically for the Development Area of the Airport and is intended to help implement the strategy for marketing the Development Area.

3. METHODOLOGY-STRATEGIC DEVELOPMENT PLAN

The Airport's management team together with Jacobs Consultancy ("Project Team") established the overall framework for the Program. The initial objective was to insure the inclusion of the multiple stakeholders of the Airport in the development and approval of the Strategic Development Plan components. This multi-stakeholder collaborative process provided the opportunity for the stakeholders to create the goals and objectives for the development of the Program that would reflect the priorities of the Oklahoma City community.

As described below, the Project Team obtained the required approvals by the Federal Aviation Administration ("FAA") and assured the compliance by the Airport of the relevant FAA grant assurances with respect to the Program. In addition, the Project Team obtained support from the commercial passenger airlines ("Airline Affairs Committee") for the overall Program. Upon the creation of Program goals and objectives by the stakeholders and the receipt of the required approvals from the FAA and the Airline Affairs Committee, the Project Team initiated the specific development of the Business Plan component and Land Use Plan component.

A. Community Stakeholder Coordination

The Trust assembled local technical and financial experts, Airport representatives and community leaders to create the following special committees and working groups. The efforts of the individuals and companies represented on the committees and working groups are described as follows:

- *Steering Committee* provided oversight and direction to the Project Team.
- *Technical Working Group* provided guidance and review to the Project Team on matters relating to development concepts and other real estate planning and technical matters.
- *Utility Working Group* provided guidance and review to the Project Team on matters relating to existing and future utility infrastructure needs. This group worked in coordination with the Technical Working Group.
- *Finance Working Group* advised on financial issues related to the Program.

- *Developer Representatives* will be presented information as a component of community outreach initiatives.

These committees and working groups met to review and provide feedback to the Project Team throughout the development of the Program, and the Business Plan and Land Use Plan components of this Strategic Development Plan reflect the input and feedback of these groups.

B. Vision, Goals, and Objectives

The Steering Committee established a Vision and the Goals and Objectives for the Program. The results of those efforts are as follows:

- *Vision.* Vision for the Airport Strategic Development Program was established by the Steering Committee as follows:

Enhance the economic strength and stability of the Airport and the region through sustainable and compatible development.

- *Goals and Objectives.* The development of the goals and objectives for the Program was based on the Airport's vision. The goals and objectives are not only consistent with the vision for the Airport but are an integral part in the pursuit of the most promising and productive opportunities for the Airport's commercial land development efforts.

The established Goals and Objectives were developed in multiple categories and are as follows:

Financial Performance

Goal: Create a sustaining source of revenues for the Airport Trust

Objectives: *Create a leasing program* that reflects: (1) Costs incurred by the Airport Trust, and (2) Rental rates to achieve FAA mandated market based rates

Enhance funding opportunities through Ground Lease Rates, Fees and Charges opportunities

Optimize Property Uses

Goal: *Have the flexibility* to accommodate both large and small developments

Objectives: *Let the market drive property use* to ensure that additional capacity is not constructed prematurely, yet can be built when it is needed

Prioritize land uses to achieve optimal use of scarce real estate assets under changing circumstances, consistent with long-range Airport development plans

Consider interim uses to ensure that service opportunities are not lost because available capacity is controlled by tenants and cannot be used efficiently

Meet Present and Future Community Needs

Goal: Create jobs and develop sustainability

Objectives: *Create program* to emphasize job creation

Develop a strategy for highest and best uses while considering I-44 exposure

Develop design criteria for direct and indirect aviation uses

Enhance National Reputation

Goal: Be known as a center for aerospace and aviation

Objectives: *Consider a strategy* for marketing to aviation users

Create a "park" or "development area" with easy development opportunities to foster open and competitive access to third party developers and users

Plan to meet parking needs of customers

Plan for multimodal access to the Airport

The Goals established by the Steering Committee have provided guidance through the entire planning process. The Objectives were identified as ways to facilitate the attainment of the Goals and were used as guidance in developing specific recommendations included in the Program.

C. Due Diligence—Initial Meetings with Project Team

The establishment of the Project Team and the creation of the overall framework for the Program were the first steps in the due diligence efforts for the Program. Start-up meetings with the Airport Staff provided the overall direction for the Program,

and meetings with the Airport’s Master Plan consultant provided the coordination required for Airport’s Master Plan. In addition, the Project Team met with economic development representatives for the City to understand the current economic development activities of the City and the role of Airport property in such activities. Through these meetings with key Airport Staff, Airport consultants, and community leaders, Jacobs Consultancy was able to create the Program elements and initial schedule for the completion the Program. These initial meetings of the Project Team resulted in the following:

- *Data acquisition*—data was obtained including the existing Airport Layout Plan (“ALP”), documentation pertaining to location of utilities, identification of development constraints, existing financial models, FAA grant information, existing land use planning documentation including land inventory maps, applicable Airport leases, and Chamber of Commerce information.
- *Site visits*—an overall Airport tour was conducted and several site visits to the Development Area, and included the review of field surveys of existing properties, existing developments, and Airport infrastructure.
- *Airport leases*—copies of major commercial leases were obtained, including current leasing policies, Minimum Standards for Aeronautical Activities, and other documentation related to leasing practices and terms.
- *Financial information*—existing financial information was obtained for the Airport to facilitate the creation of a preliminary financial model for the cost/benefit analysis and a preliminary spread sheet for lease terms/criteria to facilitate the creation of an Airport cost center for commercial leases.
- *Regional economic information*—regional economic information and Airport commercial development information provided by the Greater Oklahoma City Chamber was obtained.

D. Assessment of Development Area

The Development Area was identified as roughly 1,000 acres of undeveloped land located on the east side of the Airport property. The initial task in the assessment of the Development Area was to determine any constraints related to FAA requirements for parcels within the Development Area acreage. All Airport property acquired with Airport Improvement Program (“AIP”) grant funding from the FAA is subject to the various requirements contained in the FAA’s grant assurances and other FAA regulations and orders. Prior to the initiation of the development of the Land Use Plan, the Project Team reviewed the Airport’s records including the Airport’s Land Inventory Maps and support materials to determine any potential constraints, including grant assurances associated with the parcels located in the Development Area. As a result of this initial due diligence it was determined that the Development Area land was acquired with AIP grant funding and that the FAA

Southwest Region had certain acreage (a portion of Parcel Number 35) in the Development Area designated as “noise land” under Grant Assurance 31. The Project Team successfully worked with the FAA to reconcile the FAA designations with the Airport’s records and the classification of “noise land” was eliminated.

E. Approval for Non-aviation Uses in Development Area

The *Airport Improvement Program Handbook* (FAA Order 5100.38C), dated June 28, 2005, stipulates the acquisition of any interest in land is eligible for AIP funding when it is necessary for “airport purposes” as determined in the latest airport master plan. The term “airport purposes”, as used therein, refers to all aviation activities normally found on an airport. Although many infrastructure and construction elements are not eligible for AIP funding, the land they occupy would be eligible for acquisition. This AIP eligibility extends to the acquisition of land for future airport development, if such acquisition is based on reasonable projections of aeronautical need in the orderly development of an airport, as determined by the FAA.

Land purchased pursuant to an FAA grant is presumed to be in pursuit of an aeronautical purpose. However, aeronautical property may be used for a compatible non-aviation purpose while at the same time serving the primary purpose for which was acquired. This alternative use is considered a concurrent use of aeronautical property. FAA Order 5190.6B – Airport Compliance Manual, Chapter 22; Section 22.5 stipulates that a request must be specifically approved by FAA to use land acquired with AIP grant funding for non-aviation concurrent use.

The Master Plan for the Airport designates the Development Area for “Future Airport Land Development.” The highest and best use for a significant portion of the acreage contained in the Development Area is designated as aeronautical use. However, since compatible non-aviation uses for certain acreage were anticipated to be a component of the Land Use Plan, FAA approval of the proposed non-aviation uses was required.

On behalf of the Trust, the Project Team requested FAA concurrence and support of the Program, and specifically the approval of the proposed non-aviation uses to be reflected in the Land Use Plan for the Development Area. The Project Team presented a detailed letter outlining the proposed land uses for the Development Area, and received approval from the FAA. Copies of the letter to the FAA and the letter of approval from the FAA are attached hereto as Attachment A.

Upon completion of the Strategic Development Plan, the FAA will be provided the opportunity to confirm and approve the final Land Use Plan. It is anticipated that the FAA will require an Environmental Assessment (“EA”) for development activities at the Airport including the Development Area. As the EA is completed and all environmental requirements are met, the FAA will demonstrate the final approval of the Land Use Plan by approving a revised ALP.

F. Support from Airline Affairs Committee

Subsequent to the initial review and support of the Program from the FAA, the Project Team presented the Program to the Airline Affairs Committee. Although Airline Affairs Committee approval was not required under any airline agreement with the Trust, the Project Team, the Trust, and the FAA desired concurrence and support of the Program by the commercial airlines serving the Airport. The Project Team presented the details of the Program, the proposed land uses for the Development Area, and the benefits of the Program with respect to generating nonairline related revenues to help ensure the Airport remains financially self-sustaining. The Airline Affairs Committee commended the Trust for the initiation of the Program and presented a letter of support, a copy of which is attached hereto as Attachment B.