

II. Executive Summary

Existing Conditions

Covering 1,700 acres, the Brookley Aeroplex is home to more than 100 businesses employing approximately 3,700 people in 4.6 million square feet of industrial space.¹ The Brookley Aeroplex is strategically positioned in a major freight transportation hub that includes two interstate freeways, direct access to two major railroad lines (indirect access to three additional lines), and a major port with expanding container facilities, and a state-of-the-art airport.

Brookley is divided into two distinct land areas: the airfield and the industrial park. The Airfield consists of runways, taxiways, aprons and vacant land. It is bounded by a variety of uses including residential areas, cemeteries, the National Guard, and the University of South Alabama. The industrial park, set between I-10 and the Airfield stretches nearly two miles along the highway and contains lands occupied by aging industrial buildings and infrastructure. Industrial facilities at Brookley are housed in two districts. They are:

- **Aerospace District:** The unique location of Brookley industrial land at an airport is significant because of links to aircraft maintenance and aerospace industries in a secure, restricted district. Two runways, a 9,600 foot primary runway and an 8,600 foot secondary runway have the capacity to land jet aircrafts for maintenance and repair at Mobile Aerospace Engineers (MAE) or engine testing by Teledyne Continental Motors (TCM). Inside the restricted airfield, there is a significant aerospace cluster consisting of MAE, TCM, two fixed-base operations (FBOs), and small UPS and FedEx freight-forwarding operations.
- **Industrial Park:** The remainder of the industrial park holds a diverse mix of uses with 71 industries represented. Business activities represented at Brookley include tenants in manufacturing, public administration, retail, services, wholesale trade, and construction.

Redevelopment Opportunities

Opportunities for redevelopment are fostered by the following conditions:

- Access to multimodal transportation network,
- Airport facility,
- Availability of training centers,
- Stable and proven labor force,
- Diversity of industrial activity,
- Existing aerospace industry cluster,
- Alabama State Docks expansion potential,
- University research park potential,

¹ From *InfoUSA*, 2003 business database and the MAA

- Business incubator market opportunity,
- Enhancement of Interstate 10 (I-10) entry to Mobile,
- Low cost of living, and
- Modest but stable regional growth prospects.

Redevelopment Constraints

Barriers to redevelopment that must be addressed by this strategy include the following:

- Building age and quality,
- Poor site access and visibility,
- Inefficient site layout,
- Poor site image,
- Air restrictions,
- Ground/building lease restrictions, including length of lease terms,
- Site contamination,
- Unknown infrastructure capacity and condition,
- Mobile location away from national distribution nodes,
- Perception of Mobile, and
- Lack of freight forwarder awareness.

Impacts of Redevelopment

Full redevelopment of the Brookley Aeroplex likely will create 4,400 new jobs, generate an additional \$2.3 million in lease revenue annually, and provide over \$30 million in additional tax revenue to the City. TABLE 1 shows the estimated economic and fiscal impacts of the proposed redevelopment plan.

Market Conditions

In the Mobile region there is an oversupply of industrial land and an undersupply of modern industrial space to service new and expanding industry.

The Mobile metropolitan statistical area (MSA), consisting of Baldwin and Mobile Counties, houses 14.9 million square feet of industrial space, of which the Brookley Aeroplex comprises 4.6 million square feet of space or 31 percent of the entire Mobile MSA. Historic trends indicate positive net absorption in the Mobile MSA and point to a stable industrial market with a healthy demand for industrial space. On average, net absorption in the

Table 1
Brookley Aeroplex Economic and Development Strategy
Benefits of Redevelopment at the Brookley Aeroplex

Item	Value	Basis	Notes
Economic and Financial Benefits			
Net Increase in Employment	4,456	Jobs	Assumes 1,200 sqft per employee
Total Operating Payroll from New Jobs	\$122,526,273	Sum of 10 years	Net present value of 10 yrs [1]
Net Increase in MAA Lease Revenue	\$2,335,816	Per year	At buildout of Brookley Aeroplex
Fiscal Benefits			
Taxes from Construction Wages	\$3,509,851	Sum of 10 years	
Taxes from Operating payroll	\$27,223,618	Sum of 10 years	Net present value of 10 yrs [1]
New Taxes Dedicated to Education	\$11,913,938	Sum of 10 years	Net present value of 10 yrs [1]

"benefits"

[1] Discount rate of 7 percent applied.

SOURCE: Mobile Chamber of Commerce and EPS

12469 eds model 11/4/2003

Mobile MSA has been positive from 1997 through 2002 at 300,000 square feet per year. Before 2000 the average annual net absorption was approximately 800,000 square feet.

Since the 1988 Urban Land Institute study of Brookley, which recommended strengthening aerospace industries and identified a strong near term potential for warehouse and distribution activities, 66 new businesses comprising 64 percent of Brookley firms, including aviation-related businesses such as MAE, have located to the site.² Overall the MAA has successfully attracted significant investment among firms active in aerospace, freight, aviation support, cold storage, and miscellaneous manufacturing, indicating that the existing site conditions, marketing efforts, and real estate practices are attractive to a diverse set of businesses, including aerospace.

However, the pace of development has slowed during the last 10 years, and many buildings and infrastructure systems are near the end of their useful life. Moreover, there is an increasing recognition of the growing scarcity of strategically positioned land with major multimodal systems in Mobile and around the country.

Assuming Brookley continues to capture 31 percent of the industrial space in the Mobile MSA, approximately 3.8 million square feet of industrial space will be demanded at Brookley between 2004 and 2020. This translates into an average annual absorption of 240,000 square feet of space at the project site (see TABLE 3 in CHAPTER IV). Translated into land demand, a total of 332 acres is required through 2020 to meet additional demand at an average annual rate of 21 acres per year (see TABLE 3 in CHAPTER IV).

Based on a regional and project specific analysis of industrial sectors, the following list of industries are likely prospects for the Brookley Aeroplex:

- Transportation equipment,
- Industrial machinery,
- Chemicals,
- Electronic components,
- Metal products,
- Aircraft engines and parts, and
- Logistics.

Industrial Product Development Strategy

Project costs associated with high-dock tilt-up industrial product are equal to or greater than sale values—based on capitalized lease rates prevalent in the Mobile market area (see TABLE 5 in CHAPTER IV). Based on current market conditions, a developer may not be able to achieve suitable returns (usually about 12 percent on total project cost) to stimulate interest in developing high quality investment grade industrial product.

² From *InfoUSA*, 2003 business database.

However, there are several mitigating considerations that can influence the development of such product. They are:

1. The unique locational assets of Brookley—proximity to the Port, the Airport, and to rail—provide the ability to capture a premium for industrial leases among users who need access to multiple freight shipping modes.
2. The Master Plan presented in this report will provide the appropriate organization of uses, circulation patterns, and amenities to generate rents that are near or at the top of the market.
3. The MAA controls the land. As such, it can affect the cost structure of key projects.

Public/Private Partnership

The first of two recommended strategic approaches to redevelopment involve developing a public/private partnership with a master developer as follows (see **Scenario 2** in TABLE 5 of CHAPTER IV):

- Target portions of the Logistics and Manufacturing District (LMC District) and the Light Industrial/Flex (LI/F) District for disposition to one or more master developer(s) with responsibility for the coordination of in-tract infrastructure installation, building development, and marketing.
- Consider using a prepaid ground lease for these areas. As used in various areas of the U.S., this approach allows a developer to pledge a prepaid long term leasehold interest as security to lenders. With a sufficiently long ground lease term (e.g., 50 years or more), the transaction approximates a fee simple sale and should garner present values of at least \$2.00 per square foot.
- In order to spur development of improved product as discussed above, the MAA can reduce the initial cost of the land to the master developer. For example, the disposition of a given 50-acre area can be provided at a reduced initial “floor” land cost or ground lease rate.
- As the master developer successfully markets the property and brings in end users, the economics of final transactions should be used as a basis for revenue sharing between the MAA and the developer. Specific revenue distribution provisions and other elements of the transaction structure should be determined as part of the master developer solicitation and negotiation process.

MAA Controlled Development

A second strategic approach to development involves the MAA taking a direct role in the development of buildings (see **Scenario 3** in TABLE 5 of CHAPTER IV). Under this scenario the MAA can eliminate the need for a land transaction and reduce the cost of vertical development by overseeing the work of a contract (for fee) developer. This approach would likely allow the MAA to receive as much as two to three times the revenue associated with a ground lease. The MAA should plan to pursue this model of development primarily in the Industrial, Infill, and Incubator District (I³ District).

Land Use Plan and Development Districts

The overall development goal of the Brookley Aeroplex is to raise the bar for Mobile by creating a state-of-the-art industrial center attracting major investment not currently present in the region. Significant infrastructure improvements are required in order to attract and maintain viable industry at Brookley. Additionally, the removal of deteriorating facilities with state of the art replacements is required in order to facilitate improved park image and performance. A systematic approach is required to implement the Plan.

Buildout Capacity

Assuming 827 acres of developable land in five districts at Brookley, approximately 9.8 million square feet of state of the art industrial facilities can be accommodated on site. Brookley could house 8,200 employees in 9.8 million square feet, creating a net increase of 4,500 jobs between now and buildout.

Tenant Assessment

Of the 4.1 million square feet of occupied space at Brookley, approximately 3.6 million square feet (90 percent) houses tenants that are anchor businesses, employment intensive, high revenue generators, or compatible with the location advantages offered at Brookley. Approximately 11 percent of the space at Brookley belongs to tenants who should be located off site because they do not meet one of the criteria listed above.

Lease Assessment

Over one-third of the space at Brookley houses tenants with less than a 10-year lease. The remaining space at Brookley houses tenants with 11 or more years left in their lease term (TABLE 16 in CHAPTER V). In order to pursue redevelopment, tenants with shorter lease terms that fit in the redevelopment goals identified for Brookley should be encouraged to move into reconstructed facilities on site.

Development Districts

The initiation of five development districts will organize reuse initiatives into identifiable, industrial neighborhoods:

1) LMC District

Logistics and manufacturing land uses are compatible and can be located in the same district. A total buildout of 2.5 million square feet of space is expected for the LMC District. Significant demand for product in this area is expected as a result of the new Choctaw Point Intermodal facility planned for Alabama State Docks. The area is well-suited for specific facilities designed by end-users, consisting of a broad set of manufacturing and logistics uses sometimes arrayed in campus configurations. With significant frontage along I-10, a large portion of this district is visible from the highway.

2) Research and Training Campus

The Research and Training Campus is potentially the center of activity for Brookley, providing several functions. It would be developed as an administrative, business and training center, highly amenitized with plazas and landscaped public open space. The site is naturally positioned as a “hub” for the larger project, bringing together aerospace, manufacturing, administrative, logistics, open space, and transportation facilities. Buildout of the Research and Training Campus would result in a total of 444,000 square feet of industrial space, including the existing 30,000 square foot Alabama Aviation Technical College (AATC). Building types should include higher-value multistory (2-5 stories) buildings with the potential for structured parking, more intensive landscaping, and preservation of the existing heritage trees.

3) I³ District

The I³ District presents a major opportunity for the MAA to intervene in the market to deliver small-scale, high quality industrial product at low prices to tenants. Included in the plan for this district is a business incubator developed in collaboration with the existing Business Innovation Center program. Buildout of the I³ District is expected to be approximately 1.2 million square feet. The I³ District is proposed to consist of smaller buildings, centered on a major public open space to facilitate a collegial environment and create a “sense of place” for the district. The buildings should be divisible to 5,000 square feet. New structures should be one-story, have “clear heights” of 16 feet, and be light industrial in character with enhanced entries.

4) LI/F district

The LI/F District is the most appropriate location to initiate light industrial/flex development, including both owner-user and ultimately speculative product. Use restrictions and design guidelines will be emphasized in this area. This area also benefits from excellent highway visibility and access. The LI/F District and the Logistics and Manufacturing District are the site's best opportunities to negotiate disposition to one or more master developers. At buildout, the LI/F District has the capacity to house 1.1 million square feet of space. Combined with the Logistics and Manufacturing District and the I³ District, the MAA has an opportunity to bring multiple product types to market simultaneously, creating diversity, stability, and growth. There are several existing tenants throughout Brookley that may be suitable for this District resulting in pre-leased tenants planning to occupy the new speculative project.

5) Aerospace Technology District

The Aerospace Technology District is the economic driver of the site, and has substantial untapped potential. Over 230 acres of vacant developable land exists in this district and provides an opportunity to house future aerospace end users. As negotiations proceed for the Honda/Teledyne joint venture, every effort should be made to locate this facility in the Aerospace Technology District. At buildout, the Aerospace Technology District can house 4.6 million square feet of aerospace and aviation related uses on 482 acres of developable land.

Brookley Improvement Plan (BIP)

The BIP integrates infrastructure and circulation improvements, rail modifications, and open space improvements into a comprehensive improvement plan. The BIP is projected to require a \$25.4 million capital investment.

Utility Improvements

Overall, utility levels in the Brookley site appear to be adequate for the current development density, however, the current condition of these facilities and their capacities are unknown and undocumented. Generally, new underground trunk systems should be placed inside the new frontage road rights-of-way. This placement will provide direct links to parcels facing the I-10 frontage, as well as connection points for new or replacement systems inside the revised network of streets.

Circulation Improvements

Brookley's existing internally focused circulation network inhibits redevelopment of the site. The opportunity exists to create a comprehensive, efficient network of primary "backbone" and secondary "in-tract" streets that will support the overall development needs and at the same time be flexible to respond to the specific demands of each district. All streets will be tree lined, walkable streets with planting strips, sidewalks, and landscape easements in the development parcels. Multi-use paths with tree screens and understory planting will line the linear park sections. Selectively vacating several the existing streets is necessary to more clearly define circulation patterns and consolidate large parcels of developable land. Among other improvements, a new frontage road along I-10 will reorient numerous development parcels and create major development opportunities.

Rail Modifications

The bordering of the Brookley Aeroplex on the north by CSX Railway along the I-10 corridor provides the capability of bringing rail spurs into Brookley to serve individual tenant needs and/or provide a spine service into individual facilities. The proposed Port intermodal rail terminal immediately to the east of Brookley provides a unique capability for even more flexible rail service to the easterly portion of the site with the possibility of extending it throughout the Complex. Currently, the locations of rail spurs throughout the site inhibit parcel

assembly and efficient circulation. Eventually, the entire complex should have a new rail system that enhances the development rather than limits it.

Open Space Improvements

There are several opportunities on the site for significant public open spaces that support the overall development goals. These open spaces generate opportunities for identity, enhancement of the overall image, links to other Mobile amenities, restoration of environmentally sensitive areas, and active, open, public social and recreational places. This includes the Crepe Myrtle Trail Extension—the most significant public open space improvement consists of a 50' wide landscape easement containing a multi-use recreational path providing a connective link between Brookley, downtown Mobile and the Southern shoreline.

Implementation Guide

In order to achieve the development goals outlined in CHAPTER V, the MAA should implement a phased approach to development at Brookley that utilizes a combination of public/private development approaches. The MAA should also pursue a funding strategy that leverages local and internal funding sources to bring in state, federal, and private sector funding. In order to implement the development plan at Brookley, changes in the existing organizational framework of the MAA are required. Additionally, partnering with the private sector, local stakeholders, various statewide marketing groups, and federal agencies will likely improve the feasibility of redevelopment at Brookley.

Initial Development Areas

There are approximately 34.5 acres of land available for immediate development at Brookley in the LI/F District, the Logistics and Manufacturing District, and the I³ District. This land has a potential yield of 580,000 square feet and can be developed and serviced with both existing and future circulation and other infrastructure improvements.

The purpose of developing the initial development areas (IDAs) is to demonstrate the market potential for industrial development at Brookley by quickly constructing new space that yields higher values and allows for business expansion and/or creation. The MAA should be the developer of the IDAs.

Phase I Development

Approximately 400 acres, or 50 percent of the developable land at Brookley, has been targeted for Phase I development. Phase I is expected to yield approximately 4.8 million square feet of space. Using the estimated Brookley Aeroplex annual absorption of 240,000 square feet, the non-aerospace planning districts can be expected to complete Phase I development within the next 9 years.

MAA Revenue Testing

The redevelopment of the Brookley Aeroplex should enhance the revenue generated by the MAA and allow for additional staffing, increased marketing, greater revenue bonding capacity, and enhanced cash flow.

Without redevelopment at Brookley and assuming the continuation of current revenue and operating conditions, the MAA would receive a total of \$28 million in cumulative income from industrial real estate by 2020. However, if full buildout of the park is achieved through redevelopment, cumulative income by 2020 is expected to increase by almost double to \$49.3 million (see TABLE 35 in CHAPTER VII).

To the extent that the redevelopment of Brookley is an important policy directive, it is recommended that the MAA increase the percentage of revenue from the Brookley real estate asset that is reinvested on-site.

Funding Strategy

The MAA should pursue a four part strategy for funding the redevelopment of the Brookley Aeroplex:

1. Leverage MAA internal resources including bonding, assessment, and lending capacity to secure funding from outside sources.
2. Using internal resources as equity, secure outside investment in Brookley by tapping into the private sector as well as local partnering organizations.
3. After securing internal and local investment, identify and secure state and federal economic development grants and low interest loans for the Brookley Aeroplex.
4. Becoming well versed on the financing tools available to businesses either to decrease costs associated with operation (employment tax credits and property tax abatement) as well as to assist with funding capital improvements.

The MAA has the authority and capacity to issue revenue bonds and create an assessment district to fund capital and operating costs associated with redevelopment. Paired with and complementing this bonding authority are several other funding prospects:

- **City Capital Improvement Plan.** The redevelopment of the Brookley Aeroplex will increase jobs and enhance economic development throughout Mobile. Additionally, recommended backbone infrastructure improvements will enhance circulation and benefit the entire City. As a result, it is proposed that backbone infrastructure improvements for \$17.2 million be included in the City Capital Improvement Plan (CIP).
- **Alabama State Docks.** The futures of State Docks and the Brookley Aeroplex are inextricably linked. Demand for industrial space at Brookley will likely increase as the Choctaw Point Terminal and the intermodal rail terminal are completed and cargo shipping increases. As projects are identified that support the operation of State Docks and the MAA, the MAA should look to State Docks for investment.
- **University of South Alabama.** The University of Alabama (USA) is deliberating the ultimate plan for the land adjacent to the Brookley Aeroplex. Understanding the final development plans for the Brookley Aeroplex will ultimately impact the USA's plans for the site. As development occurs at Brookley, USA should be consulted both as an adjacent landowner and as a potential investor in Brookley improvements.
- **Retirement Systems of Alabama.** The Retirement Systems of Alabama (RSA) is interested in investing in sound projects that benefit Alabama and have the potential for high financial returns. RSA indicated that investment funds could be available to reputable companies interested in constructing facilities at the Brookley Aeroplex.
- **Private Sector.** Private sector real estate investors and developers should be identified as potential funding sources for Brookley redevelopment. Real estate investment trusts (REITs) active in the Southeast should be contacted regarding Brookley's redevelopment initiatives. In addition, the MAA should issue an RFP/RFQ for redevelopment in the Logistics and Manufacturing District and the LI/F District, in order to secure private sector real estate developers

- **Grants, Low-interest Loans, and End-user Sources.** The MAA should identify, apply for, and obtain economic development grants and low-interest loans in order to enhance project feasibility. TABLES 37 and 38 in CHAPTER VII describe these programs. TABLE 38 provides a recommended combination of funding sources applied to redevelopment at the Brookley Aeroplex. In addition to infrastructure grants and other predevelopment funding sources, end users have several options for improving project feasibility. Three examples include industrial revenue bonds (IRBs), the Alabama Income Tax Capital Credit, and the Enterprise Zone Tax Credit.

Marketing Strategy

The MAA has already been pursuing an aggressive marketing campaign to bring industry to Brookley. However, future marketing efforts should be strengthened and additional resources should be applied directly to Brookley through the following marketing recommendations:

- Target the aerospace industry as the key sector for growth at Brookley.
- Increase the aerospace marketing capacity by hiring staff that has specific knowledge about the aerospace industry in particular and can attend aerospace related trade shows, work with aerospace industries at Brookley, and generally develop complementary sub-sectors of this industry at the site.
- Continue to target a broad range of industries to maintain economic diversity at the site.
- Work with the Port to develop relationships with freight forwarders in order to ensure they have adequate knowledge of Mobile and the Port capabilities and services.
- Continue a marketing campaign to convey Brookley's successes particularly with regard to aerospace growth, job creation, and share of the Mobile regional industrial market.
- Distribute this plan to stakeholders and potential investors, and develop a web page that markets Brookley, increase media advertising and outreach to brokers, developers, and the community.
- Build a real estate sales office that contains a model of the property at buildout and graphics detailing the plan.

Organizational Framework and Development Strategy

In order to effectively implement the *Brookley Aeroplex Economic and Development Strategy*, the MAA must develop a strategic organizational framework and development strategy that adequately addresses the demands of real estate management and development. There are two general components to an improved organizational and development strategy that will effectively implement the *Brookley Aeroplex Economic and Development Strategy*:

- The Real Estate Department in the MAA should be expanded to include increased capacity for land development, project management, and marketing, while simultaneously narrowed to focus exclusively on Brookley as opposed to the Regional Airport.
- The expanded Brookley Real Estate Department should develop the Brookley Aeroplex using a public/private partnership approach to development disposition, marketing, and tenant relations.

The MAA should create at least a four-person Brookley Real Estate Department with additional administrative support staff hired as necessary. At least 75 percent of this department's time should be allocated to Brookley. In addition to the current Property Manager position, an Executive Director/Marketing Director, Real Estate Development Project Manager, and Redevelopment Specialist are required.

Development Strategy

The development strategy implemented by the MAA should be a public/private venture.

Master Developer Led Redevelopment

In the Logistics and Manufacturing District and the LI/F District, an RFP/RFQ process should be pursued to bring private real estate developers into the redevelopment process at Brookley. In the I³ District, the MAA should manage the development process via the Development Project Manager. The Aerospace Technology District and the Research Training Campus will primarily be developed by end-users. Coordination between end-users and the Brookley Aeroplex should occur through the Development Project Manager.

MAA Managed Redevelopment

In those areas, particularly the I³ district where the MAA retains the responsibility for managing the development process, the MAA should contract with outside agencies where necessary. The IDAs are programmed for MAA controlled development and will serve to prove the market for new facilities in the Mobile region. Collaboration with the Business Innovation Center will be invaluable in developing a business incubator at Brookley. An important part of the MAAs responsibilities will be coordination and oversight of individual builders constructing IDA projects, incubator buildings, and end-user facilities.

End-User Facilitated Redevelopment

The Aerospace Technology District and the Research and Training Campus will likely be developed primarily by end users. The Brookley Real Estate Department should facilitate end user projects by making land available for the construction of new facilities. Where appropriate, demolition of older facilities should be conducted to make room for new construction. Additionally, the Real Estate Department should actively work with prospective end users to secure the appropriate financing for capital projects, including but not limited to the capital credit, IRBs, and State financing.

While each of the development strategies outlined above apply to specific planning districts, employing a combination of these strategies in a particular district is expected and is entirely appropriate. As a result, the MAA should view the development strategies as three tools to be employed at the appropriate time in order to: 1) develop some speculative space, 2) provide initial development space in the IDAs and at the incubator, and 3) work with end users.

Brookley Aeroplex Action Items

The redevelopment of the Brookley Aeroplex requires that the following action items be undertaken by the MAA:

1. *Establish preconditions and pursue initial development (Years 1 to 5)*

- a. Adopt the recommended organizational strategy
 - Hire Real Estate Executive/Marketing Director
 - Hire Real Estate Development Project Manager