



READY FOR TAKEOFF

Bluegrass Station Airport P3 Implementation Path

Report to the Kentucky General Assembly's
Interim Joint Committee on Appropriations & Revenue

November 1, 2022



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I. Executive Summary

The Commonwealth of Kentucky has long held a special significance in the United States military's ability to provide supplies and support for military missions around the world. Much of Kentucky's ability to support those missions lies in an obscure industrial park in Central Kentucky that is operated by the Kentucky Department of Military Affairs.

Bluegrass Station is Kentucky's only state-owned industrial park. The 780-acre site – established about 80 years ago by the U.S. Army – was acquired by the Commonwealth in 1995 and serves military missions nationwide and around the world. The industrial park has tenants employing more than 2,000 Kentuckians.

The Department of Military Affairs strongly contends that further investments and significant growth are required to ensure the Commonwealth can:

- Continue to support the U.S. military and other homeland security missions
- Help to secure Bluegrass Station's competitiveness
- Meet the growing logistical needs of current and potential military and defense-related agencies
- Meet the region's demand for aviation infrastructure
- Expand economic opportunities and increase jobs in the region

This Bluegrass Station Airport P3 Implementation Path addresses the above issues and was developed in accordance with a requirement in House Bill 1 of the 2022 Regular Session of the Kentucky General Assembly. The requirement states:

“Included in the above Restricted Funds appropriation is \$500,000 in fiscal year 2022-2023 to continue preliminary work on the Bluegrass Station Industrial Airport and Airpark project. The Department of Military Affairs shall provide a report to the Interim Joint Committee on Appropriations and Revenue by November 1, 2022.”

-HB1 2022 RS page 9, line 4 HB000190.100 - 1180 - XXXX

This Path offers a smart, conservative and low-risk approach to proceed with a potential Public-Private Partnership (P3) project that would provide significant benefits for the Commonwealth and secure the future of Bluegrass Station.

Benefit-cost overview

Preliminary research and data, based on current market conditions and initial feedback from potential partners in development at and around Bluegrass Station, show that an upfront investment of \$55 million for land acquisition and pre-development costs, and future roadway improvements of an estimated \$88 million would:

- Create 3,000 to 6,000 permanent jobs once the Project is fully built (an estimated six to eight years)
- Generate \$12 million to \$20 million in annual, reoccurring state and local tax revenues of which 75 percent would go to the state
- Include more than \$1.4 billion in private investment for Airfield and Airpark infrastructure and development

Initial findings indicate that this Project could provide the type of regional economic transformation that Kentucky expects from projects like the Toyota plant expansions in Georgetown, Ky.



The word investment is not used lightly in this report. The Commonwealth’s contribution for land acquisition and pre-development costs is expected to be fully repaid within three years following the end of land acquisition, commercial and financial close. To lessen risk for the Commonwealth, this recommended Path includes small investments in the early stages of the project and numerous “off ramps” before fully committing to an agreement with a P3 partner.

Interest from investment community

Initial investor, developer and tenant interest in the BGS Airport Project is high. In order to continue the momentum of this project, we propose gathering more input from the private sector and proof of their project consideration through issuing a Request for Information (RFI). This next step will provide important industry feedback from potential investors and developers to confirm and refine our Path.

The BGS Airport Project is appealing to investors because:

- The Airfield meets demand needs for the general aviation (GA) community
- Proximity to Bluegrass Station allows for development opportunities for the Airpark tenants
- Multiple revenue options (infrastructure/transportation revenue from the Airfield, real estate revenue from the Airpark)
- Limited number of U.S. airport projects to invest in
- Limited number of business park opportunities in Kentucky
- Airfield and Airpark both support the mission at Bluegrass Station
- Airfield and Airpark are both greenfield projects
- Airfield and Airpark projects are procurement ready
- Synergy between Airfield and Airpark projects
- Positive business climate in Kentucky

The following sections of the Bluegrass Station Airport P3 Implementation Path provide more detail on the Project’s technical components, financial modeling, land acquisition process, procurement structuring options, project structuring options and the economic impacts. It is a continuation of previous research (e.g. 2021 Bluegrass Station Airport P3 Development Feasibility Study) that also showed the BGS Airport Project is financially viable and has the potential for a significant return on investment to both the Commonwealth and private investors/developers.

This Path includes data and research collected by a team of project consultants led by FRASCA & Associates, Hanson Professional Services, Frost Brown Todd Attorneys, Orrick, Palmer Engineering, C2 Strategic Communications and McGuire Sponsel. Our Consulting Team comprises national and local experts in public finance, legal, aviation, civil engineering, environmental consulting and economic development.

Bluegrass Station background and future needs

The Commonwealth of Kentucky is incredibly proud of its special relationship with the U.S. military. As a home to two major U.S. Army installations and numerous Kentucky National Guard and reserve force facilities, Kentucky is exceptionally supportive of the military’s worldwide missions to protect U.S. citizens. As part of this effort, Kentucky created the Bluegrass Station Division of the Department of Military Affairs to:

“[S]upport, retain, and attract primarily defense and homeland security agencies, contractors, and associated and compatible operations, including the jobs which they bring to Kentucky.”

-KRS 36.068.



Located in a rural area near the crossroads of two of Kentucky's major corridors – Interstate 64 and Interstate 75 – Bluegrass Station furthers this statutory mission and is a vital support center for the nation's military and first responders.

Bluegrass Station provides critical supplies, uniforms and tactical equipment to more than 700,000 service members in 84 countries and 54 states and territories. Given the conditions for tenant success since 1995 with the construction and facilities support portion of logistics, the facility's tenants have been successful to the point of attracting numerous new missions. Bluegrass Station has become the start point and the end point for many commodities in the military supply chain. However, the lack of transportation infrastructure, specifically an airport, has capped Bluegrass Station's ability to support our troops. Kentucky's challenge is to not allow what is happening in the commercial supply chain to happen to the military supply chain. An adjacent airport would correct supply chain unreliability, increase speed, and improve efficiency.

The potential expansion of Bluegrass Station to include the development of an Airport, consisting of an Airfield and Airpark, is a smart-growth opportunity for Central Kentucky that will enhance military and public transportation and logistics assets, while building on Kentucky's strong and growing reputation as a leading aerospace and defense technology state. In addition to supporting the military and defense industry, this project would support the increasing demand for general aviation (GA) services in Central Kentucky, as well as area businesses, the local workforce and state and local economies.

2021 BGS Airport P3 Development Feasibility Study summary and updates

On November 24, 2021, the FRASCA team issued a feasibility study showing that the BGS Airport Project is financially viable and will produce a sufficient return on investment for both the Commonwealth and private investors/developers. The 2021 Bluegrass Station Airport P3 Development Feasibility Study evaluated developments costs, potential revenues and operating and maintenance costs based on market conditions, a target rate of return to entice private investment and capital investment by the Commonwealth including predevelopment work and land acquisition. The study also provided reimbursement options to the Commonwealth for their investment in the project, as well as insight into private investor and developer interest.

The study showed the BGS Airport Project had the following key elements of a successful P3 project:

1. The project provides financial returns to attract private sector investment
2. The Airport meets critical aviation demand needs and provides the Commonwealth and the Department of Military Affairs required logistical resources
3. The Airport will provide needed Fixed Base Operator (FBO) services, cargo facilities, hangars and fixed winged Maintenance Repair and Overhaul (MRO)
4. The project creates a significant number of new jobs
5. The greenfield aspects of the project are very attractive to the private sector
6. The project proximity to Bluegrass Station is a positive attribute for the Project

In the twelve months since the study was issued, the economic and financial landscape has changed, presenting both new opportunities and challenges for the project. With inflation hitting historic highs and supply chain issues persisting, the cost to develop, build and maintain the project has increased. However, the current and future economic projections indicate several opportunities to counterbalance those cost increases. Future land acquisition cost estimates have significantly dropped and will continue to decline as the economy slows, thus reducing the Commonwealth's required investment to acquire land for this Project. With the economic downturn, the cost of materials will also begin to decline, and forecasting indicates that construction development inflation will



start declining in 2023 and continue over the next five years. Further, since March 2022, the federal fund rate has increased 300 basis points but the municipal bond rate has only increased 50-75 points for 30 years; an advantage to the project.

Next steps

Our Consulting Team was asked to submit an estimate of what the Commonwealth’s upfront financial investment would be to bring this Project to the market and achieve commercial and financial close. The estimate for the standard P3 process breaks down the funding request into four discrete tasks as detailed below:

- **Task 1** – Additional pre-development activities to include issuance of a Request for Information (RFI) and receive and review responses, draft a Request for Qualifications (RFQ), and conduct certain land acquisition due diligence tasks that will not impact landowners, such as title exams
- **Task 2** – Issue RFQ and shortlist teams, draft and issue Request for Proposals (RFP) and enter into P3 Agreement
- **Task 3** – Developer conducts Phase 1 of the P3 Agreement, which includes pre-development activities, such as site investigations, finalize financing, and development of 60-80 percent of design
- **Task 4** – Commercial and financial close and complete land acquisition necessary to commence construction

The estimated amounts of the Commonwealth’s upfront investment are as follows:

Tasks	Time Period	Estimated Investment Amount	Options for reimbursement *see key below chart
Task 1: Issuance of RFI and evaluate responses, land acquisition due diligence, draft RFQ	4-6 months	\$800,000 consulting fees	KY
Task 2: RFQ issuance, shortlist teams, appropriation funding, RFP process, enter into P3 Agreement	6-10 months	\$4–5 million land acquisition	KY, PA, AA
		\$3–3.5 million consulting fees	KY, PA, BC
		\$3 million environmental assessment (EA)	KY, PA, AA
		\$1.5–2 million stipends	KY, PA, AA
Task 3: Phase 1 of P3 Agreement Pre-development Activities	9-12 months	\$3–5 million land acquisition	KY, PA, AA
		\$3.5-4 million consulting fees	KY, PA, BC



Tasks	Time Period	Estimated Investment Amount	Options for reimbursement *see key below chart
Task 4: Complete land acquisition, commercial and financial close	1-3 months	\$28 - 31 million completion of land acquisition	KY, PA, AA
		\$750,000 consulting fees	KY, PA, AA
Total		Up to \$55 million *to be reimbursed within three years after completion of Task 4	

Key

- KY - Commonwealth of Kentucky
- PA - Commonwealth-created Authority (Public Authority)
- BC - Bourbon County
- AA - Local government Airport Authority or Special Purpose Governmental Entity

There is a \$0 requirement from the Commonwealth for Task 1 since the funds for FY23 have already been appropriated. Funding from the Commonwealth for Task 2 is estimated to be from \$11 - 13.5 million. Task 3 requires an estimated \$6.5-9 million from the Commonwealth and Task 4 requires an estimated \$28-31 million. The Commonwealth expenses for Tasks 2 through 4 would require additional appropriations either in the 2024-2026 budget or through a current year appropriation. More precise costs and pricing will be determined once the Commonwealth determines the final project scope. There could be additional financial contributions from the Commonwealth requested by the preferred developer in their response to the RFP. A formal RFI can help clarify what financial contributions would be necessary.

The Commonwealth will be able to recoup 100 percent of its upfront investment in this project. We estimate that full reimbursement of the investment will occur no later than three years following the end of land acquisition, commercial and financial close. The timing of any reimbursement is dependent on project economics, grant availability and the Commonwealth’s investment recovery timeline. The upfront investment can also be considered as a Commonwealth-provided bridge loan.

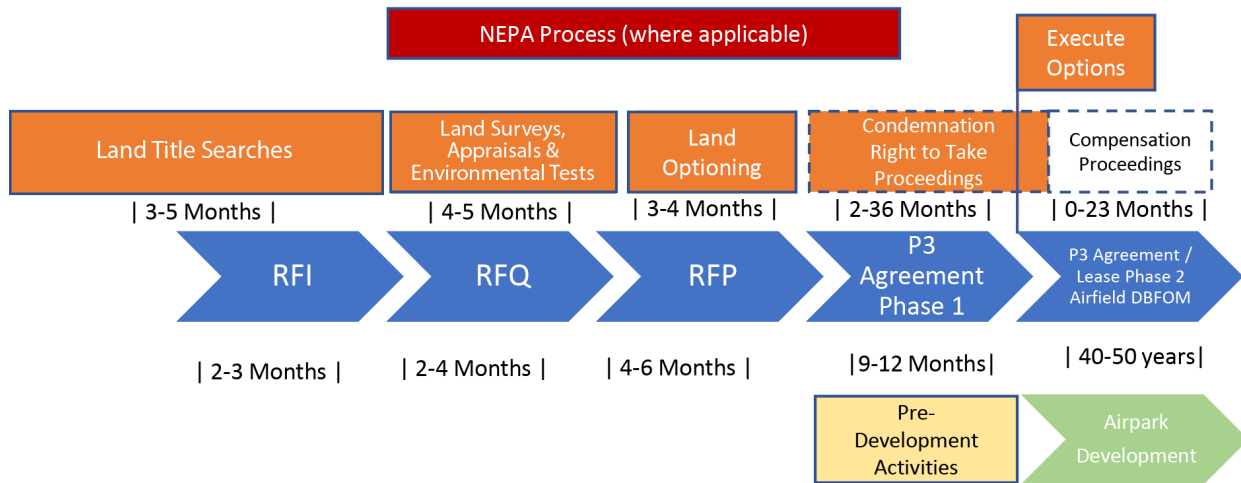
The land acquisition investment and other predevelopment costs could be recovered through several means. A new Commonwealth Authority could issue municipal tax-exempt revenue bonds to reimburse the Commonwealth for all or a portion of the land acquisition costs (the amount of such reimbursement to be determined by the Commonwealth, considering multiple factors, including, but not limited to, concessions or lease payments). The timing of this would be determined by the amount of time it would take to establish the statutory Authority. From the time of the Authority’s creation, the debt could likely be issued within one to three years or the point of stabilized cash flows, whichever comes sooner. This debt could then be serviced by concession payments from the Developer/Concessionaire to the Authority.

Another method would be to rely directly on annual revenue share concession payments generated by the Project to reimburse the Commonwealth wholly or partially over the term of the lease Concession period.

The regional demand to create large industrial sites is supported by Commerce Lexington’s Regional Competitiveness Initiative and justifies the repayment timeline. See Appendix G for Regional Initiative document.



Bluegrass Station Airport Procurement and Land Acquisition Timeline



See Appendix E for a detailed, long-term Project timeline detailing the impacts and returns.

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II. Frequently Asked Questions

Below are Frequently Asked Questions (FAQs) about the BGS Airport Project with summarized responses. More detailed information pertaining to each response is available in the corresponding chapters of this report.

What is the landowner outreach strategy?

We suggest conducting widespread and early engagement with all landowners and the community at-large.

We suggest forming an internal communications team and immediately tasking them with refining messaging and creating an outreach schedule. To be consistent with practices on other major projects, we would conduct all outreach activities during the planning phases and as we seek development partners. For this project, that outreach would occur after the RFI phase and will coincide with the RFQ issuance. This outreach will include:

- Letters to landowners who might be affected
- Sharing of information through the media and online information
- Public meeting(s) to share information and document feedback
- Continued communication to update landowners on timing, progress and impacts of the Project

Is there interest from local government and what would be their level of involvement?

Bourbon County Judge/Executive Mike Williams continues to express that the county elected officials are very supportive of the project. The county is ready to work with the Commonwealth to make this project a reality. Judge Williams also stated that with concurrence of the Fiscal Court, Bourbon County may be willing to proceed as the lead governmental entity if the Commonwealth does not move forward with the project. Bluegrass Station is a valuable employment and economic asset to Bourbon County, and the BGS Airport expansion would help secure the military hub's longevity. While Bourbon County does not have the financial capability to acquire the needed land, it may be willing to create an Airport Authority or a Special Purpose Governmental Entity (SPGE) to access financial markets and be the landowner.

How will the Project be structured?

We recommend three structure options to provide a path forward for the BGS Airport project:

- Option 1 (Commonwealth Agency): The most traditional structure is to have the Commonwealth serve as the lead governmental entity and be the lessor and counterparty to the private master developer. This option could provide the most operational efficiencies by having the same owner for both Bluegrass Station and this Project.
- Option 2 (Commonwealth Project Authority): An alternative structure is that the Commonwealth create an Authority that would serve as the lead governmental entity. Such an Authority could have representatives from multiple agencies and potentially from the impacted local governments. The Authority would acquire the land, lease the land to the master developer, and receive ground rent and revenue share from the Project.
- Option 3 (Bourbon County SPGE): Another alternative is for Bourbon County to create an Airport Authority or a SPGE, which would serve the same role as the Option 2, Commonwealth-created Authority.

What is the procurement plan and process?

The FRASCA team has proposed a comprehensive procurement plan that utilizes an RFI/RFQ/RFP process with a two-phase development structure. The P3 procurement process is being vetted with the Kentucky Finance Cabinet's attorneys.

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What are the range of transaction options?

The ultimate transaction structure will be decided by the market conditions during Phase I of the P3 agreement negotiation. Any transaction structure would include a reimbursement of procurement costs, land costs, and other infrastructure costs to the appropriate governmental body. The reimbursement can be structured as a lump sum payment, or it can be amortized over time.

What tenants will be interested in the BGS Airport?

Interest from potential tenants remains high. The primary Airfield tenants would include fixed wing maintenance and repair companies, cargo operators and fixed base operators. The Airpark tenants would include defense contractors, aerospace companies, autonomous fixed wing and rotary technology companies, green energy technology companies, and warehouse and distribution centers.

Is there any investor interest in the Project?

Investors and developers continue to express interest in this project. There is a core of five investor groups that consistently reach out to discuss the status of the project and provide deal structuring ideas. We continue to hear from both infrastructure and real estate investors and developers about the progress of the project.

The BGS Airport Project is appealing to investors because of the following:

- The Airfield meets demand needs for the general aviation (GA) community
- Proximity to Bluegrass Station allows for development opportunities for the Airpark tenants
- Multiple revenue options (infrastructure/transportation revenue from the Airfield, real estate revenue from the Airpark)
- Limited number of large U.S. airport projects to invest in
- Limited number of business park opportunities in Kentucky
- Airfield and Airpark both support the mission at Bluegrass Station
- Airfield and Airpark are both greenfield projects
- Airfield and Airpark projects are procurement ready
- Synergy between Airfield and Airpark projects
- Positive business climate in Kentucky

What is the Project scope?

After evaluating land use, we have reduced the total project size from 4,000 acres to an initial 2,000 acres. The Airfield portion will now require approximately 1,000 acres and the Airpark portion will also be approximately 1,000 acres in this initial development phase. The reduced site requirements will also result in the need for less roadwork. While this model is based on a 2,000-acre site, future market conditions could justify expansion up to 4,000 acres. The Commonwealth can clarify and refine its land needs during the RFI phase.

What are the Project's financial overlays?

In all potential transaction structures, there will be a repayment mechanism for reimbursements of governmental funds to provide for a ground rent and revenue share with the appropriate governmental entity. The returns to the government would be evaluated on a net present value (NPV) basis and compared to the private investors' internal rate of return (IRR) for the project and used as a basis of bid evaluation award for the P3 contract.

Are there bond financing options?

Bond financing would be an option by utilizing project finance revenue bonds or industrial development revenue bonds.

Are there opportunities for federal/other grant funding?

There are multiple opportunities for federal and other grant funding. They include:

- \$20 billion in federal funds available for airports through 2030, administered through USDOT under 23 USC 117 – Office of Multimodal Infrastructure and Freight. These funds must be obligated within five years.
- The Transportation Infrastructure Finance and Innovation Act Financing (TIFIA) is available as a financing source after its recent expansion to cover airports, and it offers terms up to 75 years.
- USDOT Sec. 21205 / 11132 provides for grants to fund predevelopment and advisory costs for P3 projects
- Bipartisan Infrastructure Law funding includes some competitive grant programs that may be applicable

Will the Commonwealth recoup its investment?

The land acquisition investment and other predevelopment costs could be recovered through several means. A new Commonwealth Authority could use its self-created land equity to issue municipal tax-exempt revenue bonds to reimburse the Commonwealth for all or a portion of the land acquisition costs, the amount of such reimbursement to be determined by the Commonwealth, considering multiple factors, including, but not limited to, concession payments (notwithstanding the state income and sales taxes to be generated by the project). The timing of this would be determined by the amount of time it would take to establish the statutory Authority. From the time of the Authority's creation, the debt could likely be issued within one to three years or the point of stabilized cash flows, whichever comes sooner. This debt would then be serviced by concession payments from the Developer/Concessionaire to the Authority.

Another method would be to rely directly on annual revenue share concession payments generated by the project to reimburse the Commonwealth wholly or partially over the term of the lease Concession period.

Who will have project oversight and what will that cost?

Contract oversight would be the responsibility of the governmental counterparty. The cost of this oversight would be covered by the proceeds of the project.

How does this project compare to other Kentucky P3s?

Comparison: Bluegrass Station vs. the Louisville East End Crossing

The Louisville Bridges Project contained two crossings across the Ohio River – the Downtown Crossing let by Kentucky, and the East End Crossing let by Indiana. Each state was responsible for the costs of its respective crossing, but both crossings were considered one “project” because toll revenues between them were to be split evenly. The East End Crossing was the portion of the project completed with a P3 procurement model. Milestone payments were made during the course of construction. Thereafter Indiana is obligated to make availability payments to the P3 partner which reimburses the P3 partner for their debt and equity used to fund the cost of design and construction as well as long term maintenance and life cycle replacement obligations. Indiana's share of the toll revenue helps to cover these availability payments. The East End Project is similar to the Bluegrass Station project in that land tracts were required to be obtained via condemnation and negotiation to make way for the Project, and with the anticipation of some milestone payments likely being required on Bluegrass Station as well. The East End project is different than the anticipated model for Bluegrass Station in that it is hoped that the private partner will not require an availability payment from the Commonwealth but instead look to rents and fees from other private entities to recover its additional design, construction and finance costs. Had the private developer on the East End Bridge derived its payment beyond milestone installments from direct toll revenue, rather than via guaranteed availability payments that Indiana offset by toll revenue, then the East End Crossing and anticipated Bluegrass Station models would be more similar.

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III. Technical

Aviation planning needs

In response to the needs of the Bluegrass Station (BGS) anchor tenants and regional aviation needs, the Commonwealth proposes a general aviation airport to accommodate fixed-wing aircraft and to expand the Bluegrass Station to accommodate its growing mission as well as serve the needs for industrial land in central Kentucky. The new facility will be a multi-modal facility supported by aviation, trucks and adjacent rail.

The BGS Airport will require a runway length capable of serving single engine aircraft, corporate jets, smaller cargo aircraft, and military aircraft in support of the current and potential future efforts and activities at BGS. Currently the DOD-style facility is utilizing Creech Heliport for rotary wing aircraft retrofits, but the need for fixed-wing aircraft support is becoming evident. Common military fixed-wing models that could be used or be serviced at BGS Airport are anticipated to include the C-17 and C-130.

While planned to be constructed initially with state, local and/or private funds, once developed, the Commonwealth can pursue the addition of the BGS Airport to the National Plan of Integrated Airport Systems (NPIAS). Once included in the NPIAS, the Airport would be eligible for Airport Improvement Program (AIP) grant funding. There are several requirements for an airport/airfield to be part of the NPIAS; one of those is to have at least ten based aircraft. Thus, the development of enough hangars to accommodate general aviation aircraft is important to pursuing entry into the NPIAS.

For entry into the NPIAS, an airport also needs to be part of the state aviation system. For the BGS Airport to be eligible to be part of the NPIAS, it first needs to be specifically included in the Kentucky Statewide Aviation System Plan or an amendment to that plan. The Kentucky Statewide Aviation System Plan includes a proposed airport for central Kentucky. The Kentucky Department of Aviation initiated a more detailed Lexington Regional Airport System Plan (LRASP). Prior to being put on hold, this study demonstrated the need for an additional aviation facility to serve the growing aviation needs in central Kentucky. The LRASP can be completed prior to or during the RFI and RFQ phases of the P3 process.

We propose an initial runway length of 7,800 feet and a runway width of 150 feet plus paved shoulders. This length will allow for takeoff with maximum payload for most aircraft with strategic airlift capabilities. This runway length is longer than any in the central Kentucky region and would provide not just maintenance capabilities for these aircraft but also international mission capabilities. In addition to military contractors, the longer length could provide a backup runway to commercial traffic and larger cargo activity needs in the area. While we propose an initial runway length of 7,800 feet, it would be designed with the potential for future extension. The initial runway would be designed to serve up to airport reference code (ARC) C-IV, which includes aircraft such as Boeing 757. This design would also be adequate to accommodate the anticipated models of strategic lift aircraft.

We selected the runway location based on keeping the project constructed area away from and outside of the U.S. Army Corp of Engineers (USACE) BGS landfill. Another consideration regarding runway location was to remain completely clear of all surrounding antennas and towers. The location will also keep the 7,800-foot runway development and associated safety and object free areas south of Iron Works Road. The elevation of the USACE landfill sets the runway elevation at the south end, as earthwork can be placed on top of the landfill, but no material removed. The elevation of the north end of the runway is established to provide adequate clearance over Iron Works Road and to minimize the fill for the project.

Our proposal also includes a full-length parallel taxiway on the east side of the runway, closest to the Airpark development. The full-length parallel taxiway will allow for lower approach minimums and increases the margin of safety of the Airfield by avoiding the need for aircraft to back taxi on the runway. It also provides access to the aviation use land for the hangars and fixed base operator (FBO) facilities.

We propose two aviation development areas. One is to serve larger aircraft, such as a military contractor for

activities such as maintenance, repair and overhaul (MRO) or aircraft conversions. This area would contain larger MRO hangars and apron. The other is anticipated to serve general aviation aircraft and contain a fixed base operator (FBO) terminal, bulk hangar, T-hangars and fueling system. We recommend that the operator also have fuel service via trucks to serve the aircraft at the larger MRO facility. The areas are separate to allow for differing levels of security based on the operators' needs.

We propose one entrance road from Briar Hill Road that serves both aviation development areas. This road will be sized to allow for truck delivery of parts and fuel. Improvements to Briar Hill Road (geometry, profile, and intersection with Haley Pike) can be phased in over a number of years and will likely be needed during full development.

While not to the level of detail specified by the FAA for an airport layout plan (ALP), we have prepared an initial airport layout exhibit that shows the overall planned initial aviation facilities (see Appendix B). The supporting aviation facilities include a full-length parallel taxiway and connectors, aircraft parking aprons, a general aviation terminal, fuel facilities, general aviation T-hangars, a FBO maintenance/storage bulk hangar and MRO hangars. Appendix C shows a more detailed view of the supporting aviation facilities. We also propose GPS-based instrument approach procedures to both runway ends. For the initial layout, we utilized the statewide LiDAR data with 2- to 10-foot contours combined with limited spot survey elevations on BGS and public roadways.

Aviation planning next steps

Aerial mapping and Airport Layout Plan (ALP)

The next step is to develop a more detailed ALP including obtaining aerial mapping of the Airport development area and associated airspace surfaces. The more detailed mapping will also be used to refine the layout of the aviation facilities to minimize the earthwork required and its associated costs, as significant fill is anticipated to be required for the project.

The instrument approach development process begins with the comprehensive aerial survey and analysis of the approach surfaces to determine any potential obstacles. After the mapping is obtained and submitted to the FAA, the approach development process can take two to three years and should be initiated as soon as planning documents can be completed and proceed in parallel to other enabling projects. There may also be an option to hire a private entity to develop the instrument approach procedure to expedite the process and potentially avoid a federal action and its associated environmental review requirements.

Conduct karst and geotechnical investigation

Since the project area is in a high-risk karst area, it is recommended that a karst assessment take place prior to initial geotechnical investigations. This study will use LiDAR mapping analysis, desktop review of known karst features and electrical resistivity testing. The focus of this study area will be under the runway as the location of the runway will be set early on and difficult to alter. Knowing the potential karst features will allow for a better construction estimate and also be able to adjust certain infrastructure features if possible.

Environmental analysis needs

Environmental analysis next steps

The funding of the initial Airport and supporting infrastructure will determine the environmental documentation that will be required. If any federal funding sources are used or federal actions are needed to open the Airport, National Environmental Policy Act (NEPA) environmental documentation will be required. If there are multiple federal funding sources from different agencies, the federal agencies will need to cooperate to approve the environmental analysis with one as the lead agency.

Should the FAA be established as the lead federal agency on the project, FAA 1050.1F will be used to determine the level of NEPA documentation required. The establishment of an instrument approach procedure by the FAA

is a federal action. Per FAA Order 1050.1F: Environmental Impacts Policies and Procedures, new air traffic control procedures including instrument approach procedures that routinely route aircraft over noise sensitive areas at less than 3,000 feet above ground levels require an Environmental Assessment (EA). If the Airport is constructed before the instrument approach is pursued, the EA may be able to focus on the approach only. If they are happening concurrently, the FAA may require the Airport development be included in the EA, as in this case, the instrument approach would not have independent utility. If there is no federal funding source or federal action for the project, all state, federal, and local requirements, laws and permits will be followed.

Site characteristics

We have utilized existing available online resources in the planning to date. We completed the preliminary site evaluation and site characterization using a combination of existing information obtained from available public sources, including reports, published literature, online databases, and geographic information system (GIS) data. We used the following publicly available data sources to complete a desktop review of resources within the approximate study area.

- Google Earth Pro, Google (Google Earth Pro Aerial Imagery, 2019)
- Multi-Resolution Land Characteristics Consortium, United States Geological Survey (USGS) (NLCD Continental United States Land Cover, 2016)
- Web Soil Survey, United States Department of Agriculture – Natural Resources Conservation Service (NRCS) (Web Soil Survey, 2019)
- Environmental Protection Agency (EPA) Ecoregions Kentucky, 1998
- EPA Level III and IV Ecoregions of the Continental United States, 2020
- National Flood Hazard Layer, Federal Emergency Management Agency (FEMA) (National Flood Hazard Layer Viewer, 2014)
- Kentucky Geological Survey Karst Maps, (KGS, University of Kentucky GIS Download 2002)
- USGS National Hydrography Dataset (USGS TNM Download v2.0, 2018)
- USGS Protected Areas Database of the United States (USGS PAD-US Viewer, 2020)
- National Wetlands Inventory (NWI), U.S. Fish and Wildlife Service (USFWS) (USFWS National Wetlands Inventory Mapper, 2005)
- Code of Federal Regulations (Federal Register, 2020)
- USFWS IPaC

Depending on the funding source, the following permits and considerations may be required. These items will need to be completed prior to construction either independently or part of a NEPA environmental documentation for the respective federal agency, potentially the FAA.

	Coordinating Agency	Non-Federal Funding	Federal Funding Source or Federal Action
Noise and Land Use Impacts	FAA		FAA’s Aviation Environmental Design Tool (AEDT) noise analysis and noise contour analysis
Land Use	FAA		A Phase I Environmental Site Assessment (ESA) will be conducted for properties being purchased.
Air Quality	FAA		FAA’s Aviation Environmental Design Tool (AEDT) air quality analysis.

	Coordinating Agency	Non-Federal Funding	Federal Funding Source or Federal Action
Wetlands	U.S. Army Corps of Engineers (USACE)	Impacts to wetlands will require a 404 and/or 401 Water Quality Certification under the Clean Water Act.	Impacts to wetlands will require a 404 and/or 401 Water Quality Certification under the Clean Water Act.
Surface Waters and Ground Water	USACE and Kentucky Department of Environmental Protection	Impacts to wetlands will require a 404 and/or 401 Water Quality Certification under the Clean Water Act.	
A site-specific Stormwater Pollution Prevention Plan (SWPPP) will be developed.			
National Pollutant Discharge Elimination System (NPDES) will be obtained.			
Geotechnical Investigation for Karst Features.	Impacts to wetlands will require a 404 and/or 401 Water Quality Certification under the Clean Water Act.		
A site-specific Stormwater Pollution Prevention Plan (SWPPP) will be developed.			
Kentucky Pollutant Discharge Elimination System (KYDES) will be obtained.			
Geotechnical Investigation for Karst Features.			
Floodplains	Federal Emergency Management Agency and Bourbon County	Impacts to floodplains will require a local county permit and/or a FEMA permit and Flood Rate Insurance Map (FIRM) map modification.	Impacts to floodplains will require a local county permit and/or a FEMA permit and Flood Rate Insurance Map (FIRM) map modification.
Department of Transportation Act, Section 4(f)	FAA		Impacts to cultural resources or parks may require a Section 4(f) Evaluation.
Cultural Resources and Visual Effects			
	Kentucky Heritage Council	A Phase I Site Architectural and Archaeological Site Assessment will be required for the site. Potential Section 106 Consultation.	A Phase I Site Architectural and Archaeological Site Assessment will be required for the site. Potential Section 106 Consultation.

	Coordinating Agency	Non-Federal Funding	Federal Funding Source or Federal Action
Biological Resources	U.S. Fish and Wildlife (USACE) and Kentucky Fish and Wildlife	Habitat Assessments for State and Federal Listed Threatened and Endangered Species. Potential construction date limitations and habitat mitigation for direct impacts to a Threatened or Endangered Species.	Habitat Assessments for State and Federal Listed Threatened and Endangered Species. Potential construction date limitations and habitat mitigation for direct impacts to a Threatened or Endangered Species.
Farmland	U.S. Department of Agriculture and Kentucky Department of Agriculture		Form AD-1006 for impacts to prime and important farmland
Natural Resources and Energy Supply	FAA		Facility Energy Consumption Analysis
Hazardous Waste	FAA	A Phase I Environmental Site Assessment (ESA) is recommended for properties being purchased.	A Phase I Environmental Site Assessment (ESA) will be conducted for properties being purchased.

Planning risks

The final project footprint will determine ultimate risks for land acquisition: number of properties impacted, ability of property owners to fight land acquisition, etc. As identified in the next steps, the final footprint needs further due diligence with respect to technical aspects of geotechnical, environmental and infrastructure needs.

Geotechnical information is mostly unknown at this time. Soils and subgrade material could cause additional cost if not suitable. Karst features may cause additional costs or modification of infrastructure features.

The environmental documentation level could change. It is still unknown who is going to own/sponsor the document and what level the project will be held to. An EA is much shorter and less extensive than an Environmental Impact Statement (EIS).

Environmental mitigation requirements include such things as payment to wetland mitigation banking, imperiled bat species conservation fund, etc. These requirements will not be known until after environmental documentation and agency coordination/review is completed (i.e., wetlands, stream crossings, archaeology or historical site mitigation).

Zoning of adjacent properties needs to be coordinated with Bourbon County to protect the area acquired, stabilize appraisals during the acquisition process and keep the development area attractive to companies.

FAA involvement

The present planning is for the Airport to be built with state, local or private funding. An FAA form 7480-1: Notice for Construction, Alteration and Deactivation of Airports will need to be filed at least 90 days before construction. If an instrument approach is pursued, the FAA development of and establishment of an instrument approach is a federal action. NEPA documentation will be required for the federal action. NEPA documentation level for an instrument approach is an EA.

Since the initial Airport development is not anticipated to use FAA funding, the FAA Section 163 assessment of FAA

approval authority should not be required. However, with the intent for the Airport to ultimately be part of the FAA system, the history of the land on BGS that will be within airfield protection areas should be researched. This data will be needed for future FAA Section 163 reviews to identify how the land for the Airport was acquired. Whether or not there is a federal interest in the land is a factor considered in a Section 163 review.

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IV. Financial

Airfield

The precursor to both the Airfield and Airpark developments is land acquisition by the Commonwealth or by an Authority. This would encompass all the land needed to support the initial footprint of both developments along with any additional space needed for supporting infrastructure such as roadways and utilities. Current estimates indicate up to approximately 2,000 acres of total land would be needed in this initial design phase. The Commonwealth can conduct land acquisition due diligence and begin seeking to negotiate option agreements with landowners in conjunction with public engagement. The final execution of those option agreements would need to occur after a selected proposer and their proposal has been accepted by the Commonwealth at the end of Phase 1 of the RFP process. At this point of the procurement process, the Commonwealth will have confidence of the Developers' plan as well as the commitment required by governmental counterparty.

The Developers would want to know, before entering a multi-decade Concession, that all the land they will eventually need is secured or acquirable before Commercial and Financial close. The most effective and likely least costly option for the Commonwealth would be to acquire the required acreage in one single tranche. Of the estimated 2,000 acres, it is envisioned that 1,000 would be needed for the Airfield and 1,000 would be needed for the Airpark.

Such an approach would provide enough security for the successful bidder to feel comfortable enough to proceed to Phase 2 and the signing of definitive agreements. Furthermore, the cost of the option agreements could potentially be deducted from the total land acquisition purchase price.

Repayment options

If the Commonwealth is the counterparty, the land acquisition investment amount could be recovered through several means. The first would be to create a statutory Authority with sufficient powers, including the power of condemnation and the power to issue revenue bonds secured by the assets of the Authority, including land. The statutory Authority would issue tax-exempt revenue bonds to reimburse the Commonwealth for all or a portion of the land acquisition costs (the amount of such reimbursement to be determined by the Commonwealth, considering multiple factors, including, but not limited to, concession payments and the land leases). The timing of this would be determined by the amount of time it would take to establish the statutory authority. From the time of the statutory Authority's creation, the debt could likely be issued within one year or at the point of stabilized cash flows, whichever comes sooner. This debt could then be partially serviced by payments from the Developer/Concessionaire to the statutory authority.

The second method would be to rely directly on annual concession payments from the Developer/Concessionaire to reimburse the Commonwealth wholly or partially over the term of the Concession. It should be noted that annual concession payments alone are estimated to amount to approximately \$110 million over a 50-year concession based on the initial pro forma results.

The third method is a hybrid of both an upfront payment coupled with annual concession payments from the Developer/Concessionaire to reimburse the Commonwealth. The structure of the upfront amount and the annual payment would be negotiated during Task 2.

Finally, the Commonwealth could recover its investment through the increased tax revenues attributable to this project. Initial economic analysis suggests the project will generate an additional \$2.6 billion in state tax revenue over a 50-year period. The repayment point for the Commonwealth's investment will likely occur around Year 4 or Year 5.

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Airfield revenues

The Airfield development envisions multiple revenue-generating facilities:

- Bulk hangar
- FBO terminal
- Fuel sales
- MRO hangars (one MRO for fixed-wing military aircraft and a second for non-military use)
- T-Hangers for general aviation

The bulk hangar space is envisioned to have one large military contractor tenant providing aviation services to the military along with additional space rented out for general aviation (GA) aircraft. The renting and operating of the bulk hangar space would be managed by a bulk hangar operator (could be the same operator as the FBO and MRO facilities). In exchange, the bulk hangar tenant would provide the Developer a base rent and a revenue share.

The FBO terminal and MRO hangars would be occupied by FBO and MRO operators, and the Developer would receive a base rent and a revenue share from each facility. The amount of the base rent and revenue share for each facility would be subject to negotiation. Should the Developer choose to operate any of the facilities themselves, they could expect an increase in their financial returns since they would be able to participate in 100 percent of the cash flows; however, doing so would require specialization and would come with additional operational risk.

The FBO facility would primarily be used for fueling private GA aircraft and military aircraft (primarily C-130s and C-17s). There would also be a small amount of revenue derived from food & beverage/news & gift concessions inside the facility. While not currently incorporated into the model pro formas, there is also the potential for the FBO to collect revenues from rental car concessions and/or aircraft catering. These operations would only further enhance the viability of the project for the Developer. The FBO operations in the model do not assume any sort of handling fee or security fee. Instead, those fees would be wrapped up into a GA landing fee, which the Developer/Concessionaire would collect directly. This fee is assumed to be \$25 in the first year of operation and is set at a slight discount to handling and security fees charged for GA aircraft at the Lexington Blue Grass Airport. The Developer would have discretion over how the \$25 is categorized and whether it is marketed as a "landing fee" but in effect, it would be a charge passed on to any GA aircraft that lands at the Airport.

Any type of private aircraft storage would take place in the bulk and the T-hangars and would be managed by the GA hangar operator. Bluegrass Station plans to have three MRO facilities in total, one set on existing BGS land within the existing lease structure for military rotary aircraft and two additional MROs built on the proposed airfield site. The first MRO on the proposed airfield site would service military fixed-wing aircraft and the second would service non-military aircraft. The Developer would be expected to develop the non-military MRO. The non-military MRO would be able to take advantage of the central location in the Eastern United States, the wide array of aircraft able to land on the runway and the specialized labor pool in the region. The advantages would also incentivize major players in the MRO space to develop BGS into a training hub for employees. The cash flows from the MRO hangars play a key role in the financial viability of the Concession and deserve additional due diligence as the opportunity is further evaluated by the Commonwealth.

The analysis herein assumes a revenue structure wherein the bulk hangar, FBO terminal and the MRO hangars are all leased to tenant operators. Under such a structure, the four airfield revenue streams to the Developer would consist of (1) rental revenue from the bulk hangar tenant (ground rent plus a potential revenue share), (2) rental revenue from the FBO terminal (ground rent plus a potential revenue share), (3) rental revenue from the two MRO hangars (ground rent plus a potential revenue share), and (4) revenue from the GA landing fee (i.e., handling and security). The rental revenue would be based on the occupied square footage of each tenant. The occupancy risk would fall on the Developer, and they would only receive rental revenue for the occupied square footage. The Developer would also be responsible for all the capex related to the runway, bulk hangar, FBO terminal and MRO hangars.

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Roadway

The roadway infrastructure has been divided into three sections: (1) access to the site, (2) immediate project needs and (3) future project needs. The engineers estimate that road infrastructure work will begin in 15-18 months after the Phase I agreement is signed. All estimated road costs include right-of-way, design, utility, and construction costs provided by the consulting team's engineers. *See Appendix C for chart of road infrastructure costs

The access into the site will be from I64 at Haley Road (KY 859). Improvements to the interchange to extend the ramp tapers are recommended to accommodate increased traffic. Also, we recommend that Haley Road be overlaid and have shoulders added. These two projects could be developed in stages as the Airpark evolves because the road costs are four or more years out. They also could be potential Kentucky Transportation Cabinet projects, so they are not included in the Task 1 - 4 project costs. The estimated cost of this work is \$16 million.

Briar Hill Road (KY 57) will be the primary access to the site. To accommodate the Airpark, about 3.7 miles of Briar Hill Road needs to have grade corrections, shoulders added, and a pavement overlay. In addition, its intersection with Haley Road should be improved. The improvements to Briar Hill Road are needed as part of the project and included in the project costs. The estimated cost of this work is \$53 million.

Clintonville Road (KY 1678) will be adjacent to the Airpark. While not needed immediately, improvements to about a mile of Clintonville Road would allow for additional access points into the airpark. The Clintonville Road improvements would be part of the longer-term development of the project. The estimated cost of this work is \$14.4 million.

These three recommended road improvements total an estimated \$83.4 million incremental investment that will be required after the Commonwealth decides to move forward with the Project and selects its preferred Developer. Given this is a greenfield development, the enabling utility work and future roadwork would be required by the Developer to develop and operate the Airfield and Airpark. This investment will not only benefit the project but also the surrounding area.

Pre-Development

The Commonwealth's required upfront investment totals approximately \$55M over several years, consisting of an estimated \$38.4 million land acquisition investment and \$16.6 million in pre-development activities. The pre-development requirements include airport design/environmental work, a potential Phase 1 termination fee (which, if the project achieves financial close, will not be paid), stipends for unsuccessful bidders, as well as consulting, technical, legal, PR/stakeholder outreach and economic analysis fees throughout the procurement process. There is the potential for a portion of the predevelopment expenses to be reimbursed through the Developer payment at financial close, future ground rent/revenue share and bond proceeds, like the land acquisition investments.

Capex of site expenditures

The financial model assumes the capital expenditures will come in two tranches, Phase 1 and Phase 2. Phase 1 would occur immediately, span approximately two years and cover the primary build out for all major items. The financial model assumes that the Phase 2 build out would occur in Year 10 and would span approximately one year. The Phase 2 Capex would be related to the FBO and bulk hangar expansion.

Building phasing

The relevant Airfield occupancy figures are for the bulk hangar, FBO Terminal and MRO hangars. After an initial build-up, the stabilized occupancy for each facility is assumed to be 100 percent. The underlying assumption is that the expansion only occurs when the Developer knows there is sufficient demand to fill the new space. Given each facility is assumed to have no more than a few major tenants, we believe the 100 percent occupancy figures are reasonable.

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Bulk hangar – full buildout of 45,000 sf

40,000 sf come online in Year 3
Expands to 45,000 sf in Year 10

FBO terminal – full buildout of 5,000 sf

2,500 sf come online in Year 3
Expands to 5,000 sf in Year 10

MRO hangar (military fixed-wing) – full buildout of 40,000 sf on BGS and is separate from the Airfield
this hangar could be expanded to 80,000 sf in Year 3

MRO hangar (non-military) – full buildout of 30,000 sf

30,000 sf come online in Year 3

Landscaped area – full buildout of 23,000 sf

21,500 sf come online in Year 3
Expands to 23,000 in Year 10

The rental rates were derived from a recent market assessment and escalated by inflation up until the first year of the date of beneficial occupancy.

Facility	First Year of Operation	Starting Rental Rate / SF	Annual Escalation
Bulk Hangar	Year 3	\$11.77	3.0%
FBO Terminal	Year 3	\$16.18	3.0%
Non-military MRO Hangar	Year 3	\$14.08	3.0%

In addition to the rental rates, it is envisioned that the FBO, MROs and Bulk Hangar operators would also pay the Developer/Concessionaire a revenue share calculated as a percentage of their top line annual revenues.

Operation	Revenue Share %
Bulk Hangar	20%
FBO Terminal	0% to 25%
MRO Hangars	20%

The model assumes the operators of the bulk hangar and MRO hangars would pay a flat 20 percent, year over year, while the FBO operator would start out at 0 percent and gradually increase to 25 percent by Year 36. The lower initial revenue share percentage paid by the FBO operator is reflective of the much tighter margins in that business due to the high cost of goods sold (fuel). These percentages represent just one of multiple structures that could be implemented at the Airfield. The ultimate structure will be based on negotiations between the Developer/Concessionaire and the individual operators.

Operating expenses

Across the operating expenses, we identified six primary categories covering: administration, building and runway maintenance, landscaping services, utilities, marketing and insurance. Of these categories, administration, marketing and insurance are considered fixed expenses, meaning they do not vary based on the build-out of the facilities. Building and runway maintenance, landscaping services and utilities are considered variable expenses, meaning they increase as the square footage of the various facilities increases.

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Fixed expenses

Category	First Year Incurred	First Year Expense	Annual Escalation
Administration	Year 3	\$350,000	3.0%
Marketing	Year 3	\$100,000	3.0%
Insurance	Year 3	\$75,000	3.0%

Variable expenses

Category	Facility	First Year Incurred	Starting Expense per SF	First Year Expense	Annual Escalation
Building Maintenance	Bulk Hangar	Year 3	\$3.14	\$127,000	3.0% + SF increase
Building Maintenance	FBO	Year 3	\$3.14	\$9,000	3.0% + SF increase
Building Maintenance	MRO (Non-Military)	Year 3	\$3.14	\$97,000	3.0% + SF increase
Runway Maintenance	Runway	Year 3	\$0.09	\$68,000	3.0%
Landscaping Services	Common Land	Year 3	\$0.62	\$14,000	3.0% + SF increase
Utilities	Bulk Hangar, FBO, MROs	Year 3	\$0.62	\$63,000	3.0% + SF increase

Taxes

The model assumes a corporate tax rate of 26 percent in each year of the Airfield's operation.

Capital structure and financing

Phase 1

The model assumes a P3 partner Phase 1 Debt/Equity split of 70 percent/30 percent which is optimized to maximize the levered returns while adhering to the industry standard debt service coverage ratio targets.

The cost of debt is assumed to be 6 percent with a 30-year maturity and a capitalized interest period of two years. Should a TIFIA loan be utilized, the cost of debt could be reduced by approximately 200 bps, which would further bolster the returns to equity investors.

Federal/other grant funding opportunities

To offset capital expenditures, the Commonwealth and the Developer should work together to secure federal infrastructure grant money, which this project will qualify for. Securing grant funding will reduce required equity and debt financing thereby improving project economics and revenues. These grant funding opportunities include:

- \$20 billion in federal funds available for airports through 2030, administered through United States Department of Transportation (USDOT) under 23 USC 117 - Office of Multimodal Infrastructure and Freight. Funds must be obligated within five years.
- Funding through the Transportation Infrastructure Finance and Innovation Act Financing (TIFIA), which recently expanded to cover airports and up to 75-year terms

- USDOT Sec. 21205 / 11132 provides for grants to fund predevelopment & advisory costs for P3 projects
- Funding through the Bipartisan Infrastructure Law

Phase 2

Given the small quantum of Phase 2 Capex needs, it is assumed this tranche would be funded entirely with equity.

Airpark

The Airpark segment of the BGS Airport could be developed and monetized through two primary structures. The first would consist of the Airport Concessionaire developing the real estate on the site themselves and leasing out the buildings to any number of tenants. The second structure would be a tenant-developer structure wherein the Airport Concessionaire would require the individual tenants to develop their own buildings based on their needs. In exchange, the Airport Concessionaire would collect land leased revenue per square foot of the 1,000-acre footprint.

The land leased charge would be an amount assessed on the square footage of the Airpark tenant developments and would ultimately be negotiated between the Developer and the Airpark tenants. The primary advantage to the second structure is that it would allow the Commonwealth to realize both the Airfield and Airpark development with one single procurement and one single Concessionaire; since the Concessionaire would not be developing the Airpark real estate themselves but instead relying on the individual sub-tenants, they would be able to bid on the BGS Airport Project without having to directly partner with a separate real estate developer or real estate fund.

For this reason, our analysis is based on a structure wherein the entire BGS Airport is developed and operated under a single concession, likely by an aviation-focused developer. This developer would be actively involved in the development of all the Airfield facilities and would simply collect Land Leased revenue from any tenants seeking to develop on the Airpark's acres. The model assumes the Airpark acres are developed and occupied in a phased approach over 10 years. It should be noted that the tenant-developer structure that was analyzed represents only one pathway to a bankable concession/development and was selected based on the information available. As more clarity is brought to the project over the next several months, additional structures could be analyzed for viability as well.

As discussed in the Airfield section, Commonwealth acquisition of the land needed for the Airpark development is a precursor to the Concession. It is assumed that most of the acreage would be secured with option agreements prior to entering the Commercial and Financial close phase and acquired by the Commonwealth shortly before the conclusion of Phase 3. Of the estimated 2,000 acres, 1,000 acres would be utilized for the initial Airpark development. The Commonwealth has the potential to be reimbursed for land acquisition expenses by bond proceeds. If the Commonwealth seeks early repayment for the early land acquisition costs, it could leverage future concession payments to be paid to the Commonwealth through a bond issue. The Commonwealth could also partially be reimbursed over the term of the Concession through the annual concession payments paid to the Commonwealth by the Developer/Concessionaire. The third reimbursement mechanism would be through the incremental tax revenue resulting from the Airport development.

Tenant capex

While the Airport Concessionaire would not be directly developing the real estate on the Airpark land, market sounding suggests the potential for \$650 million of tenant development over a 10-year period.

Taxes

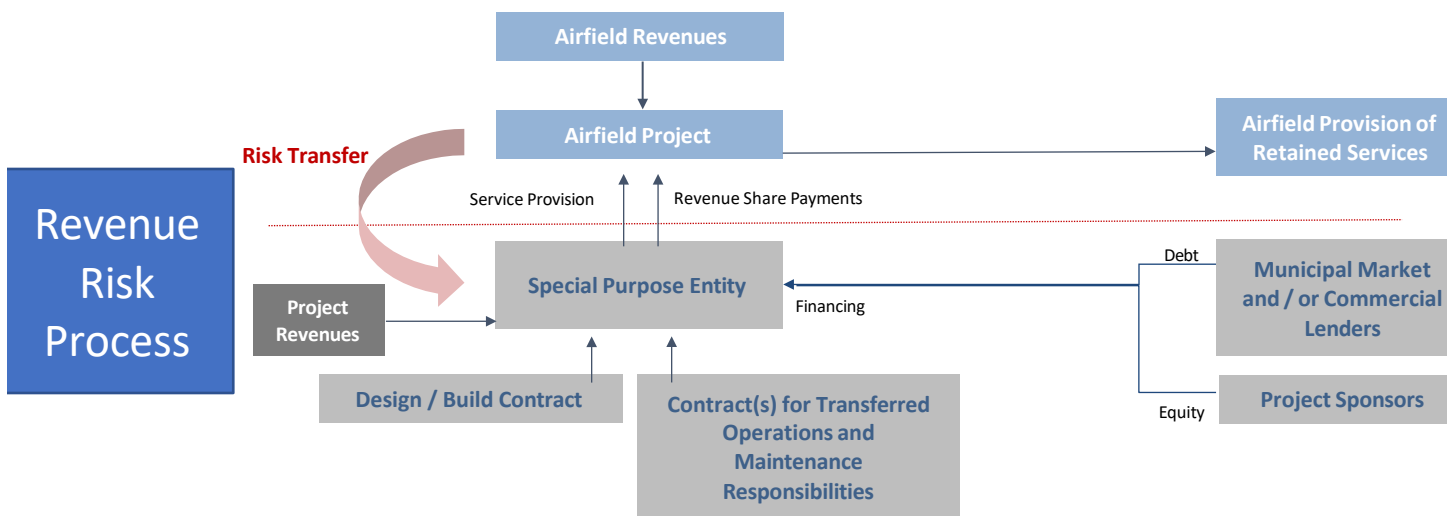
The model assumes a corporate tax rate of 26 percent in each year of the Airpark's operation. This would apply to the Land Leased revenue collected by the Concessionaire from the Airpark tenants.

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Payments to the Commonwealth from Airfield and Airpark

It is envisioned that the Commonwealth would be entitled to receive payments from the Developer in the form of a base rent and percentage share of the Developer's Land Leased revenue. While not currently assumed in the model, there is also the potential for a revenue share to the Commonwealth calculated off the revenues of the Developer. These revenues can be part of bidder proposals and become evaluation items. The addition of a revenue share payment to the Commonwealth could be evaluated further based on discussions with bidders. The model assumes an initial base rent of \$200,000 increased annually by 2.5 percent.

The following diagram depicts the financial structure of the Airport development:



Financial risks

Some of the primary risks to the financial feasibility of the Airport project are identified below. While these risks would primarily impact the financial returns of the Developer, they could potentially affect the quantum of the annual rental payments to the Commonwealth and/or the Commonwealth's ability to collect such payments.

- Rising interest rates
- Cost escalation (that of materials)
- Expense escalation (that of utilities)
- Delay in attracting Airpark tenants
- Regional demand shifts in GA or industrial market

Financial outputs from Airfield and Airpark

Below is a range of estimated pro forma returns (measured as internal rate of return – IRR) to the Airport Developer resulting from the development and operation of the Airfield. As the Airpark tenant mix will not be finalized at the time of the Airfield financial close, it will be important to show a bankable Airfield deal without relying on cross-subsidizing from the Airpark revenue streams. Therefore, the pro forma IRRs **do not reflect land leased revenue** from the Airpark. The addition of Airpark land leased revenue to the Airfield cash flows has the potential to offer significant upside to the Developer's returns, beyond what is shown below.

For the purposes of this analysis, we selected three scenarios to highlight. The first scenario is the "Base Case,"

which holds all baseline assumptions constant. The second scenario, the “Low Case,” stresses occupancy across the Bulk Hangar and the two MRO facilities. Rather than starting at 90 percent occupancy and reaching 100 percent occupancy by the third year of operation as in the “Base Case,” the “Low Case” occupancy at these facilities starts out at 70 percent only reaching 100 percent by the fifth year of operation. The third scenario, the “Lowest Case,” runs the same delayed occupancy assumptions as the “Low Case” but also assumes GA traffic flatlines and achieves no growth beyond Year 7.

The pro forma IRRs across all three scenarios represent what we believe to be bankable deals.

Scenario	Unlevered IRR (with debt)	Levered IRR (w/o debt)
“Base Case”	10.39%	16.06%
“Low Case”	10.10%	15.04%
“Lowest Case”	10.02%	14.94%

It should be noted that the pro forma returns calculated by a developer may vary based on (a) different assumptions, (b) different financial and/or concession structures, and (c) changes in economic conditions, among other factors.

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V. Land Acquisition

Acquisition Strategy

The Commonwealth, or the Developer in connection with the Commonwealth, is expected to initially acquire approximately 2,000 acres to develop the BGS Airport, with the potential to expand up to 4,000 acres depending on future market conditions. To secure the Commonwealth's rights to the necessary properties and minimize its initial expenses, we recommend the Commonwealth attempt to negotiate option agreements with the property owners rather than purchasing all the properties up-front. The option agreements will grant the Commonwealth the exclusive opportunity to purchase the properties at a pre-negotiated price during a set period of time (i.e., anywhere from one to five years), during which time the Commonwealth can move forward with due diligence activities.

If a landowner agrees to enter into an option agreement, the Commonwealth will need to pay a small amount of independent consideration for the option based on the property's value and duration of the option agreement. The Commonwealth could then exercise its rights to purchase those properties in conjunction with its financial close with the Developer. This timing would allow the Commonwealth to purchase the properties after it has secured a Developer to deliver the Project and potentially seek immediate recoupment of some or all its expenses from the Developer. The options directly defer the \$28 million to \$31 million in Task 4 until the Developer is selected and has the opportunity to fund these costs.

Throughout the acquisition process, the Commonwealth will act in good faith and attempt to negotiate purchase transactions that are fair to the landowners and taxpayers. If the initial efforts to purchase an option are unsuccessful, the Commonwealth will need to tender good faith offers to purchase the remaining properties before it initiates judicial proceedings to condemn those properties.

The estimated cost to acquire all the required land is **\$38,390,000**. The Commonwealth may be able to reduce these expenses to **\$35,225,000** by purchasing aviation easements (i.e. air rights) for the properties north of the Airfield rather than purchasing the entire affected properties. Aviation easements will allow the landowners to continue using those properties for agricultural purposes.

The acquisition cost estimate decreased significantly from the 2021 Bluegrass Station Airport P3 Development Feasibility Study not only because of the decrease in required land but also because the 2021 estimate was developed when land costs were on a historic rise. Market conditions have since changed, and the current estimate was developed using a more accurate methodology.

Acquisition Process

The entire land acquisition process is estimated to take between 12-72 months. The wide range of times is due to the possibility of eminent domain trails and appeals, which account for approximately 2-59 months of the timeline. The required due diligence, negotiations, condemnation procedures, and relocation steps are outlined below in greater detail. *See Appendix D for a chart of the land acquisition estimated timeline.

Step 1: Due Diligence

Due Diligence for Property Required

Certain due diligence activities must be conducted prior to acquiring property. Some of these activities may be conducted without impacting the landowners, such as title searches. Other activities require physical access to the properties, such as appraisals, surveys, and environmental site assessments. A condemning authority may, at the outset of the eminent domain process and prior to the filing of a condemnation petition, enter upon the properties to be condemned to perform certain investigations and due diligence activities with ten days' notice. See KRS 416.560(4).

Due Diligence Items

- Title Search and Title Commitment
- Survey
- Appraisal
 - Appraisal Review by Certified Review Appraiser (as applicable)

Due Diligence Timeline

These due diligence steps are estimated to take between seven to nine months. Further timeline details may be found in Appendix D.

Step 2: Acquisition Negotiations

The Commonwealth will attempt to negotiate option agreements to be executed after a Developer has been selected. In the event that option negotiations are unsuccessful, Kentucky law requires that the condemning authority undertake “good faith” efforts to negotiate a voluntary purchase of the real properties before condemnation proceedings may be initiated. See KRS 416.550.

What do “good faith” negotiations require?

Generally, negotiations to acquire property will be in “good faith” if they are undertaken with offers for a reasonable price, but other factors, such as the willingness of the authority to entertain counteroffers may be considered in a determination as to “good faith” as well. See *Usher & Gardner, Inc. v. Mayfield Independent Bd. of Ed.*, 461 S.W.2d 560, 562-563 (Ky. Ct. App. 1970).

To form a basis for a reasonable price, generally, the condemning authority should obtain an appraisal of the property sought to be acquired. However, if receiving federal assistance in connection with the project for which eminent domain is being used, then an appraisal reviewed by a qualified appraiser is required and the condemning authority cannot offer less than the amount of said appraisal. See 49 CFR § 24.101 through 104.

Negotiation Steps

1. Prepare Offer Letter
2. Prepare Contract for Sale of Real Estate or Option Agreement
3. Consideration of Counteroffers, as applicable.

Acquisition Negotiations Timeline

The acquisition negotiations step is estimated to take three to four months. Further timeline details may be found in Appendix D.

Step 3: Condemnation Process (as required)

Petition

In the event the good faith negotiations are unsuccessful, the condemning authority must move forward with a condemnation action by filing a verified petition in the circuit court of the county in which all or a majority of the subject property is located. See KRS 416.570.

Appointment of Commissioners; Commissioner’s Report

The court is required to appoint three independent commissioners, who are generally local brokers and appraisers, and who must be residents of the county, to view the property and recommend an award to the property owner. Moreover, the commissioners must submit their report to the court within fifteen days of

their appointment. See KRS 416.580.

Summons

Subsequent to the filing of the commissioners' report, a summons must be issued to the defendants (the owner and all interested parties) "to show cause why the petitioner does not have the right to condemn the lands, or the use and occupation thereof sought to be condemned." See KRS 416.590. The summons must also state (1) the amount of the award (as stated in the commissioners' report) and (2) that an answer to the petition is due within twenty days.

Answer

If filed, an answer in response to the summons and petition must be filed within twenty days of the date of service of the summons and "shall be confined solely to the question of the right of the petitioner to condemn the property sought to be condemned, but without prejudice to the owner's right to except from the amount of the compensation awarded.." See KRS 416.600.

Discovery Phase – Right to Take

Condemnation proceedings are generally governed by Kentucky's Rules of Civil Procedure, except where the eminent domain statutes expressly require otherwise. See KRS 416.650. In the event of a dispute as to the condemnor's right to exercise eminent domain powers, the parties may engage in discovery before putting that issue before the Judge for decision, which will include exchanges of certain documentation relevant to each party's position and depositions of expert witnesses.

Interlocutory Judgment; Filing of Exceptions

If the condemning party's right to condemn is upheld by the court, or if no answer is filed, the court will enter an interlocutory judgment authorizing the condemning party to take possession of the property upon payment of the amount set forth in the commissioner's report to the clerk of the court. See KRS 416.610. While interlocutory judgments are typically nonappealable, interlocutory appellate review of judgments issued pursuant to KRS 416.610 are immediately appealable. See *Ratliff v. Fiscal Court of Caldwell County, Kentucky*, 617 S.W.2d 36, 39 (Ky. 1981).

Either party may file "exceptions" to the interlocutory judgment but must do so within thirty days of entry thereof and such exceptions are limited to contesting the amount of the award set forth in the commissioners' report. See KRS 416.620. Unlike the determination as to whether a condemning party has the right to take, which is determined by the judge, if an exception to the award is filed, the factual issue of the amount of the award is a triable issue to be determined by a jury, which may not consider the amount of the award from the commissioner's report. See KRS 416.620(1); *Com. Dept. of Highways v. Swift*, 375 S.W.2d 691, 693 (Ky. Ct. App. 1964).

Discovery Phase – Amount of Award

In the event of "exceptions" to the commissioners' report, prior to the jury trial, the parties will gather evidence supporting their respective positions on the amount of the award, which will generally include appraisals and the engagement of expert witnesses. Additionally, the parties will engage in discovery, which will include exchanges of certain documentation relevant to each party's position and depositions of expert witnesses.

Trial

As previously stated, Kentucky's Rules of Civil Procedure will govern the proceedings, and such will apply to the jury trial on the award.

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Judgment

Following the jury trial, the jury must render its determination of the condemnation award. The amount of the award must be within the range of values presented as evidence at trial (i.e., at or between the lowest or highest valuation). See *Com. Dept. of Highways v. Stephens Estate*, 502 S.W.2d 71, 73 (Ky. Ct. App. 1973). This final judgment also carries a right to an appeal.

Condemnation Process Timeline

The condemnation process could occur within a few months if no answer is filed. If the right to take is disputed, the timeline could be extended another 9-12 months. If the interlocutory judgment is appealed, that appeal could extend the timeline 12-24 months. Upon successful outcome of the interlocutory judgment if no appeal is filed or upon a successful interlocutory appeal, the condemning party could take possession of the property upon compensation to the owner. If either party filed an exception to the amount of the award, the trial could extend the timeline another four to five months and an appeal could extend the timeline another 12-18 months, although the condemning party would have possession to begin development during this trial and appeal. Further timeline details may be found in Appendix D.

Step 4: Relocation Assistance (as required)

Both the federal government and the Commonwealth of Kentucky allow for relocation assistance in certain circumstances, with the federal requirements applying to projects receiving federal funds. See generally, 42 U.S.C. § 4621; KRS Relocation assistance may apply to both residential and commercial property owners.

In the event relocation assistance is agreed upon during negotiations, residential occupants who are eligible for relocation assistance may choose to be paid either their actual, reasonable moving costs and related expenses (e.g. transport costs, crating, storage, moving insurance, etc.) or a relocation payment based on a fixed moving cost schedule. Additionally, certain residential occupants who are displaced from their domiciled dwellings may be eligible for replacement housing payments.

Business, farm, and non-profit owners and occupants may be eligible for reimbursement of their actual, reasonable moving costs and related expenses or an agreed-to fixed payment. Such non-residential owners and occupants may also be eligible for reimbursement of reestablishment expenses (e.g. property repairs, modifications, lease charges, increased operating costs, etc.)

Land acquisition risks

Unwilling sellers

Generally, most public land acquisition efforts resolve in the good faith negotiation stage before initiating condemnation proceedings. However, whether due to unresponsiveness of the landowner, disagreement over price, or general disagreement over the need to sell, some negotiations must move into the judicial condemnation proceedings. If an exceptionally high number of landowners fall into these three categories and more condemnation actions must be filed than expected, acquisition costs will rise based on litigation expenses in addition to a longer overall timeline for property acquisition. These costs extend the repayment timeline by relatively few years.

Unexpected due diligence discoveries

If during the due diligence investigations certain unexpected and unforeseen environmental, geological, or archeological conditions are discovered on one or more properties, then the overall Project may face additional costs as well as delays. For example, the discovery during an environmental site assessment of a recognized environmental condition may necessitate remediation, which, in turn, may also necessitate a determination as to party liability or responsibility for such remediation. In the event ancient or otherwise abandoned burial ground were to be discovered, certain notices and investigations must be performed and remains must be removed in

accordance with applicable law. See generally, KRS 72.025(10); KRS 72.405(2); KRS 72.410; and 901 KAR 5:090. These examples illustrate the inherent risks of the land acquisition process as there are numerous unknowns that cannot be revealed until diligence investigations commence.

Negative public perception of acquisition and project

It is possible that the Commonwealth's use of eminent domain to acquire significant property for the Project could inspire public resentment, especially if the Commonwealth is not transparent with its actions, the benefits for community or the need for the Project.

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VI. Procurement Structuring

Financial goals and structure

The Commonwealth expects that revenues derived from the collective Airpark and Airfield P3 Project will be sufficient to offset all or a substantial portion of the costs of designing, building, financing, operating and maintaining the Airfield, as well as possibly offsetting some or all of the initial costs to the Commonwealth to obtain the land for the Project. The expectation is that the physical improvements for the Airpark component will be funded entirely by private capital. The Commonwealth therefore desires to engage, via solicitation under KRS 45A.077 (public-private partnership delivery method), one or more developers to design, build, finance, operate and maintain the Project.

A number of variables must become known before it is determined with certainty what level of Commonwealth seed-investment will be needed for the Airfield component of the Project. The cost of design and construction of the Airfield can be determined with more precision, at present, than the possible revenues that might be generated by the Project as a whole. To advance the Project to a point where a developer is able to provide a final price for the Airfield and the Airpark, we propose the following progressive procurement and project delivery structure as outlined on Page 6 of this Report:

Procurement structure

- 1. Request for Information (“RFI”)** – Issue a request for information to the market outlining the proposed project and requesting formal feedback on the proposed structure. This stage will allow for the formation of teams by the private sector, which will contain the design, construction, financing and operations / maintenance partners necessary for pursuit of the Project. Responses to the RFI will not be mandatory to participate in the procurement; however, the responses to the RFI will provide the Commonwealth with additional useful information on the level of developer interest in the Project and allow the Commonwealth to further shape the information set forth in the RFQ and the overall procurement strategy.
- 2. Request for Qualifications (“RFQ”)** - Issue a RFQ to the market. The now-formed teams/consortiums will provide their qualifications for the Project based upon their past successful experiences with similar infrastructure projects. Only a moderate amount of expense by such teams will be necessary to complete the RFI stage and this RFQ stage, thereby encouraging more participants to choose from. After RFQ responses are in, the field of teams/consortiums will be narrowed to at most three teams who will be invited to submit a proposal in response to the last stage, which is the Request for Proposal required under KRS 45A.077(4).
- 3. Request for Proposals (“RFP”)** - The RFP stage will be intended to last sufficiently long (4-6 months) for the short-listed teams to develop their financial plans and invest resources in providing a technical proposal to the Commonwealth that will cover design, construction, financing, maintenance and operational solutions and pricing for the Project. The RFP, as required by KRS 45A.077(4), will require or include the following:
 - a draft P3 Agreement;
 - the duties and responsibilities to be performed by the private partner which will include delivery of both the Airfield and the Airpark;
 - for the Airfield, the P3 Proposers will be required to competitively price (1) their pre-development costs under the pre-development work Phase 1 (e.g. design costs, site investigation costs, general conditions and developer fee and profit) and (2) provide a price for the design, construction, financing, operation and maintenance costs of the Airfield. Based on the price proposed, the P3 Proposers will also be asked to state whether they will require a “public contribution amount” to provide initial seed capital to fund the cost of the Airfield, or whether, in lieu of a public contribution amount, they will commit to funding

the costs of the Airfield entirely from Project revenues and may provide a concession payment to the Commonwealth. For example, one proposer's price proposal might indicate that projected revenues will not be sufficient to the costs of design and construction of the Airfield, and such proposer might request a milestone payment by the Commonwealth or some other form of contribution for negotiation. However, another developer's price proposal might state that the projected revenues from the Project will be such that the developer agrees to deliver the Airfield entirely at no cost to the Commonwealth (in setting forth evaluation factors for the developer responses, the RFP will clearly state that points will be given to proposals that do not require revenue contributions by the Commonwealth).;

- for the Airpark, pro-forma revenue projections will be provided by the Commonwealth to be used as a benchmark for proposers to provide their revenue share percentages and equity internal rates of return for the Airpark. The RFP will state that Proposers will be competitively evaluated based on their proposed revenue sharing percentages and/or minimum annual guarantee commitments to the Commonwealth;
- the RFP will require that the developers provide their "plans for financing and operating the Project" and provide the projected "revenues, service payments, bond financings" for the Project and, critically, clearly state the "appropriations of public funds needed for the qualifying project, as required by KRS 45A.077(4)(f). Note the price during Phase 1 under the P3 Agreement to be provided by the developer may only be modified for certain limited basis to be prescribed under the P3 Agreement, such as unforeseen or unknowable site conditions, utility interruptions, third-party delays, right-of-way challenges, and others which are typically the responsibility of the owner - and must be approved by Commonwealth. Based on feedback from the RFI stage or during procurement, the Commonwealth may also need to consider either providing a maximum milestone payment that the Commonwealth would be willing to offer any Proposer, or requiring the Proposers to include the maximum milestone payment they will require for the Airfield as part of their pricing proposal;
- Proposer's capital structure and financing costs do not need to be fully committed at the proposal stage but will need to be fully committed at the end of Phase 1 for the Commonwealth to make a determination that the Project as proposed by the developer is viable and can move forward beyond Phase 1. This phase is completed before the P3 agreement. Non-acceptance or delay will incur payment of the stipend;
- Proposers will be required to provide a technical proposal that will include at least schematic designs for the Airfield and conceptual designs for the Airpark and must provide information regarding the financial and technical expertise and capability of the proposers to the deliver the Project;
- Each Proposer's schedule for delivery of the Project and overall approach to economic development and commercialization for the Airpark will be assessed;
- The RFP will set forth evaluation factors and the relative weight of each to be used in the scoring of awards, as required by KRS 45A.077(4), and the RFP shall indicate the relative importance of price and other evaluation factors, as required by KRS 45A.085(5); and
- All other information required by KRS 45A.077(4) will be included in the RFP.
- Post-Proposals – The Commonwealth will evaluate the proposals to determine, as provided KRS 45A.085(6), which proposal is "most advantageous" to the Commonwealth. Once a preferred proposer has been selected, limited negotiations of the P3 agreement will occur as necessary to finalize the document and achieve commercial close on the P3 agreement. Similar to the procurement for the Ohio River Bridges East End Crossing P3 project, the RFP will provide a stipend will be paid to the unsuccessful proposers. The logic behind this stipend mechanism is that direct competition between the proposers on such a large project will provide them with the necessary incentive to fully develop their proposals and ultimately result in higher quality technical and pricing proposals being presented to

the Commonwealth, as opposed to less refined proposals which carry greater contingencies (whether expressed or not). Under this approach, direct competition between the proposers should lower costs to more than offset the amount of any stipend.

4. **P3 Agreement Phase 1** - Once the P3 Agreement is executed, the selected Developer will perform its pre-development activities under Phase 1 to (1) identify and arrange third-party revenue sources for the Project, (2) perform site investigations and utility coordination efforts, (3) perform any commercially reasonable infrastructure related enabling work, (4) obtain fully committed financing from lenders for the Airfield, and (5) submit a final technical solution (including a 60-80 percent design) for the Airfield and a more advanced design for the Airpark.
5. **P3 Agreement Phase 2** - Once the Commonwealth accepts the Developer's final technical solution, the Developer will move to financial close on the Airfield and thereafter a subsequent financial close on the Airpark. Shortly thereafter, the Developer will likely complete the design for the Project and commence physical construction of the Airfield, and subsequently (or concurrently) all or a portion of the Airpark. Once construction of the Airfield has been completed, the Developer will operate and maintain the Airfield for a 40 to 50-year period. At the end of that term, the Airfield will be handed back to the Commonwealth. Under Phase 2 there will likely be two separate financings, one for the Airpark and one for the Airfield, and the Airpark may have multiple financial close tranches necessary to build out the entirety of that component.

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VII. Project Structuring

There are multiple ways to structure ownership of the Bluegrass Station Airport Project. We are proposing three possible options for ownership entities: (1) a Commonwealth agency; (2) a newly created statutory authority of the Commonwealth and (3) a special purpose governmental entity/airport authority. The description, benefits and challenges of each option are detailed below.

Option 1: Commonwealth Agency

The most traditional structure is to have a Commonwealth agency serve as the lead governmental entity and be the lessor and counterparty to the private master developer. There are many reasons to consider ownership of the Bluegrass Station Airport Project by a Commonwealth agency.

Because the Airport will adjoin Bluegrass Station and likely share similar tenants, activities in one facility will impact the other. Having control of both facilities may best protect the Commonwealth's interests. Several agencies could potentially fulfill this ownership role: (1) The Finance and Administration Cabinet: This agency has relevant experience with procurement, P3s, and is a major landowner of Commonwealth properties. (2) The Department of Military Affairs (DMA): This agency has administered programs at Bluegrass Station for years and has the closest connections to the defense contractors which are likely to make up the bulk of the users of the Airport facilities. There are likely efficiencies in having DMA oversee the security, utilities, and tenants of both Bluegrass Station and the Airport. The DMA already has personnel who are familiar with the current operations of Bluegrass Station and who could be deployed to new or expanded roles to work with whichever developer is ultimately selected to build out and operate the P3 project. (3) The Department of Aviation: This agency has expertise in regulating airports.

Furthermore, agencies of the Commonwealth may have express condemnation powers or could call upon the Finance and Administration Cabinet to condemn land which is needed for the P3 project, where condemnation is necessary.

Under the P3 structure, it is likely that any debt incurred for the P3 project will be solely the obligation of the entity that is selected to be the P3 developer. Although it would have no legal liability to do so, the Commonwealth, in a default situation might elect, in its discretion, to pay some debt service for a time or work with the lenders until an acceptable successor ground lessee/project operator could be found. Also, the ground lease should provide that any successor ground lessee be satisfactory to the Commonwealth and be able to demonstrate that such successor has sufficient financial resources to complete and operate the project and perform under the ground lease, as well as meet security and other standards that should be applicable to any ground lessee or project operator.

Option 2: New Statutorily Created Authority

A second alternative is the creation of a new statutory authority by the General Assembly of the Commonwealth. A similar example of this is the Louisville Arena Authority. In the early 2000's, a consensus developed to construct a new downtown arena in Louisville, Ky. Revenue was to come from three sources: (1) the Commonwealth of Kentucky, (2) Louisville Metro and (3) operations of the downtown arena (including the lease of the arena to University of Louisville for basketball). The Governor approved the creation of an authority through executive order identified as the Louisville Arena Authority Inc., with 15 board members. The order provided that ten board members would be appointed by the Governor (because the Commonwealth contributes the greatest amount of tax revenue in support of the arena project) and five of the directors would be appointed by the Mayor of Louisville Metro (Metro also contributes significant tax revenue).

In the Bluegrass Station Project, if a statutory authority were created by the General Assembly, such legislation would undoubtedly provide that most of the directors should be appointed by the Governor, as the major public financial support for the P3 project will be coming from the Commonwealth of Kentucky (e.g. relatively little, if any, will be coming from Bourbon or Fayette Counties). Directors could come from the various stakeholder agencies,

such as the Department of Military Affairs, Finance & Administration Cabinet, and Department of Aviation. However, it is possible that such legislation could provide that a minority of the directors would be appointed by either Bourbon County or Fayette County. The presence of local representatives on the board of directors of a statutory authority would broaden the opportunity for input from citizens who live in proximity to the P3 project. Another alternative is for members of the Bourbon County Fiscal Court and the Lexington-Fayette Urban County Government to serve on such a board of directors, in their ex officio capacity.

It is likely that the statutory authority would seek a determination that it is a 501(c)(3) organization. If the new authority were created by statute, such legislation could provide necessary condemnation powers. If created through executive order, like the Louisville Arena Authority, it is unlikely that such an entity would have express condemnation powers. As a result, land acquisition and condemnation of land would have to be done initially by the Commonwealth, with the ownership of the land to be transferred to the statutory authority after its acquisition (or ownership of the land could be retained by the Commonwealth, and the land ground leased to the statutory authority).

Such a statutory authority would likely be a component unit of the Commonwealth of Kentucky state government. However, there would be a degree of separation between the Commonwealth and such statutory authority. If the example of the Louisville Arena Authority is followed, revenue bonds might be issued by an entity such as the Kentucky Economic Developer Finance Authority (KEDFA) and those bonds would be payable solely from revenues of the statutory authority. Those revenues in turn would come from the lease of the land to the developer of the P3 project. The revenue bonds would not be obligations of the Commonwealth of Kentucky.

Alternatively, any borrowing for the project would be done solely by the P3 developer and no revenue bonds would be issued by the statutory authority.

Option 3: Special Purpose Governmental Entity/Airport Authority

A third alternative is Bourbon County could create a special purpose governmental entity (SPGE) or an airport authority. This entity could in many ways resemble the statutory authority discussed in Option 2. The County's legislation could provide for governance through a board of directors, the members of which would be appointed by the Judge/Executive. The enacting legislation could allow the Governor or other entities to nominate directors for the Judge/Executive's approval. Alternatively, Bourbon County and the Commonwealth could create an interlocal agency through an interlocal cooperation agreement with a similar structure.

If it were determined the SPGE did not have express condemnation powers, KRS 183.122 allows the Secretary of the Transportation Cabinet to authorize the SPGE to condemn real property for airports on behalf of the Commonwealth. Alternatively, land acquisition and condemnation of land could be done initially by the Commonwealth, with the ownership of the land to be transferred to the SPGE after its acquisition (or ownership of the land could be retained by the Commonwealth, and the land ground leased to SPGE).

(1) The SPGE could issue revenue bonds to assist with the financing, supported by lease revenues (from the lease to the P3 developer). (2) Alternatively, any borrowing for the project would be done solely by the P3 developer and no revenue bonds would be issued by the SPGE.

The Finance Cabinet, Department for Local Government, and Kentucky Local Government Public-Private Partnership Board would be required to provide additional oversight on the Project if:

1. SPGE is considered a local government under KRS 65.028, and
2. Total contractual value of the P3 Agreement exceeds thirty percent (30%) of the local government's general fund revenues received the previous fiscal year.

The Cabinet and Department have up to 90 days to evaluate the P3 Agreement and procurement process for compliance with Kentucky law and analyze the Project's economic and financial viability. After the Cabinet and Department forward the results of their evaluation, the Local Government P3 Board must meet within sixty days to

approve or disapprove the P3 Agreement. See KRS 65.028(12) and 200 KAR 5:355(2)(d).

Other considerations

Other factors should be considered in selecting the ultimate ownership structure. One such factor is the possible availability of sovereign immunity under each structure. Undoubtedly, the P3 developer will be required to insure the P3 project and to indemnify the owner against any claims arising against the owner while the P3 developer is in control of the land. However, in the event of a significant claim arising from the property, the owner of the property may get sued. Sovereign immunity may be available in varying degrees, depending on the owner entity. Further thought needs to be given to the ownership structure in the context of sovereign immunity, as well as to other issues which are beyond the scope of this report.

To summarize, an outline of the decision factors to consider when choosing a project structure are:

1. Commonwealth Financial Risk Tolerance
 - Investment Reimbursement
 - Revenue Share
 - Compensation Events
 - Termination Compensation
2. Level of Control
 - Design Aspects
 - Tenant Leasing
 - Airfield Tenants
 - Governance
3. Land Acquisition
 - Funding
 - Condemnation process
 - Ownership
4. Procurement Process

The Project

The Airpark could be developed and monetized through various structures. The first would consist of the Master Developer developing the real estate on the site themselves and leasing out the buildings to any number of tenants. The second structure would be a tenant-developer structure wherein the Master Developer would require the individual tenants to develop their own buildings based on their needs. In exchange, the Authority or Development Corporation would collect Land Lease revenue per square foot of the entire 1,000-acre footprint.

Potential lease structure

The Master Developer will have authorization by the Authority or SPGE to perform all the site and infrastructure planning, project funding and capital raising activities necessary to manage and deliver the Project, coordinate and perform all environmental studies, pre-development activities and environmental due diligence pursuant to a license or other access agreement required by the Project and the plan, all at the expense of the Master Developer. The Master Developer may pursue permitting and zoning activities under the Commonwealth and/or County's authorization as necessary.

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Party responsibilities

The Commonwealth or SPGE

If the project utilizes an Authority or SPGE structure, then the governmental entity's responsibilities will include:

- Agreement to form Authority or SPGE and its board
- Dedicated personnel for project development
- Lead funding efforts with the state and federal government to show the regional effect of the project on economic development
- Agreement to a ground and revenue share payment structure and possible PILOT payment
- Technical support for environmental review and funding efforts.
- Environmental Review (National Environmental Performance Act ["NEPA"]) Lead Agency for SEQRA and project proponent for NEPA.
- Entitlements (Zoning) – lead agency
- Commonwealth and federal funding– active leadership in requesting Commonwealth and federal infrastructure funding to offset capital investment in the project.

Master Developer

The Master Developer will be responsible for the following project components:

- Finalizing the development plans, securing all necessary approvals, preparing and securing all environmental approvals required, consents, and financing
- Completing all necessary project-wide public infrastructure improvements
- Conducting all necessary construction and equipping of buildings, and all building renovations, removing and remediating all environmental hazardous materials and operating and managing the project parcels (this includes all common element infrastructure)
- Paying all consideration (including ground rent and additional revenue share) real estate taxes, through a PILOT or other mutually agreed upon structure that includes ad valorem taxes, special assessments, special district taxes, and all other taxes associated with the project parcels and/or any redevelopment of the project parcels
- Complying with all applicable laws, rules, regulations, including, environmental laws, labor laws and construction laws, and being responsible for obtaining all required building permits, certificates of occupancy, and approvals coordinating its plans, through the Authority or SPGE, with the Commonwealth and County.
- Facilitating and integrating all infrastructure associated with roads and utilities for the entire Project
- Connecting to the utilities for each Project component
- Complying with the explicit operational performance standards and hardback provisions required by the project lease

Reimbursable expenses

The Master Developer shall be responsible for all reasonable reimbursable expenses upon presentation of an accounting. Reimbursable expenses shall include Commonwealth legal and consulting expenses pertaining to the development of the Project and the Authority or SPGE start-up fees and seed money (aka bridge loan).

Land cost reimbursement

The land acquisition investment amount could be recovered through several means. A new Commonwealth Authority would issue revenue bonds to reimburse the Commonwealth for all or a portion of the land acquisition costs (the amount of such reimbursement to be determined by the Commonwealth, considering multiple factors, including, but not limited to, concession payments and supplemented by the state income and sales taxes to be generated by the project). The timing of this would be determined by the amount of time it would take to establish the statutory Authority. From the time of the Authority's creation, the debt could likely be issued within three to five years or the point of stabilized cash flows, whichever comes sooner. This debt could then be used to repay seed

monies and be partially serviced by concession payments from the Developer/Concessionaire to the Authority. The second method would be to rely directly on annual concession payments from the Developer/Concessionaire to reimburse the Commonwealth wholly or partially over the term of the Concession or through an initial upfront payment.

Finally, the Commonwealth could recover its investment through the increased tax revenues attributable to this project. For example, since 1995 BGS tenants have paid \$200 million in state and local taxes in addition to paying for all facility improvements.

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VIII. Economic and Tax Impacts

Introduction and impact methodology

The Bluegrass Station Airport project will have a dramatic, positive economic impact on the Commonwealth by creating 3,000 to 6,000 permanent jobs and bringing in \$12-20 million of new state and local taxes a year. For a project of this type and scale, the impacts will come in two forms:

1. **Investment impacts** (one-time occurrences such as capital investments for infrastructure, buildings, etc.)
2. **Ongoing impacts** (from jobs created through the Airport and other related private sector activity)

To determine the **investment impacts**, we have used traditional economic modeling to capture all the effects of the investments necessary to realize this project: roadways, airstrip, hangars, utilities, site work, etc. The 'initial' column in the data below estimates the first layer of this impact; in other words, those companies that are working directly on the BGS Airport project. The 'direct' column is the first ripple, likely suppliers to those companies in the 'initial' column. The 'indirect' and 'induced' columns represent the second and third ripples from the initial investment. (Induced is typically a large number, as seen in our data here. This is because the induced category seeks to capture how the employees' earnings from the other columns are spent in the broader economy.)

To determine the **ongoing impacts**, we have established baseline assumptions for the total square footage of industrial buildings that could occupy the Airpark. We have then estimated how many employees could occupy that square footage. Finally, using two different methodologies, we have made assumptions about the mix of industry types that would occupy these buildings. Those industries allow us to project specific staffing patterns and related wages for the jobs estimated to be housed in the Airpark. Using current wage rates in the Commonwealth, we can estimate total annual wages and annual wages by occupation type.

Please note that the investment impacts are one-time occurrences. These estimates seek to quantify specifically the effects of the capital infusion into creating the physical Airfield and Airpark. Conversely, the approach to the ongoing impacts seeks to estimate the effects that are expected to be reoccurring each year. For example, if a company occupies a building in the Airpark and hires 100 people, it is assumed those jobs and associated wages will continue (or if that company vacates, be replaced by a similar occupant).

Summary

Investment impact (construction, one-time effects)

- **Earnings: \$591 million**
(development activity only; additional earnings through ripple effects are estimated on following pages)
- **Jobs: 6,399**
(development activity only; additional jobs through ripple effects are estimated on following pages)
- **State and local taxes (sales and payroll): \$75 million**
 - State: \$70.7 million
 - Local: \$4.2 million

Ongoing impact (reoccurring, annual effects)

- **Permanent jobs: 3,000 - 6,000**
- **Estimated annual wage range is \$262 - \$277 million** (two methodologies used below)

Continue to next page

- **State and local taxes (sales, payroll and property): \$12 - 20 million annually**
 - 75 percent to Commonwealth, 25 percent to local government

Earnings and jobs

The below chart represents the total estimated amount of private investment for infrastructure and development of both the Airfield and the Airpark. We estimate that total private investment in the BGS Airport will exceed \$1.4 billion.

Airside Construction	Investment
Taxiway incl site work	\$114,000,000
Electric/Comms	\$3,000,000
Water/Sewer	\$2,000,000
Hangar/Terminal	\$13,000,000
Other Construction	\$13,000,000
Total Airside	\$145,000,000

Landside (approx. 1,000-acre airpark)	Investment
Infrastructure and Site Preparation	\$185,000,000
Off-project & Contiguous Roadway Improv.	\$83,000,000
Industrial Building Construction ^10 million sq ft @ \$100 psf	\$1,000,000,000
Total Landside	\$1,268,000,000

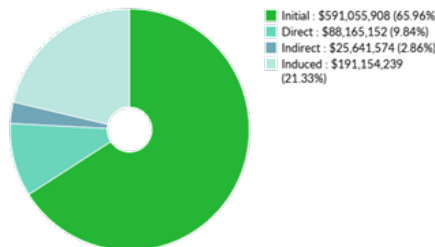
We estimate the following impacts to the Commonwealth of Kentucky from the above investments. These impacts are focused on effects from the capital infusion into construction for these developments.

Aggregate effect on earnings

\$896,016,874

Change in Earnings

1.52 Multiplier



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Industries projected to see the largest benefits from direct development and ripple effects include:

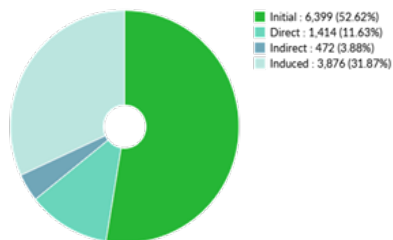
NAICS Group	NAICS Title	Initial	Direct	Indirect	Induced
236	Construction of Buildings		\$19,473	\$107,375	\$1,819,640
237	Heavy and Civil Engineering Construction	\$162,427,163	\$3,609	\$64,026	\$1,084,743
541	Professional, Scientific, and Technical Services	\$0	\$18,140,719	\$4,135,738	\$11,430,165
621	Ambulatory Health Care Services	\$0	\$419,187	\$25,485	\$27,471,821
622	Hospitals	\$0	\$125,915	\$24,013	\$18,377,015
561	Administrative and Support Services	\$0	\$4,566,075	\$4,596,840	\$6,669,199
531	Real Estate	\$0	\$4,684,230	\$2,190,874	\$5,760,293
722	Food Services and Drinking Places	\$0	\$114,050	\$468,615	\$11,912,849
444	Building Material and Garden Equipment and Supplies Dealers	\$0	\$9,641,800	\$44,710	\$680,781
522	Credit Intermediation and Related Activities	\$0	\$2,498,088	\$1,122,056	\$6,404,552
484	Truck Transportation	\$0	\$6,044,406	\$742,711	\$2,329,741
423	Merchant Wholesalers, Durable Goods	\$0	\$6,345,067	\$626,429	\$1,926,213

Aggregate effect on jobs

12,161

Change in Jobs

1.90 Multiplier



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Occupations projected to see the largest benefits from direct development and ripple effects include:

SOC Group	SOC Title	Initial	Direct	Indirect	Induced
47-2000	Construction Trades Workers	3,297	25	9	97
11-9000	Other Management Occupations	478	38	17	130
47-1000	Supervisors of Construction and Extraction Workers	560	3	1	10
13-1000	Business Operations Specialists	419	42	20	80
53-3000	Motor Vehicle Operators	143	101	23	108
41-2000	Retail Sales Workers	0	149	7	204
11-1000	Top Executives	226	47	14	72
53-7000	Material Moving Workers	55	98	38	114
43-9000	Other Office and Administrative Support Workers	159	30	10	59
35-2000	Cooks and Food Preparation Workers	0	3	8	247
43-3000	Financial Clerks	131	39	14	69

Permanent jobs

We envision BGS Airport as being home to a variety of manufacturing and logistics industries. These industrial spaces will support permanent jobs. The jobs that will occupy those spaces are estimated below.

We have utilized two methodologies to estimate the permanent jobs potential of this development. Both methodologies rely on these assumptions:

Building Allocation and Employment Densities

	Size	Sq ft per employee*	Est. Jobs
Manufacturing square footage 40%	4,000,000 sq ft	1,164	1,500 - 3,000
Logistics square footage 60%	6,000,000 sq ft	2,000	1,500 - 3,000
Total	10,000,000 sq ft		3,000 - 6,000

Methodology #1

- Permanent jobs: 3,000 - 6,000
- Annual wages: \$277 million

These estimates are based on the following set of assumptions:

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Selected Industries
This Methodology #1 utilizes the current makeup of the Lexington Region’s industrial sector to project job growth.
The following seven industry groups make up more than 53% of the manufacturing and logistics jobs in the Lexington MSA. This model assumes all of the jobs in the landside development would be reflective of and proportional to these seven primary industry groups and their related occupation mixes.
Motor Vehicle Manufacturing, Warehousing and Storage, Couriers and Express Delivery Services, Motor Vehicle Parts Manufacturing, General Freight Trucking, Plastics Product Manufacturing, Aerospace Product and Parts Manufacturing
Note: airfield wages are estimated at \$210,000 per year and are not accounted for in the data below
*Source: U.S. EIA, 2018 CBECS, September 2022 revision

Occupations projected to see the largest number of permanent jobs under Methodology #1:

SOC	SOC Title	Permanent Jobs	Annual Payroll
51-2098	Miscellaneous Assemblers and Fabricators	1,595	\$59,665,933
53-7062	Laborers and Freight, Stock, and Material Movers, Hand	902	\$27,636,372
53-3032	Heavy and Tractor-Trailer Truck Drivers	597	\$27,980,243
53-7065	Stockers and Order Fillers	282	\$8,428,913
53-3033	Light Truck Drivers	251	\$9,593,710
53-7051	Industrial Truck and Tractor Operators	219	\$8,333,365
51-1011	First-Line Supervisors of Production and Operating Workers	123	\$7,483,785
43-5071	Shipping, Receiving, and Inventory Clerks	122	\$4,375,960
51-9061	Inspectors, Testers, Sorters, Samplers, and Weighers	119	\$4,474,297
17-2112	Industrial Engineers	108	\$8,482,765
53-1047	First-Line Supervisors of Transportation and Material Moving Workers, Except Aircraft Cargo Handling Supervisors	103	\$5,120,216
51-4031	Cutting, Punching, and Press Machine Setters, Operators, and Tenders, Metal and Plastic	97	\$3,652,213
49-9041	Industrial Machinery Mechanics	69	\$4,121,325
11-1021	General and Operations Managers	66	\$4,722,938
11-3051	Industrial Production Managers	49	\$4,836,504

Methodology #2

- Permanent jobs: 3,000 - 6,000
- Annual payroll: \$262 million

These estimates are based on the following set of assumptions:

Continue to next page

Selected Industries

This Methodology #2 utilizes the economic development successes of the Commonwealth since January 2020, as documented by the Cabinet for Economic Development, to project job growth.

The following eight industry groups represent 55% of investment and 45% of job creation in the manufacturing and logistics sectors in the CED dataset**. This model assumes all of the jobs in the landside development would be reflective of and proportional to these eight primary industry groups and their related occupation mixes. Other Food Manufacturing, Beverage Manufacturing, Plastics Product Manufacturing, Alumina and Aluminum Production and Processing, Household Appliance Manufacturing, Motor Vehicle Manufacturing, Motor Vehicle Parts Manufacturing, Warehousing and Storage

Note: airfield wages are estimated at \$210,000 per year and are not accounted for in the data below

**Given their unique nature, the Ford/SK project (2021) and the Envision AESC (2022) have been removed from the dataset in order to avoid having those singular large data points influence the data.

Occupations projected to see the largest number of permanent jobs under Methodology #2:

SOC	SOC Title	Permanent Jobs	Annual Payroll
53-7062	Laborers and Freight, Stock, and Material Movers, Hand	849	\$26,016,235
51-2098	Miscellaneous Assemblers and Fabricators	720	\$26,918,708
53-7065	Stockers and Order Fillers	668	\$19,984,935
53-7051	Industrial Truck and Tractor Operators	502	\$19,130,521
51-9111	Packaging and Filling Machine Operators and Tenders	220	\$8,133,090
53-3032	Heavy and Tractor-Trailer Truck Drivers	187	\$8,776,929
43-5071	Shipping, Receiving, and Inventory Clerks	172	\$6,170,615
51-1011	First-Line Supervisors of Production and Operating Workers	121	\$7,354,291
51-9061	Inspectors, Testers, Sorters, Samplers, and Weighers	117	\$4,404,236
53-1047	First-Line Supervisors of Transportation and Material Moving Workers, Except Aircraft Cargo Handling Supervisors	104	\$5,160,464
51-9012	Separating, Filtering, Clarifying, Precipitating, and Still Machine Setters, Operators, and Tenders	98	\$5,668,523
11-1021	General and Operations Managers	85	\$6,021,664
49-9041	Industrial Machinery Mechanics	83	\$4,993,430
41-4012	Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific Products	81	\$4,644,489
17-2112	Industrial Engineers	64	\$5,043,303

Continue to next page

Taxes

New tax revenue

We estimate the entire development will generate the following new tax revenues in the Commonwealth:

Type	Calculation	Est. Revenue	Frequency	Comments
Sales Tax - Construction	\$706.5 million x 6%	\$42.39 million	One-time	Overall investment for entire project is estimated herein at \$1.413 billion. Assume here that 50% of that total investment is in taxable materials.
Sales Payroll Tax - Construction	\$565.2 million x 5%	\$28.26 million	One-time	Overall investment for entire project is estimated herein at \$1.413 billion. Assume here that 40% of that will translate to W-2 wages for Kentucky residents.
Local Occupational Tax - Permanent Jobs	\$565.2 million x .75%	\$4.24 million	One-time	Overall investment for entire project is estimated herein at \$1.413 billion. Assume here that 40% of that will translate to W-2 wages for Kentucky residents.
State Payroll Tax - Permanent Jobs	\$277 million x 5%	\$13.85 million	Annually	Wages per Methodology #1 above
Local Occupational Tax - Permanent Jobs	\$277 million x .75%	\$2.08 million	Annually	Wages per Methodology #1 above
Sales & Excise Tax - Aviation Fuel	Jet Fuel \$5.5 million x 6% + Avgas 110k gallons x \$0.23	\$355,000	Annually	Volumes based on Year 3 operations estimates
Property Tax Real Property only; personal property/equipment/inventory would generate property taxes in addition to those projected here	\$452 million of taxable value @ 87.5 cents per \$100 of taxable value	\$3.955 million	Annually	10 million sq ft of industrial buildings at \$45 taxable value per sq ft plus 70,000 sq ft of hangar/airfield buildings at \$30 taxable value per sq ft

Note on future economic conditions, market demands

The impacts shown throughout this document are projections. The future development will ultimately be determined by market demand. Construction impacts will be determined by final project scopes and materials/equipment used, all of which will continue to be driven by market demands. Industries, occupations and wages will be driven by market forces.

The above projections rely on square footage assumptions for the Airpark; those assumptions are based in a limited survey of large industrial park developments in the U.S. The actual amount of industrial space developed in the Airpark several years from now, and relatedly, the number of permanent jobs created, will be determined by the economic conditions at that point in time.

Definitions

Earnings: The total industry earnings for a region includes wages, salaries, supplements (additional employee benefits) and proprietor income. This may include bonuses, stock options, severance pay, the cash value of meals and lodging, tips and other gratuities. In some states, it may also include employer contributions to certain deferred compensation plans, such as 401(k) plans. Covered employers' contributions to elderly, survivors, and disability insurance; health insurance; unemployment insurance (UI); workers' compensation; and private pension and welfare funds are not reported as wages. Employee contributions for the same purposes, however, as well as money withheld for income taxes, union dues, and so forth, are reported, even though they are deducted from the worker's gross pay. Additionally, supplements such as employer contributions for employee pension and insurance funds and employer contributions for government social insurance may be included.

Source data for occupations, industries, and multiplier effects is Lightcast (EMSI); further analyzed and modeled by McGuire Sponsel.

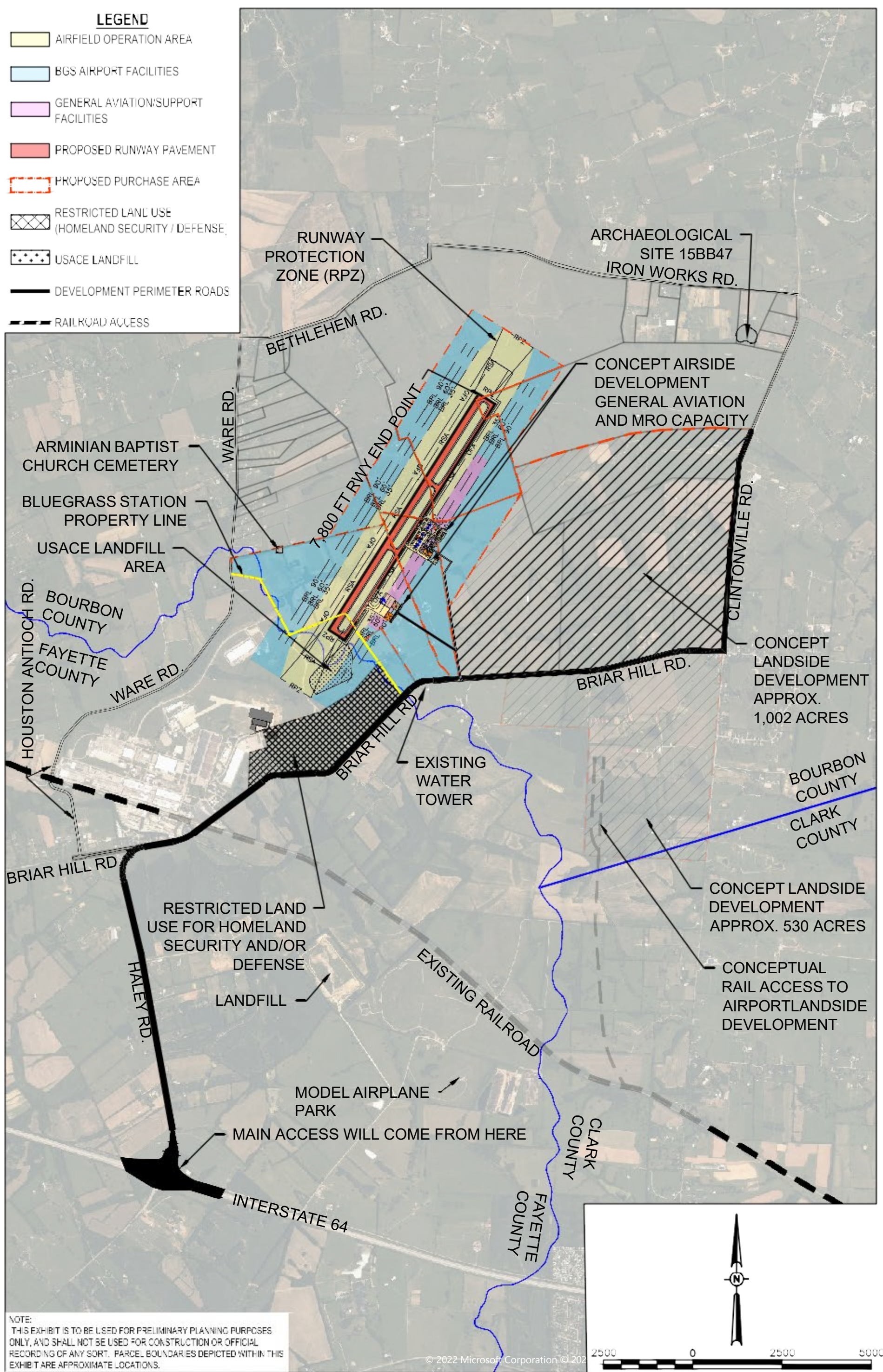
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X. Appendix

- A. Map 1 - BGS Airside and Landside Development
- B. Map 2 - BGS Terminal Area Concepts
- C. Road Infrastructure Costs chart
- D. Land Acquisition Estimated Timeline
- E. Impact/Returns Path Timeline
- F. Risk Matrix (2021)
- G. Commerce Lexington's Regional Competitiveness Initiative

LEGEND

- AIRFIELD OPERATION AREA
- BGS AIRPORT FACILITIES
- GENERAL AVIATION/SUPPORT FACILITIES
- PROPOSED RUNWAY PAVEMENT
- PROPOSED PURCHASE AREA
- RESTRICTED LAND USE (HOMELAND SECURITY / DEFENSE)
- USACE LANDFILL
- DEVELOPMENT PERIMETER ROADS
- RAILROAD ACCESS



NOTE:
 THIS EXHIBIT IS TO BE USED FOR PRELIMINARY PLANNING PURPOSES ONLY, AND SHALL NOT BE USED FOR CONSTRUCTION OR OFFICIAL RECORDING OF ANY SORT. PARCEL BOUNDARIES DEPICTED WITHIN THIS EXHIBIT ARE APPROXIMATE LOCATIONS.

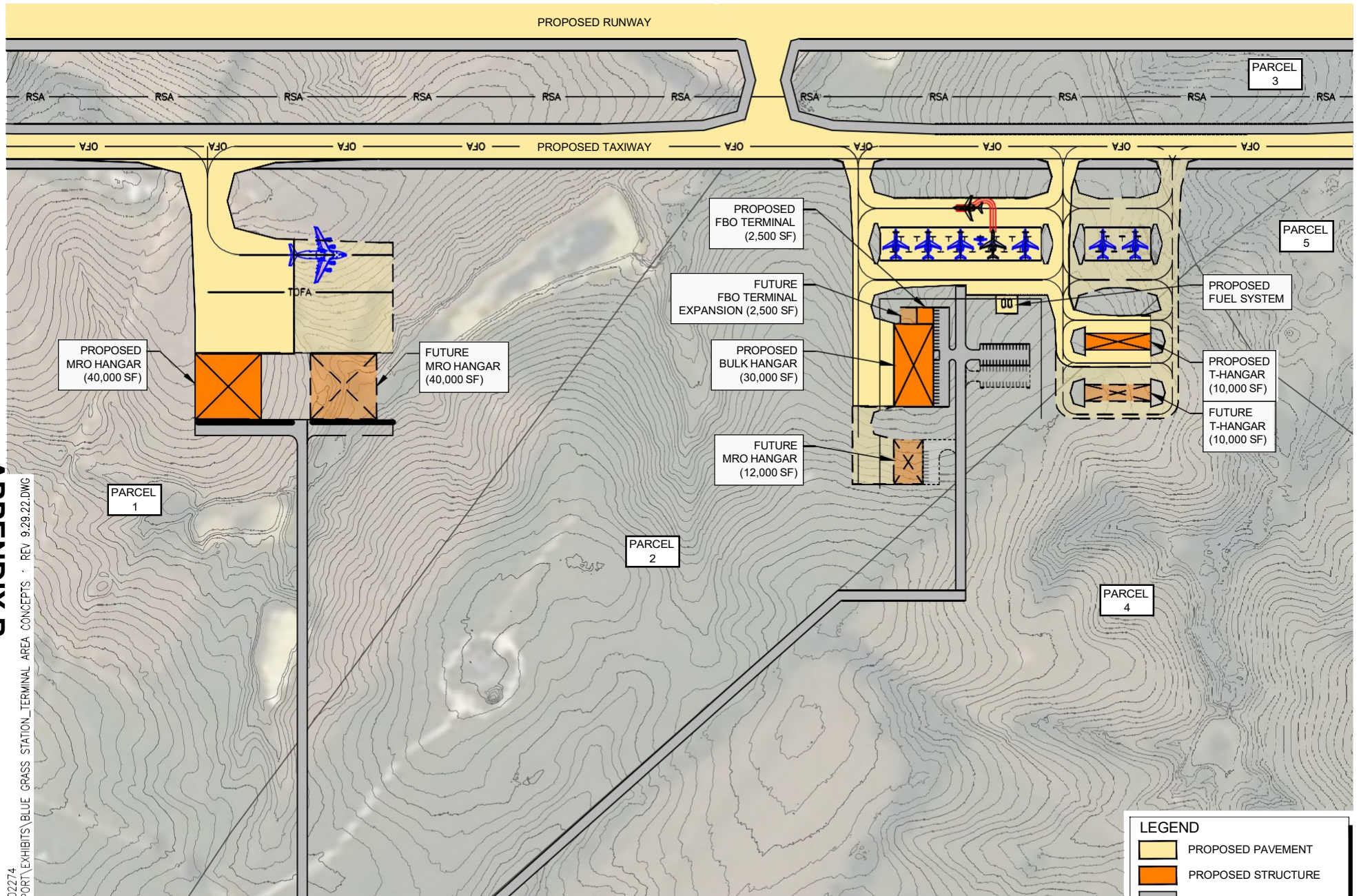
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DRAFT

BLUEGRASS STATION AIRPORT (BGS) LEXINGTON, KY
 7,800 FT RUNWAY LAYOUT - 1,000 ACRE LANDSIDE DEVELOPMENT
APPENDIX A

Hanson Professional Services Inc.
 2700 Moran Ave., Suite B
 Louisville, KY 40205
 Offices Nationwide www.hanson-inc.com



APPENDIX B

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\\211085\2110055A\CAD\AIRPORT\EXHIBITS\BLUE GRASS STATION_TERMINAL AREA CONCEPTS 1 REV 9.29.22.DWG

LEGEND	
	PROPOSED PAVEMENT
	PROPOSED STRUCTURE
	PROPOSED ROAD / PARKING
	FUTURE PAVEMENT
	FUTURE STRUCTURE
	FUTURE ROAD / PARKING



**Bluegrass Station Airport / Airpark
Roadway Infrastructure Costs (as of 9-14-2022)**

Route	Mileage	Construction Costs	Design Costs	Utility Costs	ROW Costs	Total	Fiscal Year
I 64 / KY 859 (Haley Pike Interchange) Extend Ramp Tapers	1.500	\$ 3,377,120	\$ 1,125,000	\$ 1,200,000	\$ 477,818	\$ 6,179,940	2026 or Project Start
Ky 859 (Haley Pike) Add shoulders and overlay	1.750	\$ 6,475,315	\$ 1,312,500	\$ 1,400,000	\$ 557,455	\$ 9,745,272	SAME
KY 859KY57 Intersection	0.400	\$ 6,714,701	\$ 600,000	\$ 320,000	\$ 172,727	\$ 7,807,428	2027-2037
Ky 57 (Briarhill) Add shoulders and overlay, grade correction	3.720	\$ 38,064,094	\$ 2,790,000	\$ 2,976,000	\$ 1,320,262	\$ 45,150,356	2027-2037
Ky 1678 (Clintonville Road) Reconstruct along existing alignment	0.097	\$ 12,159,884	\$ 727,500	\$ 776,000	\$ 696,989	\$ 14,360,373	2028 or Not at All

Projected costs in this chart were prepared by the BGS Airport Project Consulting Team.

LAND ACQUISITION ESTIMATED TIMELINE
BLUEGRASS STATION

TASK/ACTIVITY	ESTIMATED TIMELINE
<i>Due Diligence</i>	
Title Search & Commitment	Approximately 3-5 Months
Notice of Intent to Acquire	Upon receipt of title commitments (deliver to landowner at least 10 days prior to any entry on the property)
Survey	Approximately 3 months (May be ordered upon receipt of title commitments)
Appraisal	Approximately 3-5 weeks
LENGTH OF DUE DILIGENCE PHASE	7-9 months
<i>Voluntary Acquisition</i>	
Offer for Purchase Option	Offer documentation completed within 5-7 days upon receipt of the appraisal.
Purchase Option Negotiation	Approximately 30 days
Good Faith Offer to Purchase	Offer documentation completed within 5-7 days upon receipt of the appraisal.
Purchase Negotiations	<i>Seller Review of Offer:</i> at least 30 days <i>Negotiation:</i> 30-60 days
LENGTH OF VOLUNTARY ACQUISITION PHASE	3-4 months
<i>Condemnation</i>	
Prepare and File Complaint	Approx. 15-30 days following rejection of offer
Appointment of Commissioners & Commissioners Report	Commissioners must submit their report to the court within 15 days of appointment
Summons	Issued following submission of Commissioner's Report
Answer¹	No later than 20 days following service of Summons (subject of motion for extension of time)
Right-to-Take Discovery	Approximately 120-180 days
Motion for Summary Judgment	Approximately 90-120 days
Right-to-Take Bench Trial	Approximately 1-2 weeks
Interlocutory Judgment	If right to condemn upheld or no answer is timely filed.
Interlocutory Appeal	12-24 months
*Commonwealth has right to take possession of property upon compensation of owners.²	

¹ While unlikely, a property owner could also file a Motion to Dismiss which adds at least 90 days to this timeline estimate.

² Upon successful outcome of the interlocutory judgment if no appeal is filed or upon a successful interlocutory appeal, the Commonwealth may take possession the property upon compensation of the landowner. However, if the judgement amount changes after a trial of exceptions, the Commonwealth must pay the landowner any increase in award plus 6% interest on that increase; if the compensation decreases then the owner must pay the Commonwealth for any decrease plus 6% interest on that difference. See KRS 416.620(5).


APPENDIX D-1

Exceptions to Interlocutory Judgement	May be filed within 30 days of entry of Interlocutory Judgment by either party; limited to contesting amount of award.
Damages Discovery	Approximately 90-120 days
Trial	Approximately 1-2 weeks
Appeal	12-18 months
LENGTH OF CONDEMNATION PHASE	2-59 months
TOTAL ACCUMULATED TIME	12-72 months

Impact/Returns Path

Investments		\$800K		\$11.5M - \$13.5M		\$6.5M-\$9M	\$28.5M-\$31.5M	
Project Steps	Feasibility and Implementation Path	Issue RFI and RFQ	Shortlist and Issue RFP	Enter Into Land Options	Execute P3 Agreement Preferred Proposer	P3 Pre-Development Tasks	Complete Land Acquisition	Commercial and Financial Close
	KY →	KY PA AA	Proposer/ Developer	→	P/D KY PA AA	\$18.8 - \$23.3 M: Procurement and Predevelopment Investment Repaid to Commonwealth		
Risk Transfer Timeline	Counterparty (KY/PA/AA) →			Proposer/Developer →				

Structure/Development/Impact/Returns Path

Roadway Expenditures	Roadwork Begins (\$16 M)		Roadwork; spans 10 years & \$53M				
Project Steps	Airfield Development Begins	Airpark Development Begins	Airfield Completed & Operational	Airpark First Tenants	Repayment to Commonwealth, PA or AA	Stabilized Cashflow Achieved	Lease Term Ends
Outcome	Airfield Ground Rent Payments Begin	Airpark Ground Rent Payments Begin		Annual Revenue: Approx. 3,000-6,000 Jobs \$12M-\$20M New Annual Tax Revenue	Investment Return: \$28.5 - \$31.5M Bonds Issued to Repay Land Investment or Bridge Loan from Investors		Project reverts to Commonwealth, PA, or AA
Risk Transfer Timeline	Proposer/Developer 						Counterparty (KY/PA/AA)

Construction Impact:

Approximately 6,400 jobs

Approximately \$600M in direct earnings

P3 High-Level Risk Matrix
Bluegrass Station Airport P3 Development

APPENDIX F - 1

Risk	Design-Bid-Build	Design-Build	DBFOM - P3 (Availability)	DBFOM - P3 (Demand)	Airport (Airfield & Airpark) (Hybrid – P3)	Comments
<i>Scope Changes (owner requested)</i>	Public	Public	Public	Public	Shared	Given the nature of the proposed project, the Commonwealth will only be able to require change orders that the Developer can fund through future revenues and therefore if there is a change that is not economically feasible, then the Commonwealth would either have to fund the cost or choose an alternative method of achieving its objective.
<i>Environmental Approvals</i>	Public	Public	Public	Public	Private w/ Assistance from Public	We will perform the EA prior to issuance of the RFP, but the Developer will be responsible for the financial impact of the EIS, to the extent there is one, beyond an agreed upon mitigation amount (not to exceed \$2-3 million of exposure to the Commonwealth).
<i>Permits & Approvals</i>	Public	Shared	Shared	Shared	Private w/ Assistance from Public	The Commonwealth will provide assistance with obtaining approvals, but will not take the risk associated with any cost or delays associated with such approvals.
<i>Right of Way</i>	Public	Public	Shared	Shared	Private w/ Assistance from Public	The Developer will be responsible for funding the acquisition costs of any right of way; however, the Commonwealth will provide its assistance through eminent domain and other administrative measures. Commonwealth may advance some early work / appraisals prior to engaging a Developer.
<i>Utility Relocation</i>	Public	Shared	Shared	Shared	Private w/ Assistance from Public	Commonwealth will use its leverage / authority as a State to assist the Developer, but will not take the risk on the cost of utility relocations or non-compliance.

Risk	Design-Bid-Build	Design-Build	DBFOM - P3 (Availability)	DBFOM - P3 (Demand)	Airport (Airfield & Airpark) (Hybrid – P3)	Comments
<i>Design (errors & omissions)</i>	Public	Shared	Private	Private	Private	
<i>Ground Conditions</i>	Public	Public	Shared	Shared	Private	While pre-existing site conditions are typically retained by the Owner in a public infrastructure project, here the Developer will be acquiring these parcels and will take responsibility for these conditions similar to a private real-estate transaction.
<i>Environmental Contamination</i>	Public	Shared	Shared	Shared	Private	
<i>Construction (cost/schedule overruns)</i>	Shared	Private	Private	Private	Private	
<i>Labor Disputes</i>	Public	Private	Private	Private	Private	
<i>Quality Assurance/Control</i>	Public	Shared	Private	Private	Private	
<i>O&M + Lifecycle</i>	Public	Public	Private	Private	Private	
<i>Financing</i>	Public	Public	Private	Private	Private	See risk chart below, PABs and/or other taxable debt to be issued by conduit issuer or raised through private bank or private placement markets, Developer solely responsible for repayment.
<i>Interest Rate/Credit Spread</i>	Public	Public	Public	Public	Private	
<i>Changes in Law</i>	Public	Public	Shared	Shared	Private	
<i>Force Majeure</i>	Public	Shared	Shared	Shared	Private	May be covered by insurance. Will be entitled to schedule relief under the Project Agreement.
<i>Airfield Revenue</i>	Public	Public	Public	Private	Private	
<i>Rent Collection</i>	Public	Public	Public	Private	Private	

Potential Impacts to Credit Rating / Debt Caps						
Risk	Design-Bid-Build	Design-Build	DBFOM - P3 (Availability)	DBFOM - P3 (Demand)	Industrial AirPark (Hybrid – P3)	Comments
<i>Availability Payments / Financing Obligations of the Developer (including debt & equity)</i>	N/A	N/A	Impacts Rating, but not debt cap	N/A	N/A	<p>Due to the significant value proposition afforded on this Project, the public sector’s payments will largely be utilized solely for the Early Works, including those described in the Feasibility Study report and not for funding the overall project or its debt / equity investments. This is in contrast to a traditional availability payment P3 where public funds are used to repay the full cost of the project, as well as debt and equity.</p> <p>As a result, the Developer here will instead be solely responsible for repayment of its debt and equity obligations which will be issued by, or on behalf of, the Developer.</p> <p>For the above reasons the typical availability payments that rating agencies view as debt for ratings purposes do not exist under the proposed structure.</p>
<i>Compensation Events</i>	Yes	Yes	Impacts Rating, but not debt cap	Impacts Rating, but not debt cap	N/A	The Commonwealth has expressed a desire to structure this project more like a real-estate transaction with very few, if any, Compensation Events. As a result, this should materially reduce the State’s exposure for future contingent liabilities.
<i>Termination Compensation</i>	Only covers costs incurred in performance of work	Only covers costs incurred in performance of work	Covers Developer Debt / Equity or for Developer Default, just a percentage of debt	Covers Debt / Equity or for Developer Default, often no termination compensation	N/A	For the same reasons stated above, there is no intent to provide prescribed termination compensation which is more consistent with a traditional P3 project. Only remedies that exist at law will be available to the parties in the event of a default / early termination.

Commerce Lexington's Regional Competitiveness Initiative

Building a More Competitive Bluegrass Region

Produced by Economic Leadership LLC for Commerce Lexington

The region served by Commerce Lexington includes nine Kentucky counties: Bourbon, Clark, Fayette, Franklin, Jessamine, Madison, Montgomery, Scott, and Woodford. Faced with a rapidly changing competitive landscape, the organization brought together a group of key regional stakeholders, and the consulting team from Economic Leadership, to create actionable intelligence about the region's current economy and actions to improve future competitiveness.

The goal was not to create an extensive work plan with dozens of action items for all the organizations involved. It was to identify a limited number of new efforts that would be impactful, provide benefit to the whole region, be financially feasible, and have the broad support needed from key regional public and private leaders to be successfully implemented.

The Region's Current Economy

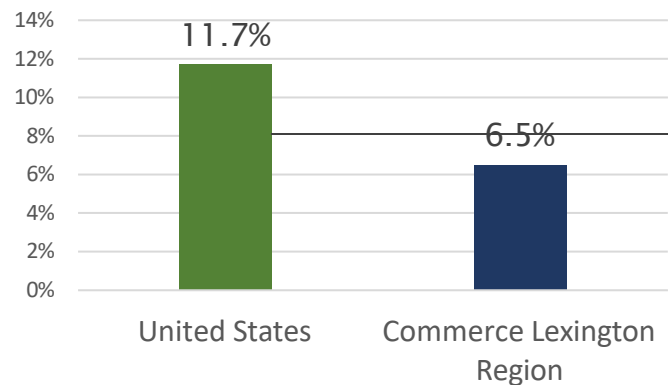
The population of the region is approximately 700,000 with regional employment just over 376,000. The population is projected to grow by about 20,000 (2.8%) over the next five years, decelerating from the 25,660 increase (3.8%) over the past five years.

The largest industry sectors in the region include government, manufacturing, and health. The region also has double the national average in agriculture sector jobs and above the U.S. average for jobs in accommodation and food services and retail trade. The fastest growing industry clusters are business services, distribution and e-commerce, state government services, aerospace, automotive and paper and packaging.

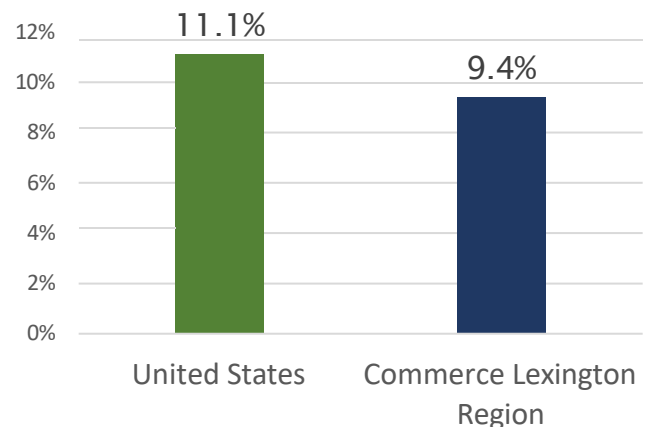
The region has experienced steady growth over the past five years, but slower than the national economy. In addition to below average Gross Domestic Product growth per capita and employment growth, the region also lags the national average in personal income growth.

Over the past decade (2011-2021) region has grown its labor force by only 1.9 percent or 6,430 workers. During the same period over 21,000 net new jobs have been added. The percentage of young adults aged 25-39 is below the national average and overall racial diversity is low, about half the national average. Labor availability is the top business concern.

5 Year %-Year Growth in GDP per Capita



5 Year % Growth in Employment



The average earnings per job in the region is \$62,500, well below the national average of \$76,600. Offsetting some of the difference is the lower regional cost-of-living, currently estimated at 95.5 percent of the national average. Compared to the national average, the region’s jobs mix includes a higher percentage of lower paying jobs and a lower percentage of jobs that pay wages in excess of \$30 per hour. Affordability, a regional strength, is being eroded. Over the past 10 years average annual pay has increased in Fayette County by 33 percent while average housing values have increased 71 percent.

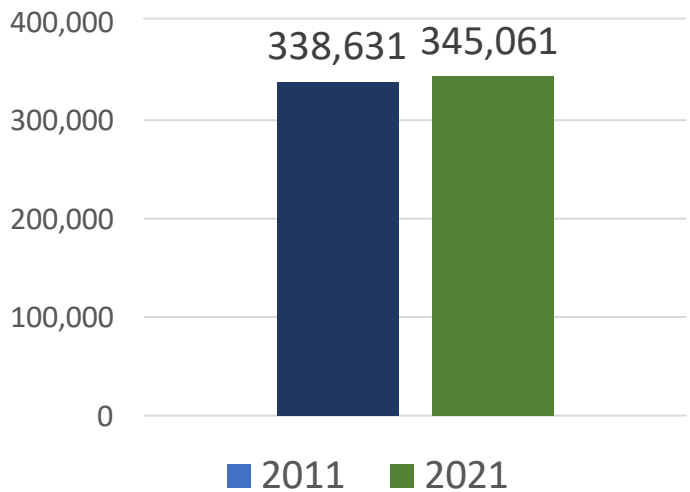
Aspirations for the Future

The Stakeholders describe the region as a smaller town with a big city feel that is beautiful, hospitable and affords its residents a very high quality of life. The region’s strengths are concentrated in the areas of infrastructure, affordability, and quality of life. The areas needing improvement to be more competitive are the availability of labor, the real estate product (ready sites and buildings), and the regulatory and approval process.

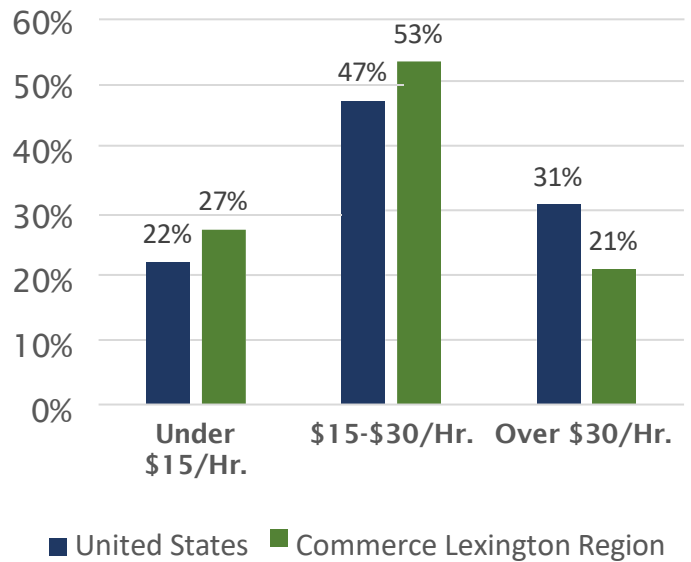
The overall goal is to grow the economy, maintain adequate infrastructure, attract and create more and better jobs, educate and train the future workforce, and maintain both the affordability and the quality of life that citizens enjoy.

Cluster, technology, and housing analysis were completed as part of the work, to identify additional opportunities and challenges. When compared to competitor regions, the region scores higher in QOL and business climate, lower in workforce and recent economic performance. Post pandemic trends suggest that the combination of a high quality of life and relative affordability when compared to competitor regions provides real opportunity for accelerated growth in advanced manufacturing, business and professional services, and targeted technology.

Commerce Lexington Regional Labor Force



Percentage Average Wages of Jobs



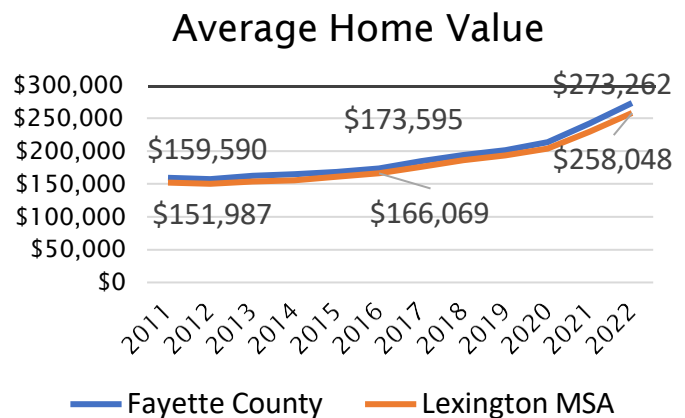
7 Take Aways for a More Competitive Region

Through the research and deliberation some things became clear.

#1 The regional economy needs to be more competitive. Despite labor shortages, excellent educational attainment numbers and an outstanding quality of life, the regional growth in population, jobs, wages, and GDP lags many competitor communities and national averages. Aggressive actions and investments to improve the region's competitiveness are needed. Without action the region will continue to lag.

#2 The regional labor force needs to grow.

The availability of skilled workers will be a critical factor in economic success in the coming years - probably the most important factor. The region's labor force growth has been slow, and a better strategy for talent attraction and retention of younger workers is needed. Housing affordable is critical and Fayette County's average home value has increased 57% between 2016-2021 and an additional 13 % so far in 2022.



#3 More ready sites and buildings are needed.

The investment decision process has accelerated in recent years. For most clients, the immediate availability of shovel-ready sites, or ready-to-occupy buildings that meet their needs, is a determining factor. Due to infrastructure needs, zoning decisions, and the lack of speculative building the region's real estate product is limited. Actions to expand and improve the available buildings and sites are needed to successfully compete for the opportunities that the region gets.

#4 Regional wages need to rise. The region's current industry mix creates too few high paying jobs. Actions are needed to focus marketing and business support efforts on industries that raise the average wages across the region.

#5 Opportunities abound. As the impacts of the pandemic wane, reshoring expands and innovation surges, most businesses report a need for new facilities and more workers. In addition, federal stimulus funding is available to cities and counties to invest in infrastructure, product development and worker training. Kentucky and the Commerce Lexington region have opportunities to grow the advanced manufacturing, business services, and technology sectors, if they can meet business needs.

#6 Data analytics are important, and mostly regional. Counties in the region are working to grow and improve, and these efforts are important. Detailed data is easily accessible to any potential investor today and "regional" is the geography most often used for comparison. Labor sheds, housing availability, cost of doing business and many other factors are aggregated at the regional level by site selectors and compared to other regions across the country. Regional assessment, collaboration and alignment is imperative to success.

#7 Regional collaboration can be hard, but it is necessary for success. Branding, economic development marketing, talent attraction and retention, product development, and business support are all activities where working together can improve efficiency and effectiveness.

Recommendations for Action 2022-2027

Economic Development Strategy - Increase the regional job, wage, and GDP growth rates to the national average

Lead Responsibility: Bluegrass Alliance

Budget Annual: Total - \$1.1 million

Budget – Five Years: \$5,500,000

Strategic Actions:

1. Increase investment in regional branding and site selector awareness with a focus on quality of life and affordability.
2. Create a detailed multi-jurisdictional product development strategy to secure more shovel-ready land and buildings, including developing a strategy and advocacy plan for the creation of a regional business park.
 - Seek grants or low-interest loans as seed funding for a speculative building program, or cover carrying costs to incent private sector development of speculative buildings.
 - Examine the potential to create a competitive economic development megasite of at least 1,000 contiguous acres with multi-modal transportation and robust utility capacity.
3. Develop a proactive program to educate key leaders in the region about economic development/site development needs and post-pandemic competitive realities.

Workforce Strategy - Increase the regional labor force by 1,500 per year

Lead Responsibility: Business and Education Network

Budget Annual: \$200,000 personnel plus \$275,000 programmatic

Budget – Five Years: \$2,375,000

Strategic Actions:

4. Develop a regional talent recruitment/attraction marketing campaign with messages aligned with the economic development branding effort.
5. Initiate Intern Connect - Create a work experience platform to connect business with students in the region for internships, etc. to increase the stickiness of young adults.

Leadership/Regionalism Strategy - Increase the state's and region's competitiveness by attracting state and federal funding and advocating for policy improvements

Lead Responsibility: Regional Public Policy Group

Budget: \$200,000 annually

Budget – Five Years: \$1,000,000

Strategic Actions:

6. Coordinate advocacy for federal and state infrastructure and product development funding.
7. Advocate for improved tax/regulatory policies that will improve the region's competitiveness.

Total five-year budget requirements to implement the strategic actions: \$8,875,000

APPENDIX G-4

