

NORTH CAROLINA GLOBAL TRANSPARK AUTHORITY

STRATEGIC PLAN

EXECUTIVE SUMMARY

VISION STATEMENT

THE NORTH CAROLINA GLOBAL TRANSPARK WILL BE A STRATEGIC LOCATION FOR GLOBAL BUSINESSES ENGAGED IN AEROSPACE, ADVANCED MANUFACTURING, LOGISTICS AND RELATED SECTORS

INTRODUCTION

North Carolina Global TransPark (“GTP”), the 2,500 acre aerospace, logistics and industrial complex owned by the State of North Carolina and overseen by the North Carolina Global TransPark Authority, meets essential 21st century business needs of manufacturers and logistics service providers in today’s global economy. The GTP provides shovel-ready sites and pre-zoned land with all infrastructure and multi-modal transportation resources in place for companies that rely on coordinated logistics of air, marine, rail and ground transportation. GTP amenities are critical for attracting companies making their selection of future expansion sites, placing GTP in the running to recruit new, high paying jobs to North Carolina.

For nine of the past ten years, North Carolina has ranked number one as the state with the Best Business Climate, according to *Site Selection* magazine (November, 2010 issue.) North Carolina also matches well with the *Site Selection* annual survey of corporate real estate executives which reveals the top ten factors, ranked by importance, considered when they make site location decisions for relocating or expanding businesses. Those factors are: work force skills; state and local tax scheme; transportation infrastructure; flexibility of incentive programs; availability of incentives; utility infrastructure; land/building costs and supply; state economic development strategy, and higher education resources. Since its inception, the GTP has worked tirelessly to implement these and many other attributes to attract business and industry to North Carolina.

Planned as an airport and a manufacturing and logistics hub to invigorate the economy of Eastern North Carolina and to provide the region access to global markets, the GTP has experienced incremental growth. Much like the incremental development of the Research Triangle Park, the GTP’s success has involved steady progress over many years.

The new GTP anchor tenant, Spirit AeroSystems, recently opened its 600,000 square foot leading-edge composites manufacturing facility on a 304-acre site. By 2014, Spirit will create 1,000 jobs paying well above the regional average. With Spirit as its anchor tenant, the GTP will continue to attract companies and jobs, multiplying the economic benefits to North Carolina.

STRATEGIES

The GTP has identified multiple strategies to enable the state agency to maximize its potential as an economic engine and fulfill its mission to create jobs. Short-term strategies are those to be implemented in the next five years. Mid-term and Long-term strategies are to be implemented in years 5-10, and years 10-15, respectively. **All facets of the GTP Strategic Plan will be reviewed and updated annually.**

FINANCIAL

The expectation of a cash return on investment for the GTP, a state agency, is an anomaly since most state agencies are not expected to generate cash returns. It is also a challenge for the GTP because the State utilizes the GTP assets as incentives to recruit companies to the TransPark, thus lowering the potential cash return.

The State has invested in the GTP through direct appropriations and with an Escheat Fund investment. These investments have already realized a return through job creation, capital investments and increased tax revenue.

Self-Sufficiency

In Session Law 2010-31, Section 28.3(a), the NC General Assembly required GTP to report its strategic, business and financial plan to the House and Senate on or before December 31, 2010, including a proposed schedule to achieve financial self-sufficiency and to repay the Escheat Fund investment authorized by N.C.G.S. §147-69.2(b)(11).

The definition of self-sufficiency as it relates to the GTP is very important. The GTP is identified as a state agency in N.C.G.S. §63A. As such, a standard operational model would be for the agency to have a recurring operating budget. Using this model, the GTP could operate with recurring appropriations and be considered self sufficient, exclusive of capital needs.

If the GTP were a corporation, a portion of the company's earnings would be returned to the shareholders. In comparison, the GTP is a state agency which generates tax revenues by recruiting businesses to North Carolina. The current State appropriation of \$1.28 million to the GTP is less than 8% of the estimated \$16.3 million annual tax revenues generated by the GTP and its tenants in 2009. In 2014, a GTP appropriation of \$1.28 million would be less than 5% of the anticipated annual tax revenues, projected at \$26.2 million for the GTP and its current tenants.

Neither Dr. John Kasarda's concept paper envisioning the GTP nor N.C.G.S. §63A, which created the GTP, proposed that the state agency become self-sufficient in terms of cash flow. Instead, the purpose of the agency is to serve the public by providing an economic stimulus and creating jobs in an economically distressed region of the State. The GTP continues to meet its responsibilities and objectives as efficiently as possible, minimizing operating requirements for State support over time, while maintaining a certain level of services in return for the major investments made in the project by outside entities.

Offering the use of revenue-generating GTP assets as incentives has been critical to the success of this economic development project. At the same time it hampers the GTP from generating revenues, requiring an annual operating budget from the State. Projected operating cash flows in the GTP financial plan, absent repayment of the Escheats Fund, are positive by maintaining the existing staff levels and keeping the current State appropriations of \$1,280,000. Projected capital cash flows, as well as total cash flows, are negative. The GTP will strive to improve its financial position by increasing operating revenues, decreasing costs when possible, and developing additional GTP-owned sites for lease to future tenants. To create a detailed self-sufficiency plan, the following must be achieved:

- Resolve the terms and conditions of the Escheat Fund
- Recognize that GTP assets are used as incentives
- Agree on the definition of self-sufficiency as it relates to the GTP

Resolution of these items is key for implementation of the GTP's self-sufficiency plan.

Escheat Fund Investment

As a start-up state agency, the GTP needed seed money for required environmental work and acquisition of land and facilities for the air cargo/industrial complex. The conceptual estimate in 1990 was that up to \$400 million would be required to build the core GTP complex. To address some of the financing needs for the basic public infrastructure, the GTP entered into a 1993 agreement with State Treasurer Harlan Boyles to invest up to \$25 million from the Escheat Fund in return for collateral security from the GTP.

The loan from Treasurer Boyles resulted in a final investment of \$22.5 million from the Escheats Fund which was used to acquire land, build facilities, and pay for the "soft costs" (e.g., wetlands mitigation, surveys, title work, etc.) required to launch the GTP. Due to the current Escheat Fund loan balance, the GTP faces investor concerns which limit implementation of its mission.

Escheat Fund – GTP Board Members Discussion with Treasurer

The GTP's leadership and advisors will consult with the State Treasurer as soon as practicable to discuss restructuring the GTP debt to the Escheat Fund. The interest rate over the life of the loan has ranged from a low of 3.7% to a high of 13%, with an average of approximately 7.6%. Listed below are options to consider for restructuring:

Option 1. There are a number of ongoing operations in the state budget for programs with a legislatively authorized public purpose, but which are not cash flow self-sufficient, instead providing a public benefit in return for the State investment. The public benefits of this state-run program, such as job creation/lower unemployment, increased tax revenues, increased standard of living, lower cost to the State for social services, lower unemployment benefits costs, higher consumer spending, etc., are of much higher value than the initial cost of the public investment. Through its mission to create jobs and the capital investments made at the TransPark (directly and indirectly), the GTP has returned the Escheat Fund investment to the State many times over. Strong consideration should be given to finding that the debt repayment has already been satisfied through the value of assets acquired, increased tax revenue and the positive economic impact that the GTP has generated for the State.

Should Option 1 not be considered viable, the following options are offered:

Option 2. Set the interest rate to 0% and forgive the accrued interest. The GTP can then offer one or more of the following Options based on the amount of principle owed, \$21,741,952, instead of the total amount, \$39,101,512, which includes principle plus accrued interest of \$17,359,560 (as of October 31, 2010.)

- **Option 2A.** The investment in conserving wetlands has resulted in the GTP receiving a 404 environmental permit from the United States Army Corps of Engineers that encompasses 5,775 acres. Within this acreage, the GTP can impact 871 acres of wetlands for development. The agency can also set up a mitigation banking instrument (MBI) to sell extra environmental credits to other entities. The MBI proceeds could be used to offset the loan balance to the Escheat Fund.
- **Option 2B.** The State used GTP's 304-acre industrial site as an incentive to recruit Spirit as its anchor tenant. The GTP receives \$100 as an annual lease payment. Fair market value would dictate land lease revenues of approximately \$1.3 million annually. Recommend: GTP be given credit toward the Escheat Fund loan for the present value of the 100-year lease term, valued at approximately \$27.6 million.
- **Option 2C.** Reduce the debt by transferring equity to the Treasurer as an offset against the loan balance. With this Option, the GTP would satisfy its debt by transferring improved assets from the GTP to the Treasurer. The total transfer to the Treasurer would be \$15.9 million in assets. Although the GTP would no longer own these assets, the agency would continue its mission as operator of these assets.

Costs incurred in the amount of \$.7 million used for the public infrastructure investment on assets not acquired (including wetlands mitigation and developer's soft costs, such as surveys, titles, etc.) would remain with the GTP. Additionally, the airport land, including the runway protection zone, and the GTP -1 industrial site (acquired at a principal loan amount of \$5.1 million) would remain on the GTP's balance sheet to be used as income-producing property.

The GTP could then make payments on the remaining \$5.8 million debt from the net cash flow from the income-producing properties (buildings), which are being used to supplement GTP operations. The net cash flow is the remainder of the income after operating costs has been paid. This method of repayment could be made over time directly to the Escheat Fund.

It should be noted that the financial plan does not take this option into consideration; using the net cash flow to repay the debt would have a negative impact on GTP operations.

Other Investments

The GTP also has cost-sharing partnerships and joint ventures with federal agencies, local governments, and private partners to finance other infrastructure needs of the project. In some cases, these arrangements created obligations for the GTP in return for the co-investments. For example, the grants received from the Federal Aviation Administration (FAA) for airport improvements and the U. S. Economic Development Administration (EDA) grant for the training facility each carry a 20-year obligation that the airport and training facility retain their current public use during the period of obligation.

INFRASTRUCTURE

Having the necessary infrastructure in place is a critical operational and recruiting tool for the GTP. While much of the infrastructure identified in the original Master Plan has been put in place, the GTP must continue enhancing its infrastructure to meet the needs of current and potential tenants. Projects include: acquiring land, creating a Master Properties Map of available properties, planning and construction of Spine Road to provide access to the north side of the runway, designing and analyzing cost of future development, and implementing land use/zoning regulations for GTP property and surrounding land.

Environmental and Permitting

The GTP completed all requirements and was issued a Section 404 Permit by the U.S. Army Corps of Engineers, a 401 Water Quality Certification from the NC Division of Water Quality, as well as the state storm water permit NPDES MS4. These permits authorize the impact of 871 acres of wetlands for the development of GTP infrastructure and industrial sites within the 5,775-acre permitted area, as well as the management of storm water runoff in compliance with Neuse River Basin requirements. Because of these actions, incoming tenants will not have to acquire individual environmental permits, allowing construction to proceed more quickly than at other locations which don't have required permits at the ready.

Completion of Infrastructure

The following projects are in progress: Dark Fiber Loop (technology), Sewer Service to all areas of the GTP, Transverse Taxiway and Apron on SW End of Runway, Rail Spur to connect GTP with Norfolk Southern Railroad, and Harvey Parkway road extension.

Additional Investment in Leasable Buildings

The GTP currently has 918,696 square feet of facilities under lease - 97% of its leasable space. There currently are no facilities available to prospective tenants. While some large scale tenants/employers are interested in open, cleared parcels that are “site ready” for design build, many potential tenants are looking for existing space where they can start up operations on a quick “turn-key” basis. It is the GTP’s development policy to have at least one Class A building of 100,000 square feet or more available for such tenants, and one needs to be constructed.

Develop the GTP as an Inland Port

In its Master Plan, an important GTP function is to serve as a multimodal/transmodal facility. Upon completion of the rail spur to the Port of Morehead City, the GTP will have available all four modes of transportation, including access to a sea port. With the Panama Canal expansion in 2014, there will be increased cargo traffic for deepwater ports on the eastern U.S. seaboard. If North Carolina can re-configure one of its existing deepwater ports or develop one in a new location, an inland port at the GTP will be an important feature in maximizing the supply chain as goods move into, out of, and through the State.

Rail Expansion

In order to best provide rail service to the GTP tenants, rail service will need to be extended to the north side of the GTP. Preliminary concepts have been completed.

Multiple Rail Providers East of I-95

Having rail service from more than one Class One railroad would increase surface transportation options for GTP tenants and others throughout Eastern North Carolina.

Plan, Design, and Construct Parallel Runway

A new parallel runway fulfills the original GTP Master Plan for the airport, and provides infrastructure necessary to meet future air transportation needs of GTP tenants.

Connect Port of Wilmington Rail Line to GTP

For the State to maximize the potential of the GTP and the Ports, rail connection to the GTP from the Port of Wilmington is necessary.

OPERATIONS

Effective and efficient operations are critical to the success of this state owned and operated economic development project. The GTP will continually examine and modify its operational functions, including staffing, in order to maintain efficient, cost-effective, and results-oriented operations.

Sustainable Staffing

To continue and expand the Global TransPark's mission of job creation, an appropriately staffed team is necessary. Due to budget cuts beginning in fiscal year 2002-2003, the GTP has downsized from as many as 28 to currently 15 full-time employees and three part-time employees (including an intern). As economic conditions improve and impressive new tenants establish roots at the GTP, it is imperative that the GTP has adequate staff with the right skill sets if the Global TransPark is to reach its full potential.

At a minimum, the Global TransPark needs to add a chief operating officer, an accounting assistant, a marketing assistant, and an economic developer. With qualified professionals filling those duties and existing staff members focused on their respective roles, the GTP would be in a position to both maximize its growth and operate in a way that supports the decisions of businesses that invest in North Carolina.

Governmental Grant and Loan Programs

The GTP will continue to seek grants and low interest loans to fund facility construction, infrastructure, and airport upgrades and maintenance. The Federal government has been a strong partner with the GTP.

Environmental Fee for Tenants

The GTP has made significant investment in environmental permitting. Because of these actions incoming tenants will not be required to acquire individual environmental permits, but can obtain the use of GTP permits for a fee under the planned fee program.

MARKETING AND ECONOMIC DEVELOPMENT

Marketing and economic development are the growth catalyst for this project. The GTP always utilizes new and cost-effective means of reaching potential tenants to expand the number of businesses operating at the TransPark and, therefore, expand the economy of North Carolina.

Marketing Plan

In order to position the GTP as a preferred business location within its primary targeted industry sectors, the GTP must generate leads that will result in additional jobs and investment. The following industry sectors are among those targeted:

- Aerospace & Aviation
- Logistics & Supply Chain Management
- Emergency Response & Disaster Relief
- Defense & Security
- Outreach for Spirit AeroSystems Composite Center of Excellence
- Marketing Outreach for Kinston Regional Jetport

Promotion and Utilization of Foreign Trade Zones (FTZ)

The GTP is the Grantee of FTZ #214, one of six Foreign Trade Zones in North Carolina. Along with the NC Ports' FTZs #66 and #67, one half of the FTZs are clustered in Eastern North Carolina. This asset will be further recognized when marketing the GTP.

Partner With Sister/Business Parks

The GTP will continue to meet with the Research Triangle Park (RTP) leaders and representatives of other entities to explore ways that the two entities can work together towards coordinating and complimentary industry advancement.

Air Cargo and Passenger Air Service

The GTP will recruit passenger carriers and continue to expand air cargo service into and out of North Carolina via the GTP.

COMMUNICATION AND COORDINATION

Communication with governmental entities, private industry and other strategic partners is another critical component to the success of the Global TransPark. Key components of this strategy include:

- Augment Legislative Communications
- Coordination of the NC Ports Authority, the NC Railroad, and the GTP
- Establish a Committee for Academic Support
- Increase Federal and Military Awareness of the GTP and its Capabilities
- Establish NC Global TransPark Tenants Association
- Optimize GTP Foundation Activity

CONCLUSION

The GTP has developed a multi-faceted Strategic Plan which features action items that will be implemented immediately, as appropriate, and over the next 15 years. The Strategic Plan will be reviewed and updated annually. Implementation of the strategies identified will be instrumental in the GTP's continued success.