



FALCON HILL AEROSPACE RESEARCH PARK

Enhanced Use Lease
Hill Air Force Base
Salt Lake City, Utah



“The opening of the Falcon Hill facility represents a significant step forward for Hill AFB and northern Utah’s aerospace industry. Falcon Hill is evidence how public-private partnerships can be successful in strengthening the economy while also increasing the efficiency of the military. As someone who’s worked on Falcon Hill for the last decade, I’m pleased to help usher in this critical new phase for the Air Force.”

- Sen. Orrin Hatch
R-Utah

For more than two decades, Hunt has partnered with the U.S. Department of Defense in developing and managing military base housing for the nation’s armed forces and their families across the country. In its latest and most ambitious defense-related, public-private partnership project to date, Hunt and partner Woodbury Corporation have entered into a 50-year agreement with the U.S. Air Force and the State of Utah to develop 550 under-utilized acres on the west side of Hill Air Force Base outside Salt Lake City. The partnership comprises an “enhanced use lease agreement” (EUL), which allows Hunt, as construction manager, and the development team (collectively known as Sunset Ridge Development Partners) to design, build, finance, operate and maintain this new private sector commercial project.

The overall development plan for this eight million square-foot aerospace research park includes office, flex space, retail space and lodging facilities. Named Falcon Hill Aerospace Research Park, the phased development will establish a major commercial district adjacent to and leveraging off the existing air force base. The agreement marks the largest EUL for the Department of Defense (DOD) to date, and the first large-scale EUL for the Air Force.



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“Falcon Hill’s first commercial building is an example of an unprecedented partnership between government and the private sector.”

- Utah Gov. Gary Herbert



“This project will provide significant new growth to the area. The new jobs and businesses that will be attracted to this project will increase the quality of life for all Utah. The adjacent cities and counties as well as the state should be congratulated on their collective efforts to help the Air Force and Sunset Ridge makes this project a reality.”

- State Representative Brad Dee (R-Ogden)

BACKGROUND

The EUL program through the Department of Defense is designed to help address challenges associated with deteriorating buildings by leasing underutilized real estate and improving the property through new facilities.

Under this program, Hunt and partner Woodbury Corporation signed the master lease agreement with the government in August of 2008, committing to invest up to \$10 million for the Falcon Hill Aerospace Research Park. While the Air Force still owns the land, the development team will own the facilities it builds. As a part of the agreement, defense contractors and private firms can lease new buildings inside or outside Hill Air Force Base depending on their need and nature of the business. In return, Hill Air Force Base receives as “payment in-kind,” construction of infrastructure and new facilities. The project goal is to construct new buildings to replace obsolete and energy inefficient buildings originally constructed as World War II-era warehouses and currently used as office space, and sets in motion attracting aerospace industry tenants as well as private users from around the world to new commercial space.

FUNDING

As part of the agreement with the government, the partnership’s equity contributed to the project shall receive a preferred return prior to any in-kind distributions to Hill Air Force Base. The State has provided in excess of \$40 million in grants for various infrastructure and public building improvements. Additional funds for government improvements and infrastructure are expected from issuance of tax increment financing bonds. The size and schedule of the bonds will be based on actual demand for space and absorption of facilities. Since the project is actually located in four different cities the Utah state legislature created a governmental agency called the Military Installations Development Authority (MIDA) to control and regulate the development of the project through one planning commission to ensure a coordinated effort and management of funds.

PROJECT BENEFITS

The Falcon Hill project provides significant benefits for all stakeholders. The benefits include:

For the U.S. Air Force

- Realize untapped value for its real property holdings.
- Utilize payment in-kind consideration instead of appropriated funds for necessary replacement of deteriorating buildings and infrastructure, saving tax dollar appropriations.
- Providing greater co-worker accessibility between government and private sector and providing modern and more efficient facilities.
- Facilitate mission growth for the installation by providing new capacity.

For Hill AFB workers

- Realize improved working conditions – replacement of 1.5 million square-feet of aging office space with new modern and energy efficient facilities.
- Improved amenities – enhanced building systems including HVAC, security, and parking.
- Bolster worker morale.
- Increase efficiency and productivity – air force staff and contractors now in multiple buildings will work in closer proximity.

For the State and Communities around Hill Air Force Base

- Realize long-term economic development and high paying aerospace related jobs. The construction of the first 180 acres alone will infuse another \$500 million into the Utah economy.
- Provide four local communities with property tax revenues on the commercial improvements and sales taxes resulting from retail and hotel project components.
- Allow for the expansion of existing business servicing Hill AFB and providing the space to attract new missions.

“The Hill project is a tremendous example of what public-private partnerships can accomplish for our communities, the state and the military. This project will promote our vision of the future for Northern Utah as a growth center for the aerospace industry. We are happy to be working with the Air Force and Sunset Ridge on this important development.”

- Former Utah Governor
Jon Huntsman



“This enhanced use lease project is the model for showing how the federal government, state and local governments, and the private sector can all join together in a win-win situation that benefits everyone, so I’m glad we are finally seeing this innovative project take shape and become a reality.

The Falcon Hill development signifies a new era of modernization for Hill Air Force Base and will help preserve and attract future defense and private-sector jobs. The significant improvements to obsolete and antiquated facilities, combined with having the F-35 at Hill, will help ensure a positive course for Hill’s future for decades to come.”

- State Rep. Rob Bishop

THE PROJECT

This project consists of 550 acres of freeway frontage land located on the west side of Hill AFB. The land is owned by the federal government but is part of an Enhance Use Lease (“EUL”) program in which underutilized land owned by the military is leased to private developers under long-term lease agreements. The term lease granted is 50 years and the private developer will design, build, finance, operate and maintain commercial office buildings, hotels, retail facilities and restaurants on the site. The commercial buildings are located both inside or outside Hill AFB.

The EUL program is designed in a way that will benefit both the private developer and long-term goals of the military.

The development plan includes an aerospace research park with office, retail space and lodging facilities. Phase 1 is underway and includes the demolition of existing warehouses to make room for more than 1.2 million SF of commercial projects.

Completed construction includes:

- 152,000 square-foot office building for defense contractors part of the ICBM program
- 35,000 square-foot security forces squadron building
- A 75,000 square-foot condominium commercial building in which first floor is owned and occupied by the government and the remaining two floors are leased to government contractors
- A 10,000 square-foot retail space
- 75,000 square foot building for defense contractor Lockheed Martin, Northrop Grumman and other tenants

Recently completed:

- 21,000 square foot facility for the Utah Science Technology and Research (USTAR) initiative

Future completions will include:

- 3,000 square feet of retail space for Steak N’ Shake as well as additional ancillary retail
- 74,000 square feet of office space for software support for Hill AFB

IN PLANNING

- Design team is currently working on the design of new facilities both inside and outside the fence as well as a Hotel outside the fence.

FUTURE PHASES

The preliminary development plan for future phases, which also can be located inside or outside the fence, will be dependent on demand.

ABOUT HILL AFB

Located between Salt Lake City and Ogden, Hill Air Force Base is the largest single site employer in Utah. More than 22,000 military, defense civilians, and contractors pass through the base’s gates daily. The base provides worldwide engineering and logistics management for F-16 Fighting Falcon, A-10 Thunderbolt II, and Minuteman III Intercontinental Ballistic Missiles. The base also performs depot maintenance on F-35, A-10 and C-130 Hercules aircraft. The base and allied private sector activities have spurred statewide activity in aerospace related fields. Seven colleges and universities across Utah offer specialized programs in aerospace, including Utah State University, which has put more experiments into on-board shuttle and satellite missions than any other institution in the country.

ABOUT ENHANCED USE LEASING

Enhanced Use Lease (EUL) is a method for funding construction or renovations on federal property by allowing a private developer to lease underutilized property, with rent paid by the developer in the form of in-kind services. Currently, EULs are used by the Department of Defense and the Veterans Administration. Temporary authority has also been granted to the General Services Administration (GSA) and the National Aeronautics and Space Administration. EUL authority is derived from Congress and is specific to each agency.

Granted a ground lease (the term may vary by agency or project), the developer is able to make improvements to the property which can be leased at market rents to any interested tenants. Under an EUL, the U.S. government retains control over the leased property, the EUL developer (lessee) receives a lease interest only.

“Enhanced Use Leases are a win-win situation. It provides an opportunity for the Air Force to capitalize on underutilized assets, including real property, by leasing the land to private entities, and to address Air Force infrastructure requirements such as construction, repair, maintenance and improvements of facilities.”

- Jeffrey Domm
 Former director of the Air Force Real Property Agency
 The organization once responsible for developing Air Force EUL projects

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PROJECT FACTS:



CONTACT:

Sinclair Cooper

President, Public Infrastructure, Development, Hunt Companies

sinclair.cooper@huntcompanies.com

Phone: 202.355.9756

Cell: 202.617.7889



HuntCompanies.com

ABOUT HUNT

Founded in 1947, Hunt Companies, Inc. is today a holding company that invests in business focused in the real estate and infrastructure markets. The activities of Hunt’s affiliates and investees include investment management, mortgage banking, direct lending, loan servicing, asset management, property management, development, construction, consulting and advisory.

ABOUT WOODBURY CORPORATION

Salt Lake City based Woodbury Corporation is one of the oldest and most respected commercial real estate companies in the Intermountain West. Having worked with a vast number of tenants, investors, business and community leaders in its 90+ year history, Woodbury has a proven track record of delivering projects, fulfilling its obligations, and finding creative solutions to difficult problems.

Woodbury Corporation develops with long-term ownership and management objectives in mind. This results in better design, higher construction quality and more enduring value to investors. Woodbury’s in-house, full-service real estate team ensures proper and efficient management and prompt attention to issues that may arise.

Our goal is to maximize the overall long term return to our investors and tenants while enhancing the communities in which our projects are located.

Project Size: Acres	550 acres
Key Facts:	Signed the master lease agreement in August 2008, project underway in early 2010
Scope \$	\$1 billion
Initial Development Period	50 years
Key Features:	<ul style="list-style-type: none"> • An aerospace research park to include office, light industrial facilities, retail space and lodging facilities • Largest EUL for the Department of Defense to date, and the first large-scale EUL for the Air Force • 152,000 square-foot office building was completed for defense contractors part of the ICBM program in April 2012 • A 75,000 square-foot condominium commercial building in which first floor is owned and occupied by the U.S. government and the remaining two floors are leased to government contractors • A 10,000 square-foot retail space • 75,000 square foot building for defense contractor Lockheed Martin, Northrop Grumman, and other tenants <p>Recently completed:</p> <ul style="list-style-type: none"> • 21,000 square foot facility for the Utah Science Technology and Research (USTAR) initiative <p>Future completions will include:</p> <ul style="list-style-type: none"> • 3,000 square feet of retail space for Steak N' Shake as well as additional ancillary retail • 74,000 square feet of office space for software support for Hill AFB
Awards & Achievements:	<ul style="list-style-type: none"> • 2010 United States Air Force Architectural Honor Award “Architectural Nexus” • 2010 AFMC Design Awards – Honor Award, Concept Design • 2011 Associated General Contractors, Utah Chapter - Industrial Project of the Year (\$25+ Million) • 2012 Innovation Award National Council for Public-Private Partnerships