

**SUPPLEMENT TO MATERIALS
LOCATED AT ITEM XI. B. 2.**

**Release Request letter to FAA
30 New Hampshire Avenue**

November 20, 2020

Ms. Gail Lattrell, Director
Federal Aviation Administration, Airports Division
New England Region, ANE-600
1200 District Ave.
Burlington, MA 01803

RE: Pease Development Authority Release Request for a portion of a building at 30 New Hampshire Avenue at the former Pease Air Force Base, Portsmouth, New Hampshire

Dear Ms. Lattrell:

REQUEST FOR RELEASE OF AIRPORT PROPERTY

1. WHAT IS REQUESTED

The Pease Development Authority (“PDA”), as authorized by its Board of Directors (the “Board”), requests a release of certain non-aeronautical revenue producing property from Federal grant assurances and any other airport obligations. Specifically, the Board requests that the 36,000 sf building owned by the PDA located at 30 New Hampshire Avenue, within the Airport Business and Commercial Zone¹ of the Pease International Tradeport, be released from its grant assurances and airport obligations to the FAA. (See Exhibit A, Pease International Tradeport Zoning Map with Business and Commercial Zone shaded blue and Site Map showing building). The building is located in the City of Portsmouth and is utilized for non-aeronautical purposes. The release is requested to facilitate the potential sale of the building to Spyglass Development, LLC (“Spyglass”), the entity that currently leases the premises at 30 New Hampshire Avenue and owns the other 16,500 sf of the building, if determined to be in the best interests of the PDA and PSM. No release of PDA owned land is being sought.

¹ The Airport Business and Commercial Zone is intended primarily for uses involving business, commercial and trade-related enterprise. The area subject to the Airport Business and Commercial Zone consists of approximately 503.5 acres and is bounded as described in PDA Zoning Ordinance, 303.05(a).

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2. WHAT AGREEMENT(S) WITH THE UNITED STATES ARE INVOLVED

The United States Air Force's determination to support a public benefit transfer for airport purposes of the majority of the former Pease Air Force Base to the PDA is set forth in its Record of Decisions dated August 1991, as supplemented in April 1992, April 1997 and February 1999.

The FAA was a cooperating agency with the Air Force. In each instance, the supplemental ROD's supported the inclusion of additional revenue generating property required to offset expected business losses due to airport operations and to facilitate implementation of the PDA development plan. Major components of the plan have not changed since the 1991 ROD and include the Airport, light industry, commerce center, office and a research park, hotels, retail, and a golf course. All revenue from the non-aeronautical development, including that within the Business and Commercial Zone, is committed to make PSM financially viable.

The property within the Business and Commercial Zone was conveyed by the United States of America to the Pease Development Authority pursuant to the powers and authority contained in 49 U.S.C. §§ 47151-47153 (formerly known as the Surplus Property Act of 1944 (58 Stat.765), as amended). By Quitclaim Deed made and entered into on October 15, 2003 and Quitclaim Deed dated September 16, 2005, including all exhibits thereto, (the "Deeds"), the Government, acting by and through the Secretary of the Air Force, did grant to PDA the land and improvements located within the Business and Commercial Zone.

The PDA owned building at 30 New Hampshire Avenue, which was included in the transfer from the Federal government, was improved in the early to mid-1990's by an EDA grant. The EDA grant was released in 2019. (See Exhibit B, EDA map and Release).

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3. WHY THE RELEASE, MODIFICATION, REFORMATION OR AMENDMENT IS REQUESTED

The Pease Development Authority supports its public airport by initiating economic opportunity and creating private sector employment at the unique facilities available at the Tradeport, while preserving the New Hampshire seacoast's quality of life and environment. (See NHRSA 12-G). The PDA seeks a release in order to sell the fee interest in PDA owned building at 30 New Hampshire Avenue to Spyglass, the current lessee of the building. Spyglass desires to enter a new long-term lease of the premises with the PDA so that it may enter into a long-term sublease with a sub-tenant. If able to secure a longer lease term from the PDA, Spyglass is interested in investing in significant capital improvements in the property to bring the premises up to date and make it more appropriate for subtenant use. Specifically, Spyglass intends to perform interior and exterior upgrades, HVAC improvements, roof work, and site work improvements, with a projected cost over \$5 million.

4. WHAT FACTS AND CIRCUMSTANCES JUSTIFY THE REQUEST

Property in the Business and Commercial Zone has been developed with non-aeronautical uses. This development has resulted, by in large, from long-term ground leases between the PDA and developers. The premises at 30 New Hampshire Avenue has been leased since the mid-1990's. The original building at 30 New Hampshire Avenue was the 36,000 sf building which was transferred from the Air Force to the PDA. The building was improved with an EDA grant in the early to mid-1990's prior to being leased. In 2002, the lease was assigned to Spyglass, the current tenant, who constructed (and owns) a 16,500 sf addition to the building.

The PDA owned portion of the building is in need of capital investment at this time given its history as an Air Force era building, the passage of time since EDA improvements in the early 1990's, and the unique building layout. Given other capital projects at PSM, including the complete runway reconstruction and the terminal expansion in 2020, the PDA is not presently in a position to invest in such improvements, nor does it anticipate being in such a position over the coming decade. Spyglass is interested in purchasing the PDA-owned portion of the building, entering a long-term ground lease of up to 74-years with the PDA, and making these improvements, so that it may enter into a long-term sublease. The sale of the building at fair market value will provide an infusion of cash to the PDA and the entry of a long-term ground lease will provide the PDA with a consistent and dependable income stream from this property for decades to come.

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Additionally, the improvements to the building and the site work will update and transform a highly visible commercial property at the Pease International Tradeport and entrance to PSM.

5. WHAT REQUIREMENTS OF STATE OR LOCAL LAW OR ORDINANCE SHOULD BE PROVIDED FOR IN THE LANGUAGE OF A FAA ISSUED DOCUMENT IF THE REQUEST IS CONSENTED TO OR GRANTED

Subject to the requirements of the Deed, the Board has provided a vote acknowledging the authorization to make this request to the FAA. (See Exhibit C, Board motion).

6. WHAT PROPERTY OR FACILITIES ARE INVOLVED

The 36,000 sf building in question is located at 30 New Hampshire Avenue, a 8.49 acre parcel in Portsmouth, New Hampshire. The premises at 30 New Hampshire Avenue is the subject of a lease from the PDA to Spyglass. In the early 2000's Spyglass constructed a 16,500 sf addition to the building. The current lease expires in July 2022, but contains two 5-year extension options, which could result in the current lease extending through July 2032.

7. HOW THE PROPERTY WAS ACQUIRED OR OBTAINED BY THE AIRPORT OWNER

Consistent with #2, above, the Federal Government, acting by and through the Secretary of the Air Force, transferred the land within these zones to the PDA via the Deeds.

8. WHAT IS THE PRESENT CONDITION AND WHAT PRESENT USE IS MADE OF ANY PROPERTY OR FACILITY INVOLVED

As set out in #6 above, the 36,000 sf PDA owned portion of the building is connected to the 16,500 sf building owned by Spyglass. The PDA owned portion of the building is somewhat dated given its history as and Air Force building, and the entire structure is in need of capital investment to update the structure and make it attractive for tenants in the

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current market. The entire building and 6.26 acres² of the parcel at 30 New Hampshire Avenue is presently leased to Spyglass by the PDA. Spyglass currently subleases the premises to FlexEnergy, an energy company.

9. WHAT USE OR DISPOSITION WILL BE MADE OF THE PROPERTY OR FACILITIES

As set out in #1 above, the purpose of the release is to facilitate the potential sale of the 36,000 sf PDA owned building and improvements to Spyglass if the Board determines it is in the best interest of PSM to do so. Proceeds from the sale will be used to support the PDA and PSM. Concurrent with the sale, the PDA would enter into a long-term ground lease of up to 74 years with Spyglass, conditioned on its significant capital investment in the property in the early years of the lease.

10. WHAT IS THE APPRAISED FAIR MARKET VALUE OF THE PROPERTY OR FACILITIES - APPRAISALS OR OTHER EVIDENCE REQUIRED TO ESTABLISH FAIR MARKET VALUE

Spyglass had two appraisals of the PDA owned building performed in September 2020. The higher of the two appraisals, performed by RMA Associates, is for \$1,550,000, which is the anticipated sales price. Both appraisals are attached hereto (See Exhibit D, Cushman & Wakefield and RMA Associates appraisals).

11. WHAT PROCEEDS ARE EXPECTED FROM THE USE OR DISPOSITION OF THE PROPERTY AND WHAT WILL BE DONE WITH ANY NET REVENUES DERIVED

The net revenues to be derived from a sale of the 36,000 sf PDA building (anticipated to be the \$1,550,000 appraised value) will be committed to the development, maintenance, and operations of PSM and the remaining Airport Property located at the Pease International Tradeport.

² A new long term ground lease would be for the 8.49 acre parcel minus a small area of the parcel (approximately 0.5 acre in size) along the northern edge of the parcel to facilitate a potential future airport access loop road.

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12. A COMPARISON OF THE RELATIVE ADVANTAGE OR BENEFIT TO THE AIRPORT FROM SALE OR OTHER DISPOSITION AS OPPOSED TO RETENTION FOR RENTAL INCOME

The benefit of the release requested is the ability to sell a PDA owned, Air Force vintage building, to its existing tenant, which also owns a connected 16,500 sf portion of the building. Concurrently, the PDA would enter into a long-term ground lease of up to 74 years, contingent on the investment of significant capital improvements being made to the building and parcel over the initial years of the lease. As such, the PDA would receive a cash payment for the building, the long-term ground lease revenue, and an improved building at the conclusion of the lease term. Current (2020) rental rates under long-term leases for land in these zones developed at the Tradeport are a blended rate of \$18,245 an acre per year.

Should the PDA retain ownership of the 36,000 sf building, it will require the investment of funds for capital improvements over the coming years given the passage of time since the EDA grant improvements were performed.

The FAA's consideration of this request is greatly appreciated. Please advise if you require any additional information from us to complete this Request for Release of Airport Property.

Sincerely,

Paul Brean
Executive Director

cc: PDA Board of Directors
Anthony I. Blenkinsop, Deputy General Counsel
Maria J. Stowell, Engineering Manager
Irving Canner, Finance Director