

# QUONSET DEVELOPMENT CORPORATION STRATEGIC PLANNING COMMITTEE MEETING

February 9, 2009

A meeting of the Strategic Planning Committee of the Quonset Development Corporation (the "Corporation") was held at 3:30 p.m. on Monday, February 9, 2009: at the offices of the Corporation located at Annex Building, 95 Cripe Street, North Kingstown, Rhode Island, pursuant to notice to all members of the Strategic Planning Committee and a public notice of the meeting as required by the Bylaws of the Corporation and applicable Rhode Island Law.

The Following members constituting a quorum were present and participated throughout the meeting as indicated: John Simpson, Sav Rebecchi, Barbara Jackson and Robert H. Breslin, Jr., Steven J. King, P.E., Managing Director, Kevin Barry, Finance Director and Christine Andrews, Administrative Assistant Development & Planning of Quonset Development Corporation and Jon Reiner from the Town of North Kingstown participated as indicated:

## **1. Call to order**

The meeting was called to order at 3:37 p.m. by Chairperson John Simpson

## **2. Approval of minutes**

Upon motion duly made by Ms. Jackson and seconded by Mr. Rebecchi.

**VOTED:** To approve the minutes of the meeting of October 20, 2008 as submitted to the Strategic planning Committee.

Voting in favor were: John Simpson, Sav Rebecchi, Barbara Jackson and Robert Breslin, Jr.

Voting against were: None.

Unanimously Approved.

## **3. Sustainable Operating Model**

Mr. Simpson stated that the Committee spent two plus years developing the Master Land Use and Development Plan that was adopted late last year. The purpose of this discussion is to ensure that we have an operating model that will support the Quonset Business Park.

Mr. King stated that the focus today is on the financial operating model that really integrates all the activities of the Corporation and how they affect the park's growth. The flow of the money shows the flow of the Corporation's activities.

Mr. Barry outlined a power point presentation titled "Corporate Financial Operating Model". The presentation outlined the various operating units of the Corporation and depicted the interrelationship of the activities.

The Committee discussed the presentation as Mr. Barry outlined the presentation. The points discussed included:

- Capital expenditures are operating capital not capital budget – non bond projects
- QDC has an internal capital budget – equipment, rolling stock, building repairs, road maintenance, things that are not part of repositioning or building new infrastructure
- Assumes QDC will fund the internal capital items – trucks, repairs to different areas, those types of projects as non-bondable maintenance projects
- Underlining assumption that this presentation is a snap shot of today
- Asset management revenues are made up of non-port leases (rent)
- No sale of land in this assumption
- Based on leases in effect today
- Pilot payments not part of this presentation
- In the past QDC covered capital requirements with the sale of land
- Airport fund income is – property in the park that QDC manages for the Airport we charge them a fee and the net amount is income
- Public works includes – personnel and equipment
- Two port tenants – NORAD and Sea Freeze
- Increase of pier usage would increase revenue
- QDC lowered water rates - water sales have dropped a little and QDC has been pushing water conservation
- Water rates do have annual increases going forward
- Budgeting water/wastewater infrastructure replacement – surcharge on bills goes into a separate saving account for that purpose

Mr. Breslin asked, what is LADD?

Mr. King responded that LADD is the former MHRH – LADD School in Exeter– RIEDC owns the water distribution system. In 1999 the system was transferred to EDC as part of a development proposal. The facility currently includes a Job Corps Training Facility that houses about 300 students, a warehouse for the MHRH state employees, Phoenix House, and the Veterans Cemetery which all use the water system.

Mr. Breslin asked if it was a separate system.

Mr. King replied it is a separate system drawing water from the Queens River Aquifer. Queens River is located in the Exeter/West Greenwich area.

The Committee further discussed the details of the presentation:

- LADD is not in the Business Park – it is located in the Town of Exeter

- Cost to QDC to maintain the water system at Ladd is a couple hundred thousand dollars a year
- Public works is the QDC maintenance dept.
- Capital is made up of trucks/plows/equipment – and annual road maintenance striping, paving, things of that nature
- New building is considered overhead – gets charged to buildings and asset management
- Bond funds are for new roads and infrastructure only
- Quonset owns and maintains a little over 13 miles of road
- Town of North Kingstown owns and maintains just under 6 miles of roads
- RIDOT owns and maintains a little over 6 miles of roads
- QDC has a few more roads than a year ago because we have built a few new ones
- A couple years from now it will look a little different because we are going to build a couple more roads
- About 1/2 the roads in QBP are maintained by QDC
- About 1/3 by the Town of North Kingstown
- About 1/5 by the RIDOT

In connection with road maintenance, Mr. King indicated that it is his understanding that the Quonset Development Corporation owns all the roads in the Park that are not owned by the DOT. There is a 1980 agreement for municipal services in which the Town is supposed to maintain about 6 miles of roads. The Town plows the snow, fixes pot holes, etc.

Mr. Simpson asked if there would be any cost saving to Quonset, Town or DOT, if one entity maintained all the roads.

Mr. King responded that he has had a discussion with the Town Manager about roads. He expects further discussion with the manager and the Town's Public Works Director. One suggestion made to the Town was that QDC maintain all the roads and that QDC would deduct from the PILOT the cost of services.

Mr. Rebecchi asks if a tenant calls with a curb that is broken who fixes it?

Mr. King replied that QDC would decide who is responsible to fix it.

Mr. King added that RIDOT maintains the primary route 403. The Town uses their own equipment to maintain their share. Mr. King feels it's a fair allocation but not the right allocation.

Mr. Simpson asked why we have three separate resources, handling the roads in the Park? Would there be a saving to all three if just one did it?

Mr. Rebecchi questioned if QDC was going to maintain all the roads where would we get the extra revenue?

Mr. King added that QDC would not take on the RIDOT share that is route 403. The secondary roads are between QDC and the Town. There is some economy to scale for QDC to take care of

them and vice versa because, our equipment is right here anyway and it is not much more for us to do it.

Mr. Rebecchi asked what happens when a piece of road under Town jurisdiction is where QDC needs to repair a pipe.

Mr. King responded that it is an interesting problem, because we own the land under the roads, we own the storm drain pipes and utility pipes. When we have to tear them up to make repairs we have to repave them when we are done. This can be an issue and we will get to that at the end about transferring the roads. If the Town is going to maintain the roads then they need to own them, they need to own the storm drains and everything else.

The Committee further discussed the details of the presentation:

Mr. King added that the LADD water system, has been part of EDC since 1999 and that QDC inherited it in 2005 when we separated from EDC. QDC has a water department and the same personnel that have been going to LADD for 10 years are still going there.

Mr. Simpson asked if LADD should be self sustaining.

Mr. King stated that it can not possibly be self sustained. LADD needs to be a part of something. The state of Rhode Island Department of Administration owns the land at LADD School. There is a deed that transferred the water system to the EDC, and it should go back to DOA. In conversations that have taken place over the last few years to make that happen QDC has not been successful.

In conclusion, Mr. Barry outlined the summary review portion of the presentation:

We need to:

- Keep the Port area leased at approx. 100 acres
- Get the existing warehouse space up to 75% leased (now at 27%, possible after board meeting today will be up to 49%)
- Maintain at a minimum 300 acres of non-port related lands leased on a go forward basis (now leasing 273 acres)

Mr. Simpson asked that if we lease to industry A verses industry B, and industry A in a warehouse that employees 10, takes up several acres and all it is, is storage. Verses an industry that is manufacturing or office building, don't we get more revenue from B verses A?

Mr. King stated that when we lease land there is no difference. QDC does not build the buildings.

Mr. Simpson asked if you lease to different types of industry and you can get more per square foot, shouldn't that be a big part of your sustainable model strategic, instead of just leasing land?

Mr. Barry replied that on a financial basis it did not matter.

Mr. King added that the only place it matters is in the Gateway area, because it is a retail use and we can demand more for the rental. However, when you get inside the Park, where it is general industry vs. manufacturing vs. warehouse vs. distribution, it is going to be market neutral. For land rent, QDC typically gets \$15,000 dollars per acre without significant variation due to land use.

Ms. Jackson stated that maybe instead of having an investor come in and do a spec building, maybe the State should do a spec building and that would help sustain the Park.

Mr. Barry concluded that the presentation showed us to be in very good condition, moving forward as long as we stay within these guide lines. After going through this we know that 300 acres of land lease is a drop dead number for us, we never want to get below that for leasing.

Mr. Simpson asked if we were at 273 acres leased; and that we need to get to 300. What is the remaining inventory we can lease?

Mr. King replied that currently there is almost 500 acres of open property, to be developed. Portions could be port related; some could be sold as infill.

Ms. Jackson asked how are we treating the amount of acres left, which category is the Gateway as is in? Is that a lease parcel?

Mr. King replied that it is a lease parcel but in 10 years there is an option to purchase.

Mr. Rebecchi stated we have 655 thousand square feet of warehouse space inventory and possible 800 total acres of land inventory of which we are leasing 273 acres.

Mr. King added we are leasing 273 acres plus port land which is 104, and is part of the 800 available.

Mr. Rebecchi stated we have 378 acres of the 800 acres leased.

Ms. Jackson stated that the 800 acres is 100% of what is available in the Park, but it is all not optimal and includes wetlands, and other constraints.

Mr. Rebecchi asked what would be a more realistic number.

Mr. King replied that for purpose of round figures we should plan on an inventory of around 600 acres of leased property if we do not sell anymore.

Mr. Rebecchi replied that we have about 600 acres of quality inventory, and of that we are leasing 378 acres.

Mr. Simpson added that we should go through the bullets; since they are mission critical. The way some of these are being presented they are mission critical to a sustainable operating model. That is what we are focused on, the goal is to build a model which really means an operating plan, so all the bullets, and maybe some are missing, and they are mission critical they have to get achieved to be a sustainable Park. We should go through the bullets to make sure everyone of

them should be there as bullets. The next step I am going to suggest is when we put this plan together we need to agree upon what the contents of the plan should look like. So the first step is an outline, what is the content.

Mr. Simpson wrapped up the meeting by going through the bullets of the summary stating what the goals the operating plan should address. He also stated that we would develop an operating plan to achieve these goals, and to make sure we have the right infrastructure in place - people and budget wise to support the Park. Eventually we should get out of the LADD water some how or it should be recognized.

The goals outlined by the Committee are:

- 1) Port, wastewater and water units must continue to break even and include a piece for infrastructure improvements
- 2) Public works must be able to charge out all expenses
- 3) Park must set and maintain well defined standards for all roads, grounds, and public works
- 4) Land lease income must reflect services provided for common areas
- 5) Work with the town of North Kingstown to mutually agree on the most cost effective solution to maintain roads associated with sold property
- 6) LADD water responsibility – should be cost neutral to QDC
- 7) Port needs to remain at 100 acres minimum of leased property
- 8) Increase occupancy of existing warehouse space to 75% or greater
- 9) A minimum of 300 non-port acres must be leased at all times

Mr. Simpson stated that the next step should be: refine goals which will be sent via e-mail to committee members, committee members will send comments to Steven King for next meeting. At the next meeting we can go over the refined goals, and we need to start the outline on how we are going to achieve the goals.

Committee agreed the next meeting will be March 16, 2009 at 3:30 p.m.

There being no further business to come before the Committee, upon motion duly made by Ms. Jackson and seconded by Mr. Rebecchi the meeting was adjourned at 4:55 p.m.

Respectively submitted

By:   
Steven J, King P.E.  
Manager Director