# Riverview Business Center Market Feasibility Study

For: Huntingdon County Business and Industry, Inc
By: Environmental Planning and Design, LLC
Beynon and Company, Inc.
July 2010

## Table of Contents

# I. Purpose of the Market Study and Anticipated Outcomes

The following report provides a summary of the market feasibility study completed for the Riverview Business Center situated in Huntingdon County, Pennsylvania. The study was commissioned by the Huntingdon County Business and Industry, Inc. (HCBI) and funded through grants provided by the Appalachian Regional Commission (ARC).

The intent of the market feasibility study is to:

- Delineate a realistic market area for the development project;
- Evaluate current market demands locally and regionally;
- Identify the "highest and best" uses for businesses/industries of the Center;
- Determine the market range for "shovel-ready" pads as well as a speculative building developed for leasing purposes by HCBI;
- Establish a practical development program for Phase 2 expansion; and
- Assess the existing heavy rail lines and explore market opportunities created through expanded rail access.

This market feasibility study does not assess the development feasibility of the remaining undeveloped land within Riverview Business Center. An evaluation of road construction, infrastructure/utility extensions and grading operations for Phase 2 is being completed as part of a separate study. Moreover, this market feasibility study does briefly discuss the impacts of restored and expanded rail service to the Center. Additional evaluation will be need as part of additional engineering analysis. Please refer to Section IV for a discussion on rail access at Riverview Business Center.

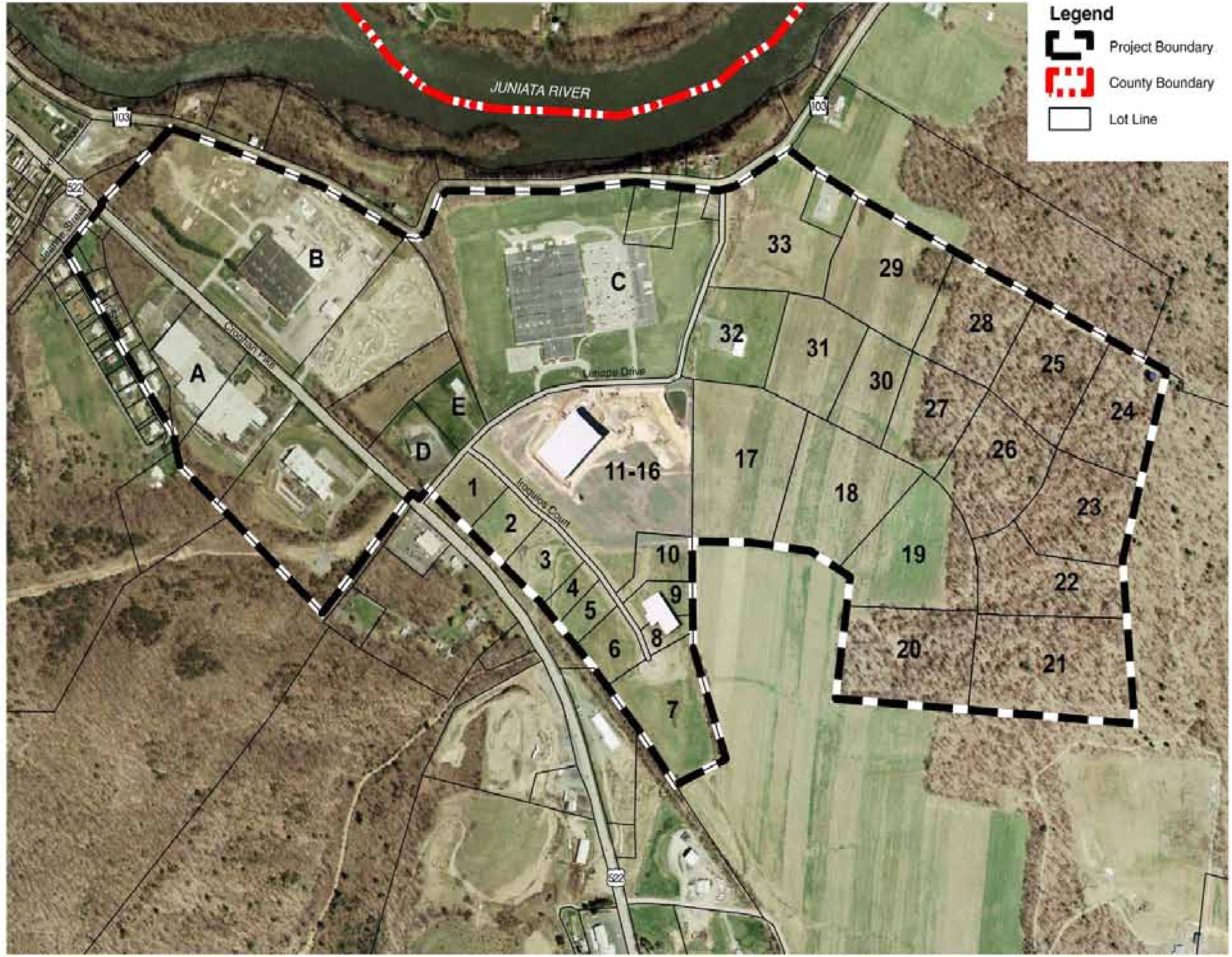
# II. Overview of the Existing Park

*Situational Profile*


***Photograph 1: Main entrance sign***

Riverview Business Center is situated in the northern portion of Shirley Township, Huntingdon County. Development at the Center originated in the 1960's by Mount Union Area Development (MUAD) and focused on a 20-acre site currently owned by Containment Solutions, Inc. In the 1980's, additional development occurred and a speculative building was constructed through a joint effort between HCBI and MUAD. Today, the project encompasses more than 250 acres; of that land, nearly 115 acres has been developed. Neither Huntingdon County nor Shirley Township has implemented zoning for the property. The development does have covenants and deed restrictions that provide some land use controls independent upon zoning. The Township does utilize the County's subdivision and land development ordinance to regulate site improvements and road construction.

*Map 1: Buildings Location Diagram*



***Photograph 2: US 522 looking south***

The site is located 2 miles south of Mt. Union, Pennsylvania and is immediately adjacent to US 522. In this portion of US 522, average daily trips (ADT) or traffic volume in 2007 approached 7,600 vehicles both directions.

Traffic volumes drop significantly (4,500 ADT) as one travels 5 miles south of US 522. Traffic volumes increase to nearly 10,000 ADT as one moves north into Mt. Union. The Pennsylvania Turnpike (I-76) is approximately 27 miles to the south; I-99 is nearly 30 miles to the northeast. A significantly lower volume road, PA 103, defines the site's northern edge and connects to US 522 to the northwest of Riverview Business Center.

***Photograph 4: PA 103 looking East***

***Photograph 3: East Broad Top Railroad at Riverview Business Center's entrance on***

***Photograph 5: East Broad Top Railroad at Containment Solutions, Inc. shipping gate***

This road serves the surrounding residential population and supports little commercial vehicle traffic. An inactive heavy rail line parallels US 522 on its east side and could provide potential rail access. Please refer to Section IV Rail Access analysis for a expanded analysis of rail access and the potential benefits and impact to the long-term development of the Center.

The 250-acre site's terrain is best characterized as rolling; its topographic form is generally level for nearly three-quarters of the land area. Slopes with the remaining undeveloped acreage (approximately 65 acres) range between 15% and 30% in gradient. An existing water tower is located on the site's highest point (northeast corner of the property). The Juniata River, situated 200 feet to the north of the site, flows east to west and is a major open space and recreation amenity for the area.

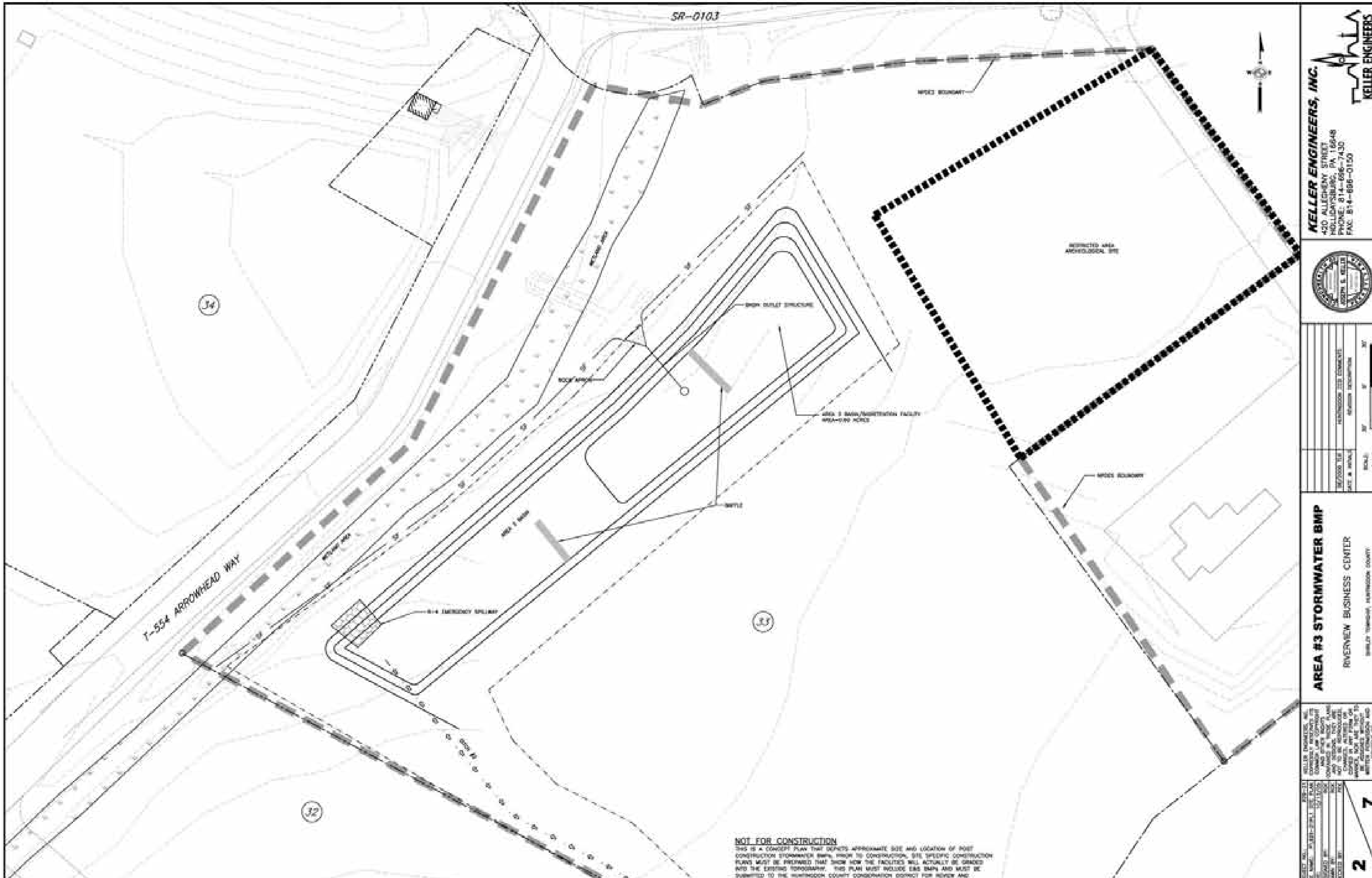
***Photograph 2 Existing well house at the intersection of PA 103 and Arrowhead Way***

Two wellheads are located along the Riverview Business Center's northern boundary immediately adjacent the Juniata River. The wellheads are situated on land previously developed as parking areas and trailer drop-lots. Shirley Township has adopted a wellhead protection ordinance; consequently, there are some land use and development restrictions on the site that protect the water quality within the wellhead areas.

Finally, as part of the Center's Phase 1 planning and development effort, an archaeological survey was performed. Artifacts from a Native American settlement situated along the uplands of the Juniata River were found near the PA 103 entrance to the Center. This area was fully surveyed and the soils examined for artifacts and remnants of the early culture. Based on the findings of the survey, development restrictions have been placed on several locations of the Phase 1 and Phase 2 development area. These restrictions allow tilling, disking and other similar agricultural functions/operations to occur. However, no grading or land development operations are permitted where there is no agricultural purpose. No buildings, roadways or parking areas can be constructed in these areas. The development restrictions have been imposed in perpetuity and were agreed to as pert of the Phase 1 development approval. Depicted on the following page is the general delineation where the archaeologically-related development restriction has been imposed.

In addition to the archaeologically-related development restriction, this area also is the lowest point of the Riverview Business Center property and is expected to be used for storm water management purposes in Phase 2. Consequently, Lot 33 can be expected to provide very little development capacity since much of its area is impacted.

*Map 2: Archeological Map*



***Photograph 7: Containment Solutions, Inc shipping yard***

***Photograph 8: Bonney Forge Administrative office***

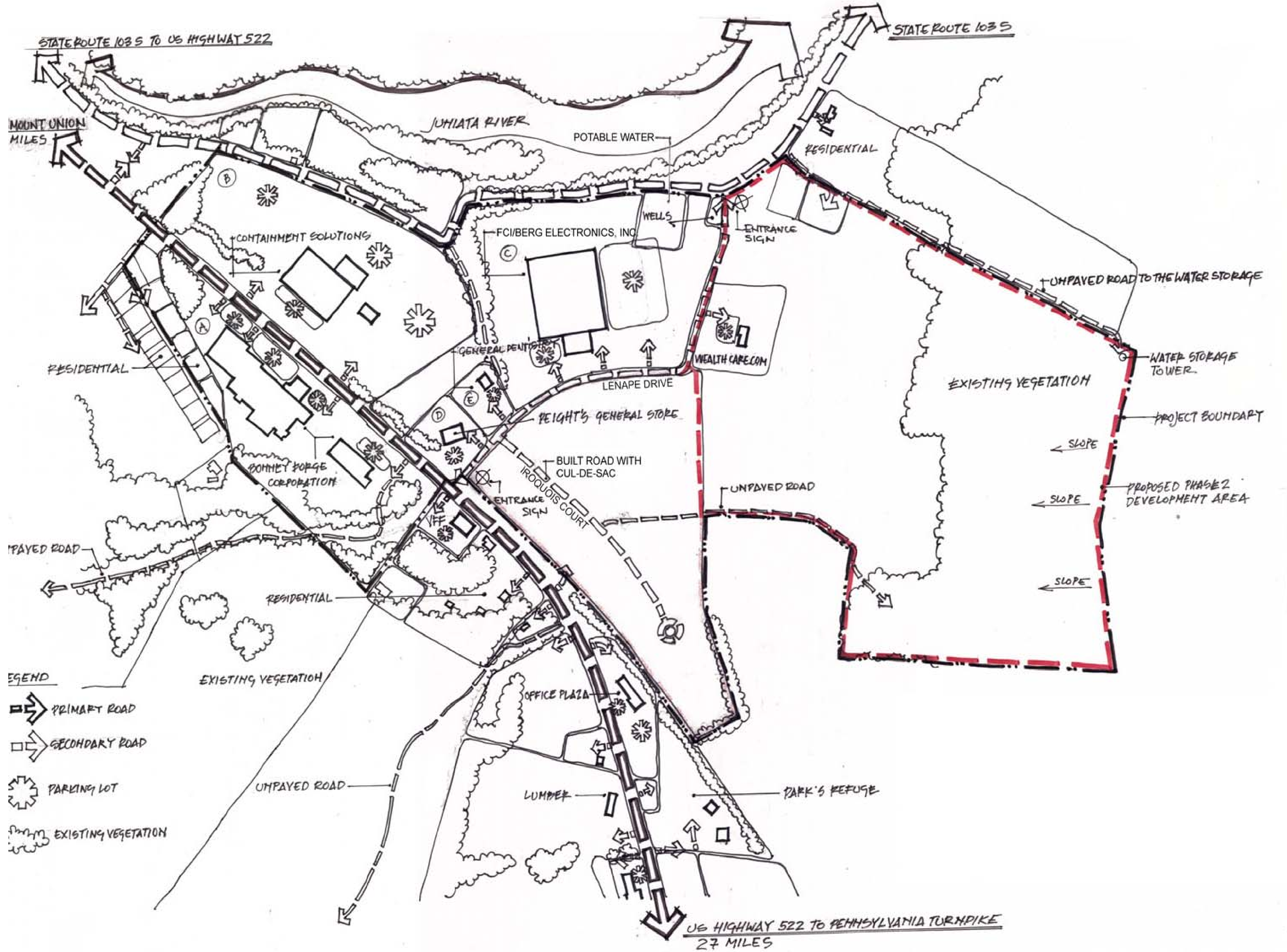
## *Existing Development Summary*

Developed lots range in size from 2.20 acres (General Dentistry) to Bonney Forge's multiple parcels comprising of more than 42 acres. Several other large developments have occurred including Containment Solutions, Inc. (15.2 acres) and FCI/Berg Electronics, Inc. (36 acres). Collectively, these developments have built about 300,000 square feet of manufacturing floor space.

***Photograph 9: Phase One "pad ready" parcels along Lenape Drive***

The first phase of development at Riverview Business Center constructed Lenape Drive and Iroquois Court, installed utilities within the road rights-of-ways and created nearly 110 acres of shovel-ready or "pad-ready" development sites. The front portion of the development is oriented towards commercial uses such as retail, service and office/ administration. The rear portion of the development has been developed for the most part with large-scale manufacturing and/or warehouse buildings.

***Map 3: Riverview Business Center Site* Analysis**



Because of the one access point to US 522, the development has created a handful of lots (4 total) that possess the qualities and attributes of corner lots. Corner lots are highly sought by commercial-type businesses that are highly dependent upon adjacent traffic volume and visibility. Banks, convenience stores, etc… fall into this classification. All corner lots have been purchased and/or developed with the Center.

To date, all lots and buildings created within Riverview Business Center are owner-occupied – no tenants or lease arrangements currently exist within the project. However, this situation may change in the near future as FCI/Berg Electronics, Inc. is actively marketing between 80,000 and 100,000 square feet of floor space within its manufacturing center for lease to outside organizations.

The second potential phase of development consists of hay fields and woodlands on the steep slope areas. This land area is currently used for agricultural purposes and contains no significant natural drainageways that could pose obstacles to development. As was found during Phase 1 grading operations, undeveloped portions of the site most likely are underlain by limestone or a karst geology. To minimize land development costs, it is best to minimize the amount of "cut" or rock removal in these areas.

***Photograph 10: Arrowhead Way***

Riverview Business Center provides developers with a full range of utilities except fiber optic service. Based on current demands, no capacity issues exist nor are expected in the future relative to electric, communications and potable water. The Shirley Township General Authority is actively working through a consent-order imposed by the Pennsylvania Department of Environmental Protection but expects to lift all tap restrictions by mid-year 2010.

Available utilities are provided by the following:

| | |
|---|---|
| Electric | Pennsylvania Electric Company<br>Valley Electric Cooperative |
| Natural Gas | Penn Fuel Propane (a PPL affiliate) |
| Water | Mount Union Municipal Authority |
| Sewage | Shirley Township General Authority |
| Communications | Verizon |
| Cable | Comcast |

### *Keystone Opportunity Zones*

To help aid in the development of businesses within the Center, HCBI was able to get the Riverview Business Center designated a Keystone Opportunity Zone (KOZ). The KOZ status eliminates/reduces taxes within specific underdeveloped / underutilized commercial or industrial areas, which in turn provided communities with increased economic growth and investment.

### *Current Tenant/Business Mix*

Riverview Business Center currently possesses a diverse mix of businesses and industries. As previously noted, the front portion of the development has been used to accommodate commercial-type users. The rear portion of the development has an industrial/warehouse-type orientation. The summary table below describes the occupants by geographic location and lot number. Total development acreage and building square footage (if applicable) has also been noted. The most recent development that has been completed is the Bonney Forge warehouse building located on Iroquois Court. F & M Trust purchased Lot#1(located at the US 522 entrance) and the sale is expected to be completed by January 2010. F & M Trust expects to construct a full-size bank with drive-in service during 2010. Sewage service demands need to be addressed by the Township prior to construction. Approximately 135 acres remains available for future development. The majority of this acreage falls within the Phase 2 expansion area.

*Photograph 11: General Dentistry Building*

*Photograph 12: IFC Building*

**Business Inventory Chart**

| Fully Developed Area - Phase 1 | | | | |
|---|---|---|---|---|
| Parcel # | Business Name | Business Type | Parcel Size (ac) | Building Size (sf) |
| A | Bonney Forge Corporation | Valves, fitting and coupling producer | 25.30 | 154,000 |
| B | Containment Solutions, Inc. | Fiberglass Storage Tanks manufacturer | 15.20 | 92,000 |
| C | Berg Electronics, Inc. | Electronic Connectors manufacturer | 36.00 | 200,000 |
| D | Peight's | Market Store | 3.30 | 11,000 |
| E | General Dentistry | Professional/ General Office | 2.20 | 3,000 |
| **Partially-Developed Area - Phase 1** | | | | |
| 8 | IFC | Community Services | 1.00 | 19,600 |
| 9 | | | 1.25 | |
| 11 | Bonney Forge Corporation | Valves, fitting and coupling producer Producer | 1.66 | 63,000 |
| 12 | | | 1.15 | |
| 13 | | | 1.04 | |
| 14 | | | 1.95 | |
| 15 | | | 2.14 | |
| 16 | | | 11.04 | |
| **Partially-Developed Area - Phase 2** | | | | |
| 32 | WealthKare.com | Financial Services | 4.75 | 6,900 |

### *Demographic Profile*

Demographic data for a series of general statistical categories is outlined below for both Shirleysburg and Huntingdon County. The demographic data is largely based on US Census data compiled in 2000. However, when available, more up-to-date estimates or projections have been provided to convey a more accurate portrayal of the area's socio-economic conditions. In general, the Township's population in 2000 was 850 persons which accounts for about 2% of the County's overall population. Between 2000 and 2007, the area surrounding Riverview Business Center saw a slight loss of population – an estimated 85 persons. Consequently, the area has experienced little growth over the past 20 years which is consistent with most portions of Pennsylvania. There has been a consistent increase in household incomes and housing values. The increase for household income has kept pace with the national Consumer Price Index, a relative measure of inflation. Between 2000 and 2007, both the CPI and the household incomes in the Shirleysburg area have grown by 24.4%; housing values during that same period have increased by 47.5%. Both trends indicate that there is appreciation of value.

**Demographic Summary - Year 2000**

| Statistical Category | Shirleysburg | Huntingdon County |
|---|---|---|
| Total Population | 850 | 40,903 |
| Total Households | 302 | 16,759 |
| Average Household Size | 2.30 | 2.44 |
| Household Median Income | $36,818 | $33,313 |
| Total Housing Units | 339 | 21,058 |
| Total Housing Unit - Occupied | 299 | 16,759 |
| Total Housing Unit - Owner Occupied | 273 | 12,988 |
| Total Housing Unit - Renter Occupied | 26 | 3,771 |
| Median Asking Price For Sale-Only Housing Unit | $112,500 | $72,800 |
| Mean Travel Time To Work | 31.4 | 28.9 |

## *Key Opportunities and Challenges*

1. There has been limited non-residential development activity within Huntingdon County; few “true comparables” exist; subsequently, market inventory needed to consider projects in adjoining counties.

2. Most of the industrial-oriented development sites currently available in southcentral Pennsylvania (generally a 10-county area spanning from Somerset County to Franklin County north to Centre County) range in size between 4 and 10 acres; from a market demand perspective, the 4-acre sites are relatively small for industrial-oriented businesses.

3. Based on 2007 Pennsylvania Department of Transportation traffic counts, US 522 experiences approximately 7,600 average daily trips in both directions; this volume has proven to be attractive to health care providers, financial centers and service-oriented business establishments but is typically low for other auto-dependent commercial such as convenience stores.

4. There is very little leasable space currently available in the region – most available leasable space is situated within multi-tenant facilities; moreover, because these multi-tenant facilities have large floor plates, they are not as easily sub-divided.

5. There is not a substantial supply of “pad-ready” sites within the 6-county area except for redevelopment sites located in Blair County.

6. While US 522 provides reasonable access to Riverview Business Center, the long distance to Interstate-grade facilities such as I-99 (30 miles) and I-76 (27 miles) limits the appeal of the Center to certain types of businesses/industries. Those businesses/industries that utilize “just in time” delivery methods, are reluctant to locate off of a major highway since the inconvenience could impact the timeliness of deliveries. Moreover, as fuel prices have increased over the past few years, businesses/industries that rely on hauling more frequently seek locations that minimize non-Interstate highway travel since it significantly impacts transportation costs.

7. Given that all the corner lots adjoining the US 522 entrance have been purchased, the Center no longer possesses land areas that are immediately attractive to commercial uses - such as convenience stores that are dependent upon high visibility.

8. Historically, modern industrial development in Huntingdon County has been owner-occupied ventures. Most often, owner-occupied establishments have attempted to make do with what they have in terms of building space, facilities/improvement and/or land area. Consequently, there is not a substantial inventory of modern industrial-oriented leasable space – particularly space that has the ability to accommodate early business growth and expansion.

9. Despite the lack of good highway access, Riverview Business Center is fortunate to have several major businesses whose chain of suppliers and fabricators extend regionally and nationally; this provides the Center with the opportunity to bring suppliers closer to their customer base.

10. Riverview Business Center is fortunate to adjoin a heavy rail line (short haul-type); however, no active service is currently available and would require significant infrastructure improvements in order to re-establish service.

11. Establishing a connection to the adjoining heavy rail line, upgrading the adjoining heavy rail line to a standard gauge (currently a narrow gauge facility), unearthing tracks which have been paved over, and adding additional rail access/siding within the Center would provide potential benefits and market opportunities for future development. A key issue is whether the addition of heavy rail will broaden market opportunities.

# III. Competitive Analysis

### *Analysis Overview*

Riverview Business Center has a combination of businesses and services that cater to local needs as well as more intense industries that are national in scale and market area. For instance, Bonney Forge, Containment Solutions and FCI/Berg Electronics serve clients throughout the East Coast of the United States and in some cases internationally. Consequently, a competitive analysis was performed of the major business and industrial parks situated within a 75-mile radius of the Center. This market area represents a blend of both the national and local markets. The competitive analysis is designed to document key development indices that could affect the market feasibility of the Phase 2 expansion of Riverview Business Center. Indices such as total development area, remaining available land, developed gross square footage, access conditions, average sales price for land, average lease rate for building space, etc… were considered.

From the pool of the total regional projects, five parks were selected based on their comparability to Riverview Business Center. These parks fundamentally market to the same end users that Riverview Business Center has been attractive to in the past. Subsequently, the parks appear to be competitive and have been further assessed and scrutinized relative to land sales price history, absorption rates, business/industry types, etc… The competitive parks and their indices provide the basis for the recommendations discussed in Part IV of this study.

### *Regional Development Analysis*

This general market area encompasses an 8-county area of southcentral and central Pennsylvania. All parks inventoried are a minimum of 10 acres in size and have experienced some level of development in recent past or are anticipated to be developed within the next three years. The "first pass" of the inventory found 31 development projects located within the defined market area. This list was further reduced to 12 development projects based on available data, feedback from interviewees and comparability to the Center in terms of development program and site character/location. Outlined below is a list of the twelve parks inventoried as well as their location by county. A map exhibit on the following page illustrates the general location of each of the inventoried parks and denotes major highways for reference. Please refer to Appendix A for a summary table of the regional business and industrial parks. The summary table outlines the relevant development data by development indices.

| | |
|---|---|
| New Enterprise | Somerset County |
| North Star Industrial Business Park | Somerset County |
| Broad Top Business Park | Huntingdon County |
| STEDCO | Huntingdon County |
| Cambria County Industrial Park | Cambria County |
| Rosedale KOZ | Cambria County |
| Penn Eagle Industrial Park | Centre County |
| Benner Commerce Center | Centre County |
| Mid-State Regional Airport Park | Centre County |
| Chesapeake Antrim Commons | Franklin County |
| Antrim Business Park | Franklin County |
| Mifflin County Industrial Park | Mifflin County |


***Map 4: Regional Map (location of inventoried Parks)***

## Competitive Analysis

Gleaned from the overall regional inventory were five competitive projects. More detailed data was analyzed for these projects as related to testing the market feasibility of the Riverview Business Center Phase 2 and evaluating long-term sustainability as a potential revenue stream to HCBI. In addition to evaluating development data, contact was made with the various agencies/organizations responsible for developing or managing the competitive projects in order to obtain antidotal insights regarding market strength, recruitment strategies and absorption rates. While these conversations and data exchanges were held as confidential interviews, the key points that the interviewees made have been reflected upon in this study. In instances where empirical data was limited, the antidotal information influenced the formulation of recommendations.

The detailed data is summarized in tabular form on the following pages. The competitive projects include:

| | |
|---|---|
| Bedford County Business Park #1 | Bedford County |
| Bedford County Business Park #2 | Bedford County |
| DeGol Center for Advanced Manufacturing | Blair County |
| Moshannon Valley Regional Business Park | Centre County |
| Laurel Highlands Business Park | Somerset County |

The map exhibit below depicts the general location of each of the competitive projects relative to Riverview Business Center. Please note that Bedford County Business Parks #1 and #2 are in the same vicinity on the map.


***Map 5: Local Inventory Map (competitive projects)***

## Competitive Development Analysis Study

| Development Data | Bedford County Business Park 1 | Bedford County Business Park 2 | DeGol Center for Advanced Manufacturing | Moshannon Valley Regional Bus. Park | Laurel Highlands Business Park |
|---|---|---|---|---|---|
| **1 County** | Bedford | Bedford | Blair | Centre | Somerset |
| **2 Owner/Development Agency** | Bedford County Development Association | Bedford County Development Association | Altoona Blair County Development Corporation | Moshannon Valley Economic Dev. Partnership | PA / Somerset County |
| **3 Total Development Size** | 143 acres | 145 acres | 360 acres | 60 acres | 100 acres |
| **4 Developable Land Currently Available** | 36 acres | 90 acres | 180 acres | 40 acres | 99 acres |
| **5 Average Lot Size** | 3-5 acres | 10-20 acres | 3-50 acres | 4-8 acres | None defined |
| **6 General Topographic Condition** | Gently rolling | Gently rolling | Level | Gently rolling | Gently rolling |
| **7 Pad Ready Lots** | Yes | No | Yes | Yes | No |
| **8 Available On-Site Utilities** | | | | | |
| a Water | Yes | Yes | Yes | Yes | Yes |
| b Sewer | Yes | Yes | Yes | Yes | Yes |
| c Elec. | Yes | Yes | Yes | Yes | Yes |
| d Gas | Yes | Yes | Yes | Yes | Yes |
| e Fiber Optics / Broadband | Unknown | Yes | Yes | No | No |
| **9 Accessibilty** | | | | | |
| a Interstate Highway | I-99: 1 miles north | I-99: 1 miles north | I-99: 2 miles west | I-80: 9 miles south | I-76: .3 miles north |
| b Regional Highway | US 220: 2.2 miles north | US 220: 2.2 miles north | US 22: immediate | US 322: 1 mile north-west | US 31: immediate US 219: 5 miles |
| c Rail | None | None | Yes | Unknown | None |
| **10 Asking Price** *($ per acre)* | $26,000-$41,000 | $26,000-$41,000 | Not Available | $25,000 | $25,000 |
| **11 Available Spec. Bldg. Space** | 3,500 sq. Ft. | None | 350,000 sq. ft. | 8,000 sq.ft. | None |
| **12 Typical Lease Rate** *($ per sq. ft.)* | $12.50 ft. | Unknown | $2.50-2.75 | $2.50 | Not applicable |
| **13 Typical Lease Terms** | Unknown | Not applicable | Triple net | Month to month basis | Not applicable |
| **14 Available Incentives** | KOZ benefits | KOZ benefits | KOZ benefits; Enterprise Zone designation | KOZ benefits | KOZ benefits |
| **15 Major Tenants** | MDL Manufacturing, Capitive Aire, Inc., United Way, Gether & Diehl Engineers, PA Department of Labor and Industry, Bedford County Development Association, etc. | REI (outdoor retailers). Owns and occupied 525,000 SF of distribution warehouse to service all of the East Coast. Largest green industrial building in PA. | DeGol Organization (manufactures building components). Occupies 250,000 SF of space. Metal Recycling company occupies 150,000 SF. | PMG Pennsylvania Corporation, Advanced Powder products, Moshannon Valley Enterprise Center II, Moshannon Valley Regional Business Center, Moshannon Valley Super Bowl, David Reid, Inc. | Groundbreaking in 2010, expect lots to be available in 2011. |

*Key Observations*

I. The minimum speculative lot size found in the competitive projects is between 2 and 3 acres; the average speculative lot size is approximately 7 acres; the maximum speculative lot size typically offered as an initial plat is 10 acres.

II. Many of the potential supply chain and fabrication businesses/industries that support the larger enterprises within Riverview Business Center typically need development sites between 3 and 12 acres.

III. Many industrial-oriented start-up businesses/industries need floor space between 10,000 to 35,000 square feet; moreover, start-ups that are manufacturing in nature or are dependent upon truck transport commonly need multiple "drive-in/out" access doors and a minimum of 20' to 24' clear ceiling height; outdoor material storage and "lay down" areas are preferred.

IV. The current per acre asking price for improved development sites within the competitive projects range between $20,000 and $50,000; unimproved development sites range between $2,500 and $8,500 per acre.

V. The typical rate of absorption for land development for the competitive projects (where data was actually available) is approximately 15 acres per year. While up-to-date absorption data was available only for Moshannon Valley Regional Business Park (10 acres per year) and Bedford County Business Park #1 (21 acres per year), the development character and tenant mix of these parks is most comparable to Riverview Business Center.

VI. Since very few of the competitive projects have constructed speculative lease space, there appears to be an opportunity for constructing a speculative flex-type building; however, there is limited market demand for a speculative leasable building with more than 50,000 square feet of floor space since most businesses/industries in the region develop and own their facilities when in that size range.

VII. There is not a strong record of lease activity in southcentral or central Pennsylvania to determine an actual range of current lease rates. However, recent real estate trends within western Pennsylvania find that flex space lease rates ranging between $6 and $9 per square foot. This is an aggregate lease rate, which includes both industrial and office/administrative type floor space.

VIII. Only a handful of competitive projects within the 8-county region offer heavy rail service; buyers are willing to pay an additional $5,000 to $10,000 per acre for land with heavy rail access.

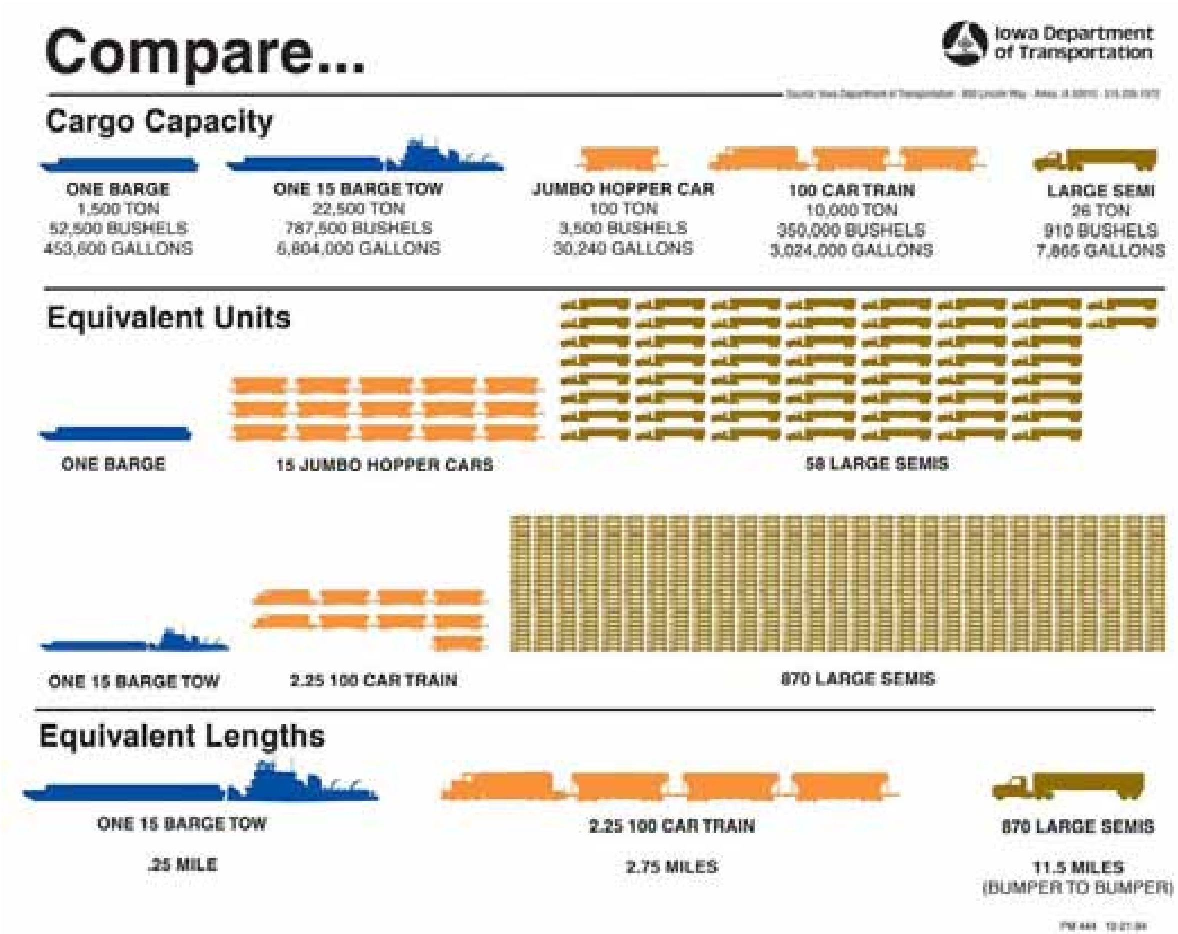
IX. The Keystone Opportunity Zones (KOZs) benefits apply to new commercial and industrial development/areas. The benefits include reduced/elimination of state and local taxes.

## IV. Benefits of Rail Access

Railroads provide the lowest-cost land transportation for bulk commodities; consequently they are an integral part of industrial and business development. In particular, short line railroads (short lines) are important because they reach into rural areas and bring the benefits of lower transportation cost to help keep both industrial businesses and farms productive and competitive. In some cases, however, short lines are in danger of going out of business because revenues are not adequate to match operating and/or track/bridge rehabilitation expenses. The abandonment of a short line railroad can impact rural communities and local economies in a variety of ways. Railroad-served customers will shift to trucks, which increases transportation costs and makes businesses less competitive. In some cases, the higher transportation costs can put a business out of business. The transfer of rail movements to trucks accelerates the deterioration of local roads and highways, adds to traffic congestion, and increases noise and air pollution. As short lines primarily serve rural communities, it is the local road network that would handle the additional truck traffic resulting from rail abandonment. This is particularly true in Central Pennsylvania, where many counties have limited access to interstate highways and Class I railroads (for example Norfolk Southern and CSX) and rely on minor arterial and collector roads as the primary transportation infrastructure.

Improvements in freight rail service can be expected to have important economic effects. Low cost and better service in freight movement have a positive effect on businesses/industries engaged in the production, distribution, trade, and/or retail sale of physical goods. Reducing the per-mile cost of goods carriage means that any production facility can serve a wider market area, with potential gains from scale efficiencies. It also means a facility can draw supplies from a wider area with potential gains in terms of the cost and/or quality of parts and materials coming to the factory.

***Table A: Comparison of Efficiency and Cargo Capacity of Freight Surface Modes; Iowa Department of Transportation***




The Federal Highway Administration's (FHWA) Benefit-Cost Analysis Study describes the research documenting this benefit. The key point identified in the FHWA study is that if businesses can reduce total logistics costs, including inventory and warehousing, by increasing expenditures on freight transportation, they can be expected to do so. The study cites several companies that increased their use of transportation, which in turn allowed them to save money by closing warehouses, increasing inventory turnover, and reducing employment.

The following classification scheme exemplifies the benefits associated with improvements in freight transportation. It was developed as part of the FHWA study.

- First-order Benefits
  Immediate cost reductions to shippers, including gains to shippers from reduced transit times and increased reliability.

- Second-order Benefits
  Reorganization-effect gains from improvements in logistics.
  Quantity of firms' output changes; quality of output does not change.

- Third-order Benefits
  Gains from additional reorganization effects, such as improved products or some other change.

Railroads in the past two decades have significantly improved their levels of service which is has raised its overall appeal. While at the moment customers most likely aren't desperate for rail access, many industrial users do like to have rail service as an option for the future since the cost of road freight is expected to continue to climb. For most heavy industries, rail access is a "must." If you have rail access, you have a scarce resource. If you have dual rail service sites, you have a crown jewel resource.

### *Industries / Businesses that Typically Utilize Rail Access*

- Timber/lumber
- Steel products/fabrication
- Foundry
- Petroleum
- Plastic
- Resins
- Agri-business such as Cargill, Del Monte, Tyson Foods, ADM
- Fertilizer
- Commodity such as sand and gravel

### *Opportunities / Obstacles for Rail Access*

It appears there is very little product for rail served warehouse/distribution/transload facilities within 10 miles of the Riverview Business Center. Consequently, rail access could attract national or international manufacturers. However, there are several obstacles that may challenge the feasibility of rail access at Riverview Business Center:

1. Price to upgrade rail on-site. The Degol Center spent $500,000 to upgrade its on-site rail facilities.

2. May have to commit to a set number of railcars delivered per year – which is difficult to do without a specific rail served tenant.

3. Many large warehouses with rail appear to have immediate availability.

4. It appears rail will not significantly increase lease rates for industrial space; the maximum premium is approximately 10%. The asking lease rate at the Degol Center is $2.75 per square foot (triple net).

5. Comparison of Available Industrial Properties in Pennsylvania:

    - Total available industrial properties **with** rail access:
        a. Properties: 562
        b. Vacancy Rate (past year): 22-24%
        c. Average time on market: 26.7 months
        d. Average price (per sq. ft.): $3.79

    - Total available industrial properties **without** rail access:
        a. Properties: 17,752
        b. Vacancy Rate (past year): 34-36%
        c. Average time on market: 23.6 months
        d. Average price (per sq. ft.): $4.15

6. Where tracks have been paved over in the development/construction of certain Lots (i.e., Containment Solutions, Inc. "Lot B"), the existing tracks will need to be restored for future railway access.

7. All existing railways currently located on or around the Riverview Business Center site were previously constructed as a "narrow gauge" track (track gauges narrower than 4 ft 8½ in). The East Broad Top Railroad will need to convert the existing "narrow gauge" railway into a standard gauge system and provide the funding for the conversion. All newly constructed rail siding would need to be constructed using the standard gauge track. Riverview Business Center will be responsible for constructing and financing the new siding areas which would include the connections to the existing East Broad Top main line.

### *Existing Inventory of Rail Served Facilities / Developments*

- Existing rail served warehouses as per Altoona Blair County Development:
  a. Smith Transport Building – 450,000 square feet; parking for 105 trailers and 53 automobiles; 8″ reinforced concrete slab floors - Altoona, PA
  b. Forward Logistics – 60,000 square feet for lease - Altoona, PA
  c. Butterick Building – 195,326 square feet for lease - 9.6 acre site - Altoona, PA.
- Existing rail served developments as per PA Site Search.com
  a. Huntingdon County - (1) North American Refractories on Penn Avenue and (2) the Bayer Beaver Building[1] at 225 Allegheny Street. The North American Refractories site makes note that rail service is available but needs restored. The Bayer Beaver building makes reference to rail access, however does not make reference to the presence of rail siding.
  b. Mifflin County - (1) Greater Lewistown Corporate Center – 34 acre plastics extrusion mill, renovated in 2000, 330,000 square foot manufacturing facility; 19 loading docks and parking for 400; rail served; (2) Norlin Complex – 10 acre warehouse/metal fabrication plant, 50,000 square feet; rail served.
  c. Centre County – (1) Summit Park in State College – 214,000 square foot manufacturing space available; sub-dividable.
- Existing rail served developments as per Costar.com
  a. Within a 50 mile radius of Riverview Business Center – 28 warehouses were returned. Only 12 have vacant warehouse space available. 873,000 is the largest availability – and 33,706 is the smallest availability.
- The data summary attached as Appendix E to this supplemental report indicates the warehouse location, address, square footage, land area, ceiling height, drive in and dock doors, and other pertinent indicators.

### *Box Cars versus Truck Load Comparison*

The following summary outlines the comparison between a load carried by a box car versus a semi-trailer truck. As you will notice, the railroad box car can carry twice the volume or over 4 times the weight of a single 18 wheeler semi-trailer. The box car is also drastically more fuel efficient to pull a fully loaded string of box cars in a train than to move the equivalent load by over-the-road truck.

- [1] The Bayer Beaver Building has rail lines which have been paved over. The existing paving would need to be removed to unearth the tracks. Some additional remediation of the rail line would also most likely be needed.

- Hi Cube (High Cubic Volume) railroad box car:
  a. Length: 60' 9"
  b. Width: 9' 6"
  c. Interior height: 13' 1"
  d. Interior volume: 7580 cu. ft
  e. Empty weight: 79,500 lbs
  f. Max allowable weight with load: 286,000 lbs
  g. Max cargo weight: 206,500 lbs (103.25 tons) per "car load"

- Semi-Trailer:
  a. Length: 53'
  b. Width: 8.5'
  c. Interior height: 9.2'
  d. Interior volume: 4085 cu. ft
  e. Empty weight: varies, but assume and average 32,000 lbs
  f. Max allowable weight with load: 80,000 lbs (in "18 wheeler" configuration)
  g. Max cargo weight: ~48,000 lbs (24 tons) per "truckload"

### *Key Design Considerations*

A railroad siding design may look simple on the surface but it can become very complicated when trying to match curvatures and grades. Curves and grades which do not match road crossings or building elevations can cause significant problems. A railroad siding cannot be twisted and turned in every direction; there are design limitations based on hard and fast rules which determine where a railcar may go. The key considerations are itemized below. Refer to Appendix F of this report for specific maximum and minimum criteria as related to the design considerations.

- Height clearance; overhead wires, building entries, etc…
- Side clearance; buildings, canopies, platforms, fences, signs, etc…
- Centerline track spacing
- Maximum radii and minimum tangent length
- Maximum gradient
- Bulk materials transfer station/facility
  a. Mobile conveyor for plastic pellets, grain, etc…
  b. Transloaders for lumber, etc…
  c. Stacking area for 6 to 10 railcars

  d. Truck scales
  e. Security fencing
  f. Total site area of 3 to 8 acres[2]
- Lots should be a minimum of 3 acres in size
- Typical ratios of building to land are between 10,000 and 15,000 SF per acre of land
- Lot shape should be rectangular with the long side parallel to the railroad frontage
- The pad elevation of the lot should be the same as the grade of the railroad siding

### *Infrastructure Improvements for Rail Access*

There are typically additional infrastructure improvements that coincide with the development of a rail access/siding extension. The site improvements include upgrades to heavy power, water supply and roadway improvements to accommodate a high volume of truck traffic. The building improvements include upgrades to overheard cranes, high ceilings (minimal of 20 feet clearance), drive in and dock high doors. Also, parking rations shall be between 0.5 and 1.5 per 1,000 square foot of floor space.

### *General Construction Process*

There are usually two contractors directly related to the construction of your spur, a grading contractor and a railroad contractor. The grading contractor will perform all the earthwork and grading including the clearing and grubbing of trees all the way to the top of sub-ballast, which is usually a 6 inch deep by 24 foot wide section of rolled finely crushed stone. The grading contractor is also usually responsible for all drainage structures. From the top of sub-ballast, the railroad contractor lay ties directly on the sub-ballast layer and builds the skeleton track. The railroad contractor will then pour ballast into the spaces between the ties and raise and surface the track with two specialized machines that ride on the rail. Both contractors will require accurate staking by the railroad designer so that the centerline and elevation of the roadbed and rail can be determined.

- [2] The Degol Center has an outside loading area with a minimum of 2 acres for outside storage (more space can be accommodated if necessary) as well as a spur that runs inside of the warehouse – where product and material can be stored or put onto trucks under roof. This creates a 10:1 warehouse/outside storage ratio at a minimum, as the outside storage area can be expanded per the Altoona Blair County Development.

# V. Recommendations and Actions

Summarized on the following pages are a series of recommendations as related to the Phase 2 expansion of the Center. The recommendations are organized based on: Targeted Businesses and Industries, Land Development Strategies and Speculative Building Strategies and Marketing and Recruitment Strategies.

*Targeted Businesses and Industries*

Outlined below is list of businesses and industries that appear to have market feasibility at Riverview Business Center. While the targeted list denotes general business typologies, there are a variety of businesses and industries that "fit" within a given typology and could be suitable "fits" as potential owners or tenants. The businesses/industries that have been targeted area suitable for marketing or recruitment activities relative to land sales, land leases and/or speculative leases.

The targeted list is divided into two categories Front Portion and Rear Portion. This division is appropriate since the Phase 1 development of the Center delineated lots based on commercial use needs and industrial use needs. Consequently, the suggested list of targeted businesses and industries has been formulated to generally align with the lot size, highway visibility and land use character differences that the existing Center and its remaining undeveloped areas offer.

*Front Portion*

- Medical/health services/offices (chiropractic, dentistry, out-patient care, family care, etc…)
- Professional office (accounting, legal, architecture, engineering, etc…)
- Service center (Xerox, Verizon, Comcast, ServiceMaster, cleaning services, etc…)
- Printing and reproduction services
- Local restaurant/diner
- Consumer service (automotive repair, kitchen/cabinetry display and assembly)
- Government service

*Rear Portion*

- Call center
- Warehousing and distribution (FedEx, UPS, furniture, Schwann's Depot, grocery, produce, meat, etc…)
- Manufacturing facility
- Assembly facility
- Suppliers to local businesses/industries (resin suppliers, fiberglass roving suppliers, etc…)
- Gas assembly
- Oil and gas drilling
- HVAC/plumbing
- Metal fabrication
- General contractor shop/yard
- Wholesaler

### *Land Development Strategies*

Summarized below are a series of land development recommendations for the Phase 2 expansion of Riverview Business Center. The recommendations specifically relate to lot configuration and location. The recommendations describe the general lot size and depths that, based on the competitive analysis, appear to be practical and opportunistic. Again, based on the Center's pattern of existing lots and development, the recommendations are divided into those that apply to the Center's front portion and those that apply to the rear portion. The recommendations also generally apply to land sale or land lease scenarios. Commonly, land lease agreements involve smaller lots since the leasor is anticipating a move to ownership as the business/industry grows.

*Front Portion*

- The location of Iroquois Drive establishes the lot depth and general lot size for the development area fronting along US 522.
- Commercial uses attracted to the US 522 frontage, typically desire 2 to 4 acres.

- Consequently, the existing subdivision pattern of lots should remain in the front portion of the development.
- Some lot consolidation may occur as was experienced with the IFC development.
- To the greatest extent possible, the lots fronting on US 522, should be reserved exclusively for commercial uses that are dependent upon highway visibility. Business establishments such as a restaurant or automotive repair are examples. These lots are the Center's "Park Place" properties; HCBI should subsequently value them accordingly.
- Based on the competitive projects' "for sale" land values should be able to command between $25,000 and $35,000 per acre. Value may be dependent upon visibility, proximity to the front entrance and the availability of other developable lots.

*Rear Portion*

- As per the data compiled for the competitive parks, the lot size of non-commercial lots typically range between 3 and 10 acres.
- Many of the potential supply chain and fabrication businesses/industries typically need development sites between 5 and 15 acres. The larger lot size is driven by the need for parking, loading, and outdoor material storage yards.
- The rear portion of the development should be developed with a mixture of lots that range in size between 7 and 10 acres. This range allows for lots to be combined in order to create a custom configuration based on specific buyer/leasor needs.
- Avoid creating more than two or three lots in the rear portion of the Center where the lot size is 3 acres or less.
- Provide 50 to 60 acres of "pad-ready" development sites as part of the Phase 2 expansion. Based on the absorption rate the Moshannon Valley and Bedford County Business Parks, this most likely provides a land inventory for a minimum of 5 years. More importantly, it balances the needed flexibility to accommodate a wide range of potential buyers/leasors with the capital required for road and utility construction and grading operations.
- Based on the competitive projects "for sale" land values should be able to command between $20,000 and $30,000 per acre. Values may need to be adjusted based on anticipated site improvement costs (primarily to account for increased costs for grading/removing rock in the steep slope areas), the quantity of land to be purchased and the availability of other developable land.

### *Speculative Building Strategies*

Based on both the regional development analysis and the competitive analysis, only a few modern speculative buildings have been developed. No modern speculative non retail or non-office buildings have been recently constructed within Huntingdon or Fulton counties. The speculative buildings that have been constructed elsewhere in the region have been oriented towards service, distribution, warehouse and industrial-type businesses. While it does appear that there is a general preference in southcentral Pennsylvania for a business/industry to own their own building and land, many start-up businesses cannot carry the costs associated to ownership while concurrently building their customer base and business' vitality. This could explain why the speculative buildings that have been constructed have been occupied in part soon after they have been made available to the business/industrial market.

The lack of available speculative building inventory and the apparent need to accommodate start-up businesses/industries indicates that there is market opportunity for the development of speculative building within Riverview Business Center. Outlined below is the conceptual development program for such a building.

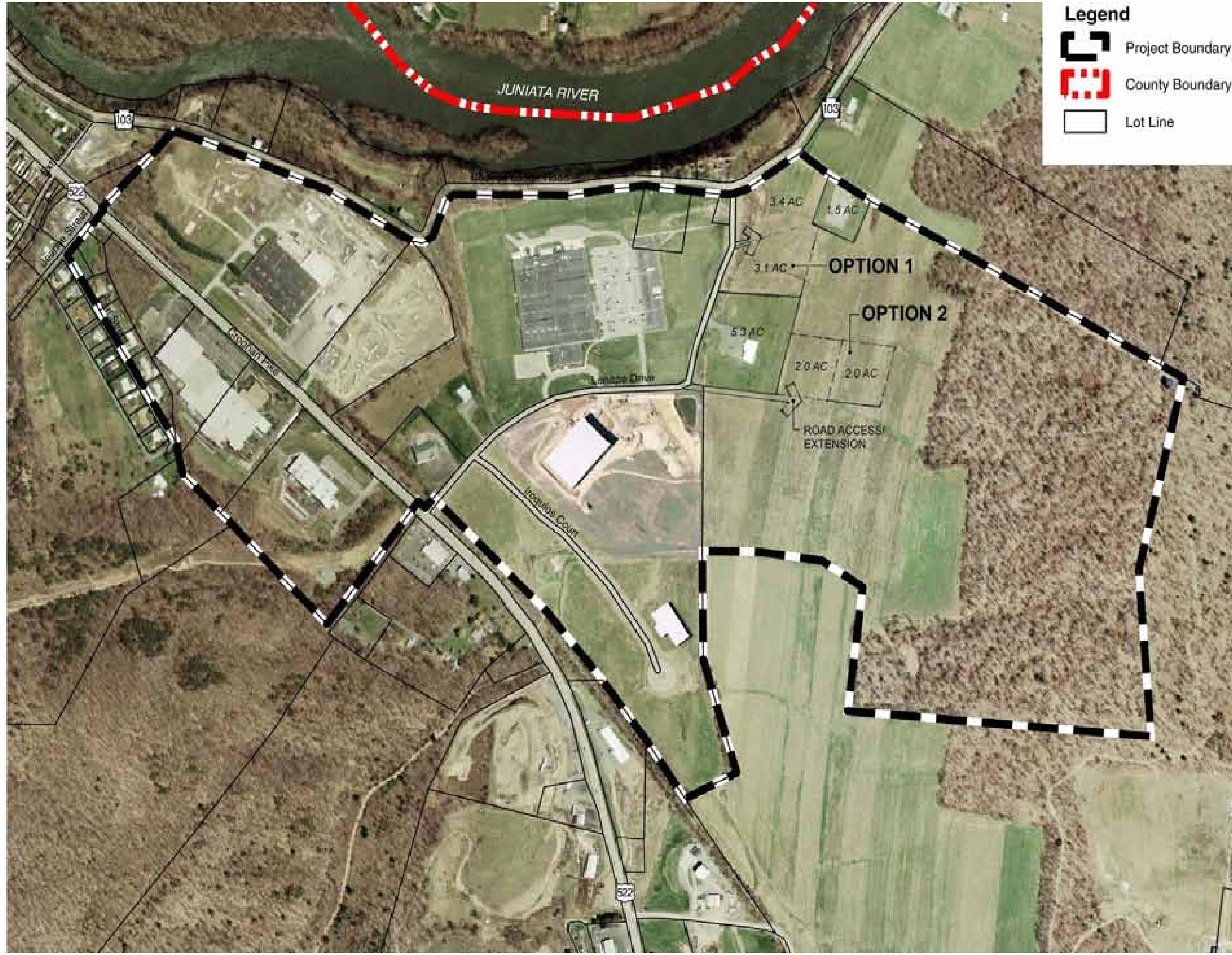
#### *Flex Building Concept*

- As previously noted, most of the speculative buildings that have been constructed in the region are oriented towards non-commercial types of businesses. Any speculative building at the Center should follow the same approach and should not be designed to target commercial tenants such as professional offices or retailers.
- The recommended shell size for a speculative building should be between 20,000 and 30,000 square feet of usable floor space; there does not appear to be strong market demand for speculative buildings over 50,000 square feet.
- Any speculative building should be designed and constructed as a multi-tenant building. Consequently, the footprint of the speculative building should be sub-dividable through demising walls, etc… into tenant spaces of 4,000 to 6,000 square feet. This would allow four to five tenant spaces to be created within one "shell."
- Assuming a distribution/industrial market orientation, ceiling heights should be between 20' and 24'. Clear spans within the shell itself should be 30' to 40' in width.
- Based on current real estate and development trends found in Pennsylvania and nationally, much of the speculative buildings that are be constructed are considered "flex" spaces. A flex building has a combination of open floor space suitable for assembly, fabrication or warehousing and office space

suitable for administrative and "public sales" purposes. The ratio between industrial and office floor space typically range between 90:10 to 75:25.

- Each tenant space within the speculative building should be provided with a minimum of one loading dock and a full drive-in truck entrance.
- Most tenants of speculative buildings require some outdoor storage for materials and fabricated goods that are awaiting distribution. This outdoor storage can be accommodated by a concrete apron or a stabilized gravel apron. Generally, the outdoor storage area should be between 20% and 30% of the total gross floor area of the tenant space.
- The needed lot size for a 20,000 to 30,000 square foot speculative building with parking, loading area, outdoor storage and on-site storm water management facilities is 3 to 4 acres.
- Lease rates for speculative buildings in the region range between $2.00 and $2.75 per square foot of gross floor area. These rates are extremely low and would make it difficult for HCBI to retire debt service. Lease rates for flex buildings in other portions of Pennsylvania typically range between $7 and $12 per square foot depending upon the ratio of industrial and office floor space. These rates allow for debt service as well as some residual revenue. A competitive range for lease rates at Riverview Business Center could be $5 to $9 depending upon the ratio of floor space.

*Map 6: Project Area Diagram*



Multiple locations within Phase 2 of the Center were assessed to determine general development feasibility.  Two options were ultimately identified and are illustrated on the following map.

Option 1 locates the speculative building near the intersection of PA 103 and Arrowhead Way.  This location encompasses approximately 6 acres – more than what is required.  This site could be configured to allow a future addition to be added to the speculative building thereby increasing its overall floor area from 20,000 to 30,000 square feet to 40,000 square feet.  Option 1 does allow an access point to be developed on Arrowhead Way, but could also provide an access point via the driveway to the electric substation.  An easement agreement would need to be obtained from Valley Electric Cooperative.  No road construction or infrastructure/utility extensions are required which minimize site improvement costs.  Finally, Option 1 allows for a "signature" building to be constructed at the rear entrance to the development.  The character and quality of the building could be controlled by HCBI.

Option 2 places the speculative building behind the existing WealthKare.com building.  This location allows for 4 acres to be utilized; this acreage is consistent with the general development needs of a 20,000 to 30,000 square foot speculative building.  Option 2 does require new road construction (approximately 600 feet) as well an infrastructure/utility extensions.  The second location does create a "gateway" to the majority of the Phase 2 expansion area.

*Flex Building Examples*

- Illustrated below and on the next page are examples of flex buildings. The images represent a broad range of shell styles, architectural character and floor space ratios.

***Photograph 13: Moshannon Valley (photograph from Interntet source.)***

***Photograph 14: Moshannon Valley (photograph from Internet source.)***


***Photograph 15: Bedford County Business Center (photograph from Internet source.)***

***Photograph 16:Abele Business Park (photographic provided by Beynon & Company, Inc.)***

***Photograph 17:Abele Business Park (photo taken by Beynon & Company, Inc.)***

***Photograph 18: Jendoco Flex Park (photographic provided by Beynon & Company, Inc.)***

***Photograph 19: Jendoco Flex Park (photographic provided by Beynon & Company, Inc.)***

### *Rail Access Strategies*

It appears that there is an inventory of large (100,000 square feet +) warehouses with rail access that are currently available. The majority of this space cannot be subdivided and is limited in flexibility. It appears that there are no industrial/business/commerce parks in Central Pennsylvania that provide rail access to tenants in the smaller square foot ranges (35,000 to 50,000 square feet). Any potential development within Riverview Business Center that is oriented towards rail access should create lots between 5 and 15 acres in size. Lots in this range will accommodate a minimum building size of 35,000 to 50,000 square feet with an adequate outdoor storage area.

The Concept Plan (Map 7) depicts four alternatives for providing rail access into the interior of the Riverview Business Center.

### *Other Suggested Marketing Strategies*

In addition to the development program described in the previous sections of this study, several marketing strategies have been identified and detailed in the following paragraphs. These strategies emerged as a result of completing the study and are based on "opportunities" that HCBI can leverage as part of its Phase 2 marketing efforts.

1. Facilitate a bi-annual summit with the executives of the region's and the Center's cornerstone or anchor businesses/industries (for example Bonney Forge and Containment Solutions, Inc.). These anchors are developing and producing materials and products for national and international customers. Each has an established chain of suppliers, venders and value-added fabricators. The anchors also utilize "just-in-time" manufacturing methodologies. Consequently, there is strong need for close relationships and transportation connections between the anchors and the ancillary businesses/industries. Through periodic summits with the anchors, HCBI can learn about their operations, marketing goals, their supply/distribution chain and can in turn proactively target those ancillary businesses/industries as potential tenants.

2. Utilize additional internet marketing sites such as LoopNet.com, CoStar.com and pasitesearch.com. In completing a cursory internet review of the region's business/industrial parks, very few developments took advantage of the web resources that are available. Moreover, the data that was available was often out-of-date or incomplete. Many businesses/industries complete their "first cut" at site selection based on internet searches. If no "hits" occur with respect to a particular development project, many times the project is passed over.

3. Host periodic development professional breakfasts to update Realtors, commercial/industrial brokers, Chamber of Commerce representatives regarding available lots, floor space and other development/marketing efforts/activities. HCBI has already developed comprehensive and effective marketing materials and information packets for distribution to potential tenants. The next step should be to broaden the audience.