

The Sky's the Limit!

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The Economic Impact of the Proposed Central Texas
Airport and Associated Development on Business
Activity in Texas, the Austin Area, and Bastrop County



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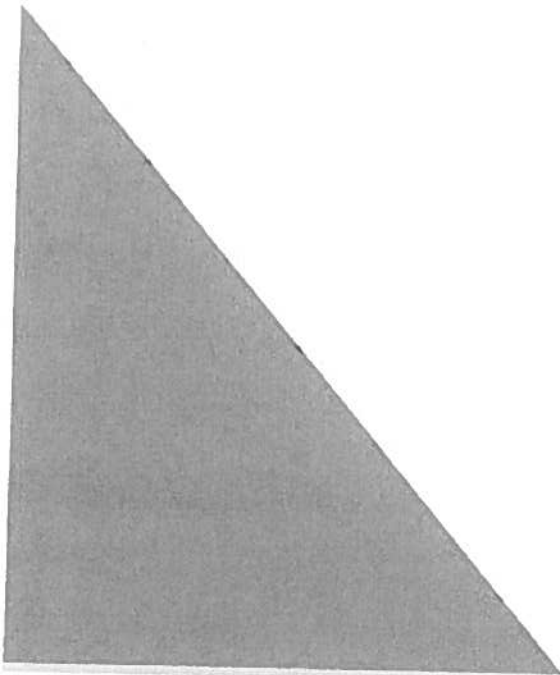


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Introduction



1



Introduction

- Since the very dawn of human civilization, activity has been concentrated in areas with access to transportation infrastructure. Whether navigable waterways, trade routes for camels and horses, railroads, highways, or airports, the various means of mobility have always been essential to sustainable prosperity. Currently, accessibility to air transportation is a key determinant of economic growth and opportunity in an increasingly global economy. Areas that can offer competitive air transportation facilities to meet a broad spectrum of specialized needs have a significant advantage in their future prospects.
- In particular, corporate and other private air travel is critical to business transactions worldwide and to the efficient functioning of many aspects of the economy. Airports that can facilitate such mobility are valuable assets to their communities, enhancing the competitiveness for locations, creating jobs, producing tax revenue, and stimulating economic development.
- The Central Texas Airport (CTA) is a proposed reliever airport located in Bastrop County within minutes of Austin. CTA would primarily serve private jets and aircraft-related businesses. The facility and associated development are planned to employ the latest "green" building methods.
- The Perryman Group (TPG) was recently asked to examine the potential effects of developing the Central Texas Airport on business activity in Bastrop County, the Greater Austin Area, and Texas.

HIGHLIGHTS OF STUDY FINDINGS

- CTA will offer aircraft maintenance, management, leasing, sales, repair, inspection, certification businesses, and support services for general aviation. These services are currently lacking for general aviation in the area.
- It will also serve expanding demand for new development, including revenue producing green initiatives, and provide an ideal location for firms requiring onsite access to runways and other aspects of aviation operations.
- CTA's green aspects open the door to attracting emerging green industries based on technological breakthroughs and innovation, thus helping the Austin area continue its role as a pioneer in clean energy and green initiatives and capture a sizable stake in an emerging industry.
- The Austin area has performed well for a number of years, even remaining relatively stable during the current national economic downturn, and the Austin area is expected to be among the leaders during the economic recovery.
 - The Perryman Group's latest forecast indicates that the Austin-Round Rock MSA will gain about 75,400 new wage and salary jobs from 2008 to 2013, while output (real gross area product) expands from \$77.83 billion in 2008 to \$95.72 billion in 2013.
 - Once the Austin area economy begins to gain momentum, air travel and aviation needs are likely to recover rapidly.
 - The growing economy and population of the Austin area, particularly in technology and high-value service sectors, will lead to increasing needs for a reliever airport such as CTA.

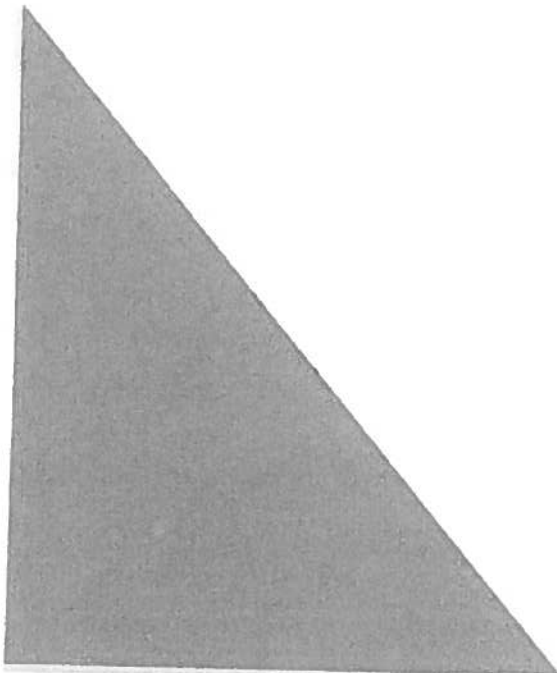
- The Perryman Group measured the likely economic effects stemming from the construction and development of the proposed reliever airport and related facilities, as well as the associated Green Commercial Centers.
 - The total effect of **construction of the airport and related facilities** would lead to an additional \$627 million in total spending, \$298 million in output, and 3,818 person-years of employment in the state.
 - The **operations of the airport and related services** generate ongoing positive economic effects at maturity including \$878 million in annual total spending, \$398 million in output, and 4,730 jobs. Activity would be concentrated in the immediate area, with spillover effects to the region and beyond.
 - **Construction associated with a representative green development** would lead to gains of almost \$3.8 billion in total spending, \$1.8 billion in output, and 23,007 person-years of employment.
 - **Ongoing operations of the development** (at maturity) would lead to annual gains of \$8.3 billion in total spending, \$4.1 billion in output, and 43,414 jobs.
- This ongoing economic activity associated with the airport would, in turn, lead to gains in **direct and indirect tax receipts to local governments and the State**.
 - TPG measured the annual fiscal effect of ongoing operations of the **airport and related services** (at maturity) to include **\$85.1 million to local taxing entities and almost \$18.6 million to the State**.
 - The **fiscal impact of this green development** would be sizable, with local entities likely to see gains in tax receipts each year of some **\$86.9 million (\$198.4 million to the State)**.
- The proposed Central Texas Airport would be an important enhancement to the economies of Bastrop County, the Austin area, and the state of Texas.

THE PERRYMAN GROUP'S PERSPECTIVE

- TPG is uniquely qualified to conduct this analysis. Dr. M. Ray Perryman, founder and president of the firm, developed the Texas Econometric Model and the Texas Multi-Regional Impact Assessment System about 30 years ago and has maintained, expanded, and updated them on an ongoing basis. These models have been used in hundreds of applications across a broad spectrum and have an excellent reputation for reliability. Each of these systems also has similar submodels which reflect the unique industrial composition of Bastrop County and the Greater Austin area.
- TPG has prepared detailed forecasts for this region on an ongoing basis for more than 25 years, and has completed numerous projects in the area.
- Some representative examples include the economic impacts of the Austin Convention Center, Sematech, Freescale, and Samsung, recent analyses of downtown Austin residential development, a proposal to relocate much of the State office complex, and the proposed Villa Muse project in Bastrop County.
- The firm also has extensive expertise in aviation and other transportation-related projects. TPG provided all of the economic analysis underlying the development of Fort Worth Alliance Airport, the largest and most successful business aviation complex in the world, and much of the associated collateral activity. The firm has also conducted studies for numerous other airport developments around the country, as well as major industrial sites associated with the Burlington Northern-Santa Fe Railroad and the Port of Houston.

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The Proposed Central Texas Airport



The Proposed Central Texas Airport

- The proposed Central Texas Airport would be located in Bastrop County at the intersection of Texas FM 969 and FM 1704, just 16.5 miles east of downtown Austin and within 8 miles east of the SH 130 Tollway. The facility has already been approved by the Federal Aviation Administration; the site is some 10 miles from Austin Bergstrom International Airport (ABIA) and under 10 miles from the cities of Bastrop and Elgin.
- The location is roughly 2000 acres, 600 of which will be used for the airport itself. The additional acreage is set aside to develop a business park bringing aviation-related business as well as others wanting to take advantage of the airport. Significant land is also set aside to create buffers from other activity.
- Development of CTA will be conducted in two phases. Among other things, Phase I will include the basic infrastructure for the airport and roadways as well as 35 hangars. An additional 35 hangars will be added in Phase II.

TARGET MARKET

- When open for public use, the privately owned and operated Central Texas Airport will serve as a regional reliever airport to ABIA.
- CTA will include a 7,500 foot by 100 foot runway as well as a 7,500 foot by 50 foot taxiway-runway.
- The large runway will allow for the landing of any aircraft in emergency situations. However, CTA will act primarily as a reliever airport for the local region, offering services designed to meet the specialized needs of large corporate jets and private aircrafts.
 - CTA will offer aircraft maintenance, management, leasing, sales, repair, inspection, certification businesses, and support services for general aviation. These services are currently lacking for general aviation in the area.
 - It will also serve expanding demand for new development, including revenue producing green initiatives, and provide an ideal location for firms requiring onsite access to runways and other aspects of aviation operations.

GREEN CORPORATE CENTERS

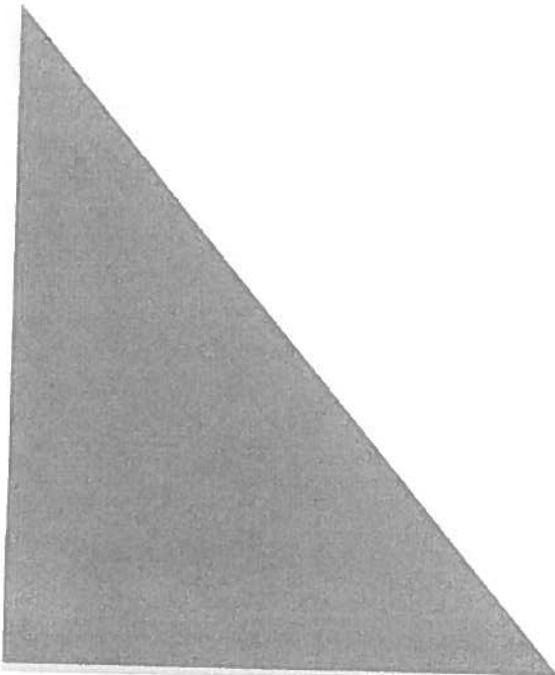
- CTA's planned industrial park, Green Corporate Centers, provides a unique green initiative. Green features include onsite solar generation, geothermal, Leadership in Energy and Environmental Design (LEED) qualified buildings, ground water and rain water reclamation and processing, electric service and transport vehicles, and onsite natural resources.
- Green initiatives are a growing trend across the United States, and the unique aspects of CTA will yield a competitive advantage in attracting related high-tech and renewable energy companies while improving the quality of life throughout the region.

TRENDS IN GREEN DEVELOPMENT

- The emerging trend toward environmentally friendly building and development methods has encouraged the formation of standards such as the LEED Green Building Rating System of the US Green Building Council (USGBC). According to the USGBC, more than five billion square feet of commercial building space is currently involved with the LEED green building certification system, with LEED projects in all 50 states and in 91 countries. Meeting LEED standards is viewed by many as a desirable attribute in building and location decisions.
- CTA's green aspects open the door to attracting emerging green industries based on technological breakthroughs and innovation, thus helping the Austin area continue its role as a pioneer in clean energy and green initiatives and capture a sizable stake in an emerging industry.
- As an example, solar generation is expected to grow by 39.9% from 2009 to 2015, and CTA's onsite solar generation facilities are expected to be profitable as well as efficient and environmentally friendly. The State Energy Conservation Office notes that Texas as a whole is ranked first in the nation for solar resource potential, and Austin sees over 300 days of sunlight per year. Solar generation fits with Austin's goal of increasing solar installations in the city, and Austin is already recognized as one of 13 Solar America Cities in 2007 by the Department of Energy's Solar Energy Technologies Program.
- The planned green features involve less impact on the environment and allow the airport to exist in harmony with and complement current and future developments in the area.

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Austin-Area Aviation



Austin-Area Aviation

RECENT TRENDS IN AUSTIN PASSENGERS

- Overall patterns in air travel are indicative of the growing need for aviation infrastructure in the Austin area. Although the proposed Central Texas Airport targets only one particular, but important, aspect of aviation, general industry trends indicate a growing market.
- In 2008, over nine million passengers traveled through Austin-Bergstrom International Airport, the largest passenger total in the history of the airport. Contributing to the record flow of passengers was the addition of seven new nonstop destinations and two new airlines for Austin.
- In fact, in the past 10 years, annual passenger traffic has increased 36%. Due to the current global economic downturn, ABIA passenger traffic has slowed during 2009, but this phenomenon is temporary.
- Business travel in particular is cyclical following the expansions and contractions of the economy. In the present environment, business-jet demand is understandably down.
 - In its *2009 Business Travel Overview & Cost Forecast*, the National Business Travel Association predicts a slowing in travel industry growth with increasing business travel costs in 2009.
 - Nonetheless, the number of business trips is expected to continue to expand, although not as quickly as seen in previous years.

- Despite current economic conditions, long-term forecasts by the Federal Aviation Administration (FAA) show continued growth in aviation through 2025.
 - The FAA reports that system capacity in available seat miles, a measure that indicates how busy aviation is both domestically and internationally, will see a decrease in 2009, but is expected to grow at an average annual rate of 3.8% through 2025.
 - The FAA long-term estimates indicate the importance of air transportation to our nation's businesses, government, and general public.
- Once the Austin area economy begins to gain momentum, air travel and aviation needs are likely to recover rapidly.

LACK OF SIMILAR FACILITIES

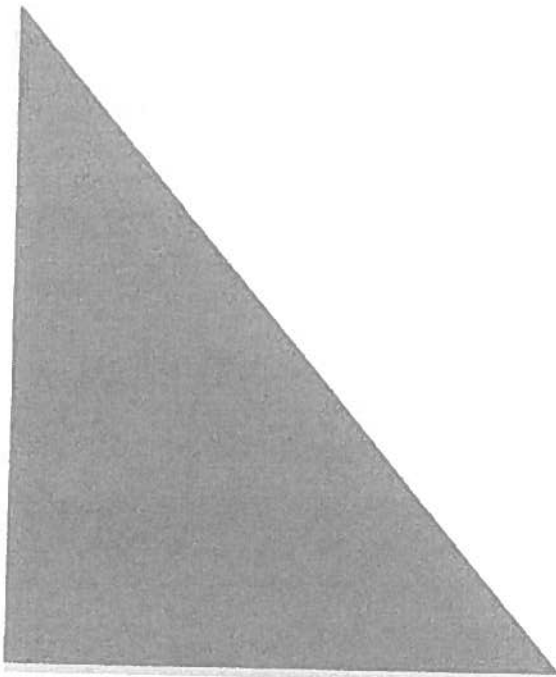
- The Austin area has experienced a shortage of general aviation facilities for years. Robert Mueller Municipal Airport and Austin Executive Airpark were both closed in 1999, the year that Austin-Bergstrom International Airport opened.
- The move to ABIA improved scheduled airline and commercial aviation immensely in the Austin area, but few general aircraft owners moved from the previous airports to ABIA. Criticisms of existing facilities include the cost of fuel, availability of aircraft maintenance and repair facilities, and a lack of T-hangers and other facilities for smaller piston aircrafts, among other things.
- With the closest general aviation airports in Georgetown, Taylor, and San Marcos, there is a need for general aviation services within the area.
 - The City of Austin took requests through May 27, 2009 for proposals to develop a 23-acre plot of land at the current ABAI airport to improve products and services available to general aviation customers. However, this small facility could offer only limited relief.
 - There are also current plans for a reliever airport just outside of Pflugerville, located north of Austin, expected to open in early 2010. In addition, Austin Executive Airport (formerly known as Bird's Nest Airport) is situated just 12 miles northeast of downtown Austin filling some of the need.

- CTA would be an important enhancement to general aviation services in the Austin area. The 7,500 foot runway would allow for the landing of any type of jet if needed, a service not offered at other general aviation airports nearby. The longer runway planned for CTA can also accommodate the requirements of larger corporate aircrafts. In fact, only Georgetown and San Marcos Municipal airports have runways of 5,000 feet or over.
- Moreover, the planned economic development at the airport site makes it a unique addition to the aviation landscape in the area.

EXISTING TARGET MARKET

- As mentioned previously, the CTA target market is private, business, and corporate aircrafts. Austin currently has a rich base of industries headquartered or with major operations in the area. A significant proportion of employment falls under professional and business services. In addition, technology-oriented companies have served as a source of growth for years.
- For example, Dell, Seton Healthcare Network, and St. David's Healthcare Partnership are all headquartered in Austin and employ over 6,000 people each. Other large employers include IBM Corporation and the University of Texas, not to mention city and state governmental agencies located in the capital city.
- Other businesses employing over 2,000 include semiconductor companies such as Advanced Micro Devices and Freescale Semiconductor, as well as other well known companies including Apple Computer, AT&T, and National Instruments.
- Texas as a whole is one of the top targets for venture capital investment in the nation, and Austin sees significant activity in software, semiconductors, and medical devices and equipment, industrial energy, and biotechnology. These industries will contribute to continued future growth in the area.

Austin-Area Economic Outlook



Austin-Area Economic Outlook

RECENT PERFORMANCE

- Although the effects have been far less severe than those in much of the rest of the nation, Texas as a whole has experienced job losses over the past year. Impressively, the Austin-Round Rock MSA is among six Texas metros that saw employment growth from April 2008 to April 2009, with a 0.4% growth rate. On a monthly basis, however, Austin is likely to see modest and temporary employment reductions in the coming months.
- Furthermore, the unemployment rate in the Austin-Round Rock MSA was lower at 5.8% than the Texas average (6.4%) for April 2009.
 - According to Texas Workforce Commission data, the Austin-Round Rock MSA had the largest monthly increase in the state in the number of jobs, with 4,900 added in April 2009.
 - The metro area's expansion in employment in Leisure and Hospitality for April 2009 was second largest in the state. The addition of 3,000 jobs in this sector placed the area just behind the Dallas-Plano-Irving MSA, which added 4,600 new positions.
 - The Austin-Round Rock MSA was the only metro area in Texas to report positive job growth in Retail Trade employment for April 2009.
- The Austin area has performed well for a number of years, even remaining relatively stable during the current national economic downturn. The area has gained national recognition as a location for business.
 - Among the country's largest metropolitan areas, the Austin-Round Rock MSA ranked fourth in the Milken Institute and Greenstreet Real Estate Partners' 2008 Best Performing Cities list, improving from 20th place in the previous year.

- In its latest edition published in March 2009, *Forbes* magazine ranked Austin eighth among the Best Places for Business and Career in America. The survey estimated an annual job growth rate of 2.3% for the MSA, the fifth fastest in the nation, and the new ranking was a jump from the 47th place of a year before.
- According to Census data, of the top 10 MSAs in terms of population growth, four are located in Texas with Austin-Round Rock ranking second on the list.



REASONS AUSTIN WILL LEAD RECOVERY

- With strong performance during difficult times, the Greater Austin Area is expected to be among the leaders during the economic recovery with characteristics such as a growing population, vibrant business climate, diversity of industries, educated workforce availability, and opportunities for entrepreneurial endeavors. The area is forecast to see continued increases in population and employment in both the short and long term.
 - The Austin Round-Rock Metropolitan Statistical Area has an estimated population of 1.6 million people. It is expected to continue moderate expansion in the short term, although the next year is likely to be slower than the past years.
 - Important industries such as high technology, commercial transportation and distribution remain important in the area. Government activities and higher education provide a source of stability.
- The Perryman Group's latest forecast indicates that the Austin-Round Rock MSA will gain about 75,400 new wage and salary jobs from 2008 to 2013, while output (real gross area product) expands from \$77.83 billion in 2008 to \$95.72 billion in 2013. The manufacturing sector will be responsible for 28.57% of the expected growth in real gross product, while services and trade will be responsible for 22.20% and 15.16% of the growth, respectively.
 - In the long term, the Austin-Round Rock MSA will experience ongoing expansion. Real gross product for the Austin metropolitan area is projected to continue to grow over an extended time horizon.

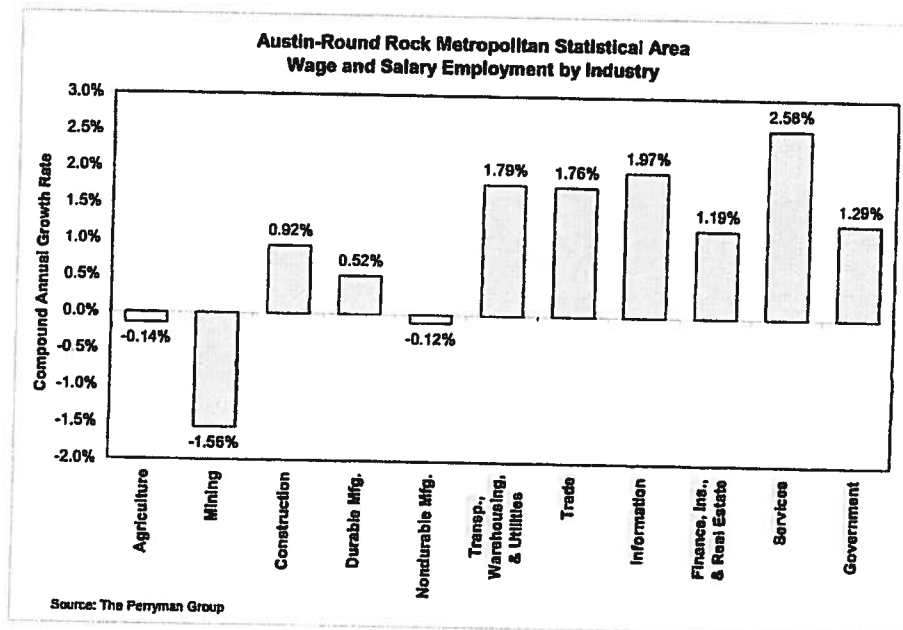
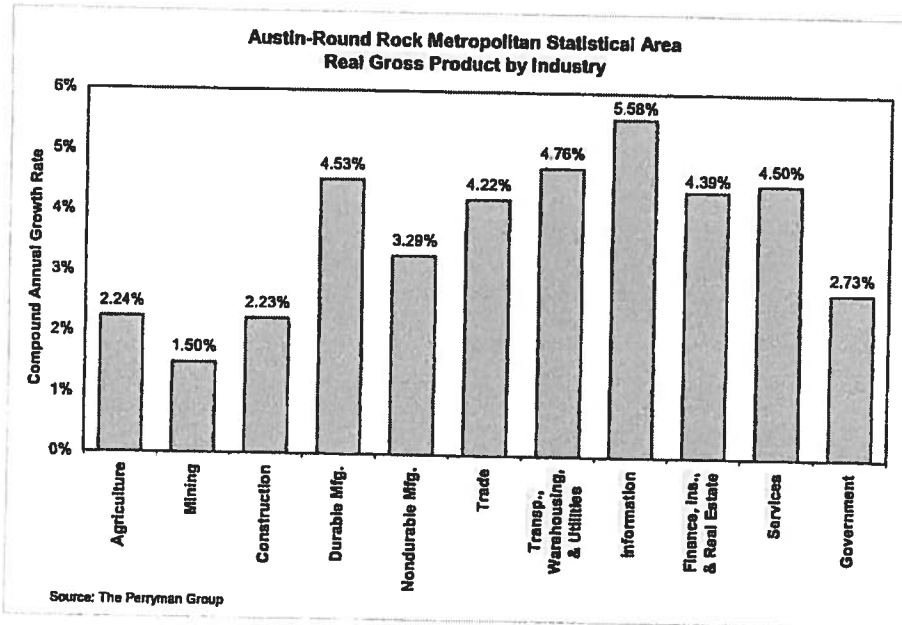
- **In addition to the diversified industrial base, other characteristics of the Austin area contribute to ongoing economic vitality. Some of these include**
 - the area's highly educated workforce;
 - the Texas business climate; and
 - the Texas Emerging Technology Fund, Texas Enterprise Fund, and other available incentives.

TPG KEY INDICATORS

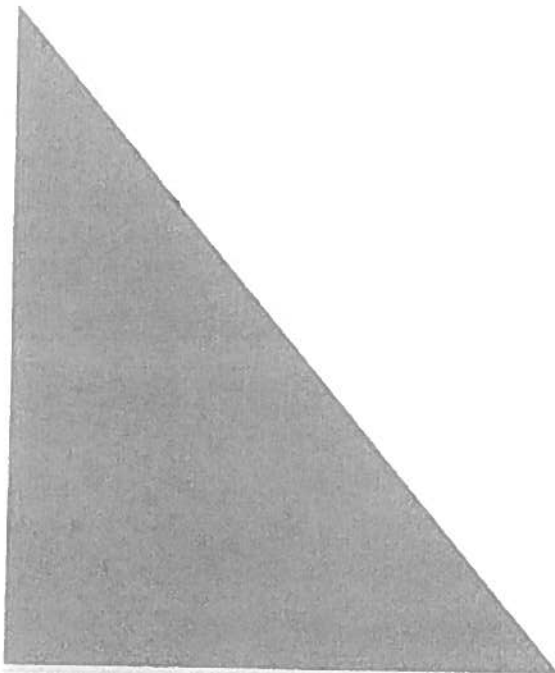
- As noted, The Perryman Group's most recent forecast indicates healthy growth in the Austin area over the next five years. The outlook for key indicators is included in the following table.

Austin-Round Rock MSA Economic Outlook			
Key Indicator	2008 Level	2013 Level	CAGR* 2008-2013
Real Gross Product (2000\$)	\$77.83 billion	\$95.72 billion	4.23%
Population	1.64 million	1.92 million	3.20%
Wage & Salary Employment	800,700	876,100	1.82%
Real Personal Income (2000\$) (by place of residence)	\$54.02 billion	\$68.83 billion	4.97%
Retail Sales** (current \$)	\$45.23 billion	\$65.64 billion	7.73%
* Compound Annual Growth Rate—reflects changes in the base from which growth is calculated.			
** Some of the historical values for retail sales have discontinuities due to inconsistent data sources and measurement approaches in the available information.			

- Detailed forecast projections by industry and indicator are included in Appendix B to this report.
- The growing economy and population of the Austin area, particularly in technology and high-value service sectors, will lead to increasing needs for a reliever airport such as CTA.
- The following graphs illustrate sectoral growth in Austin-area output and employment over the next five years.



Economic Impact of the Proposed Central Texas Airport and the Adjacent Business Park



Economic Impact of the Proposed Central Texas Airport and the Adjacent Business Park

- The Perryman Group measured the likely economic effects stemming from the construction and development of the proposed reliever airport and related facilities, as well as the associated Green Commercial Centers. The methods used and results found in this analysis are summarized in this section, with further detail in the Appendices to this report.

METHODOLOGY

- The methods used in this study to assess the economic impact of the proposed Central Texas Airport on the Texas, Austin-area, and Bastrop County economies include dynamic input-output assessment, which essentially uses extensive survey data, industry information, and a variety of corroborative source materials to create a matrix describing the various goods and services (known as resources or inputs) required to produce one unit (a dollar's worth) of output for a given sector. Once the base information is compiled, it can be mathematically simulated to generate evaluations of the magnitude of successive rounds of activity involved in the overall production process.
- In this instance, the estimates of direct construction costs of the airport and related facilities were provided by project sponsors and independently verified for reasonableness. The totals were allocated to various categories of infrastructure and types of buildings

required for implementation. The direct operations effects were determined based on staffing patterns at comparable facilities (properly adjusted for size and anticipated activity volumes).

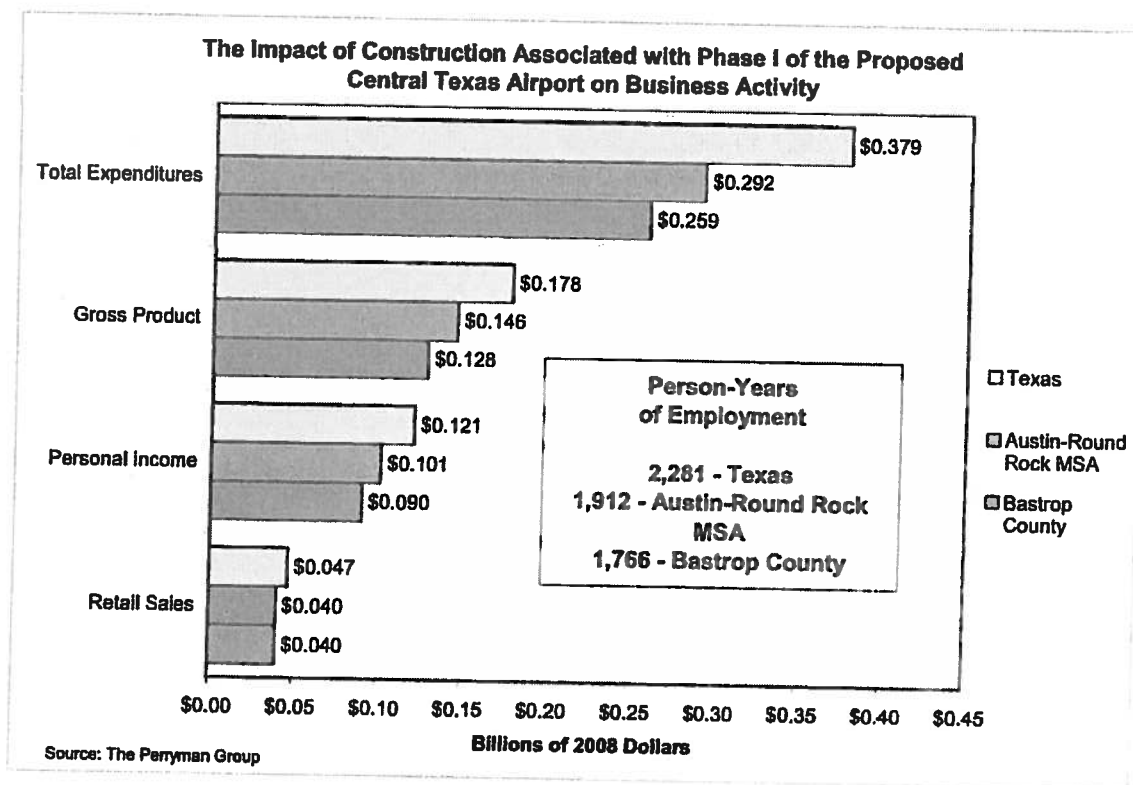
- With regard to the adjacent business park, TPG used the available acres and typical coverage ratios in the area to estimate the square footage to be developed at maturity. Standard cost parameters were then employed to approximate the resulting construction outlays and mix of categories (electric, water, sewer, paving, office and industrial buildings, etc.). The “green” aspects of the project were accommodated within the estimates. The operations at maturity were evaluated on a conservative basis using ratios of square feet per employee and assuming an 80% occupancy level at maturity. The jobs were allocated based on (1) the concentration of various manufacturing, distribution, and technology sectors in the Austin area and (2) the relevant benefits achieved in each industry from access to the airport facilities (as reflected in the direct coefficients of the input-output model). While the exact composition will obviously differ from this pattern, it represents a reasonable scenario for preliminary assessment. Moreover, forecasts for the region derived from the Austin area submodel of the Texas Econometric Model indicate that this level of incremental space can be readily absorbed. All monetary values are given in constant (2008) dollars.
- A more detailed explanation of the methods and terms used in this study, including the pertinent input-output and econometric systems, may be found in Appendix A.

CHANNELS OF IMPACT

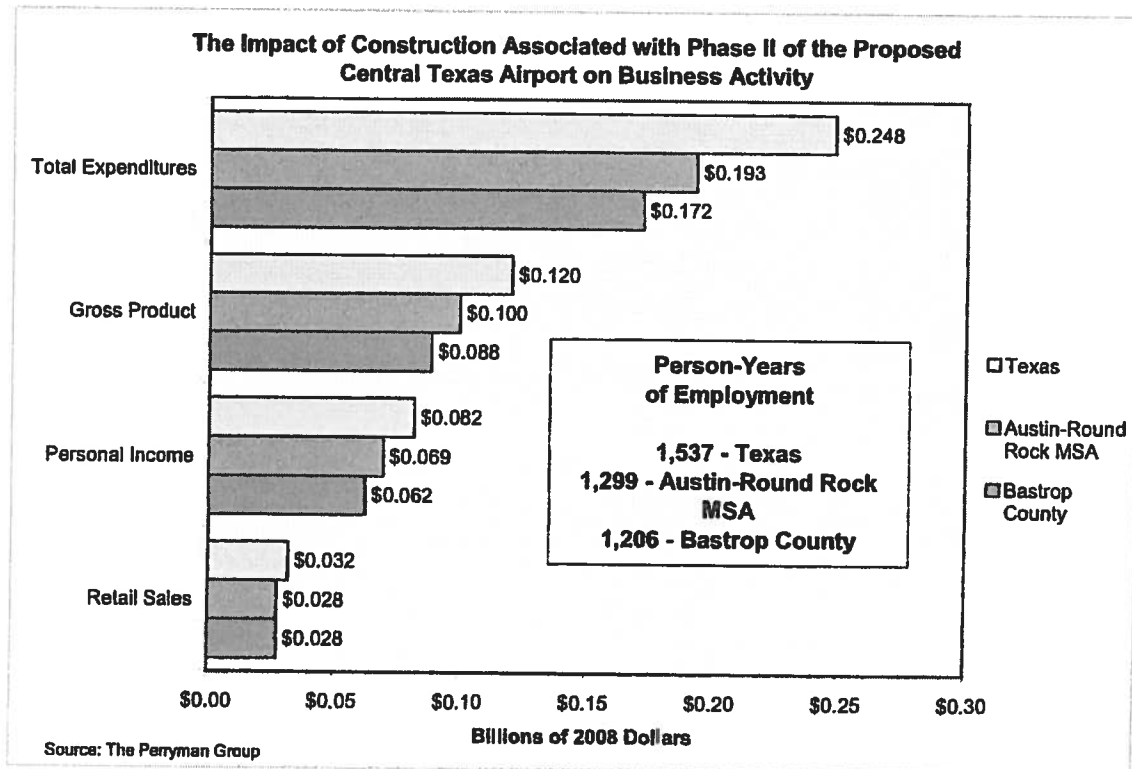
- The Perryman Group measured the economic impact of
 - construction and development of the airport and related facilities for Phase I and Phase II,
 - ongoing operations of Phase I and Phase II facilities, and
 - both the construction and ongoing activity associated with a representative green development of the appropriate size.

RESULTS: CONSTRUCTION IMPACTS

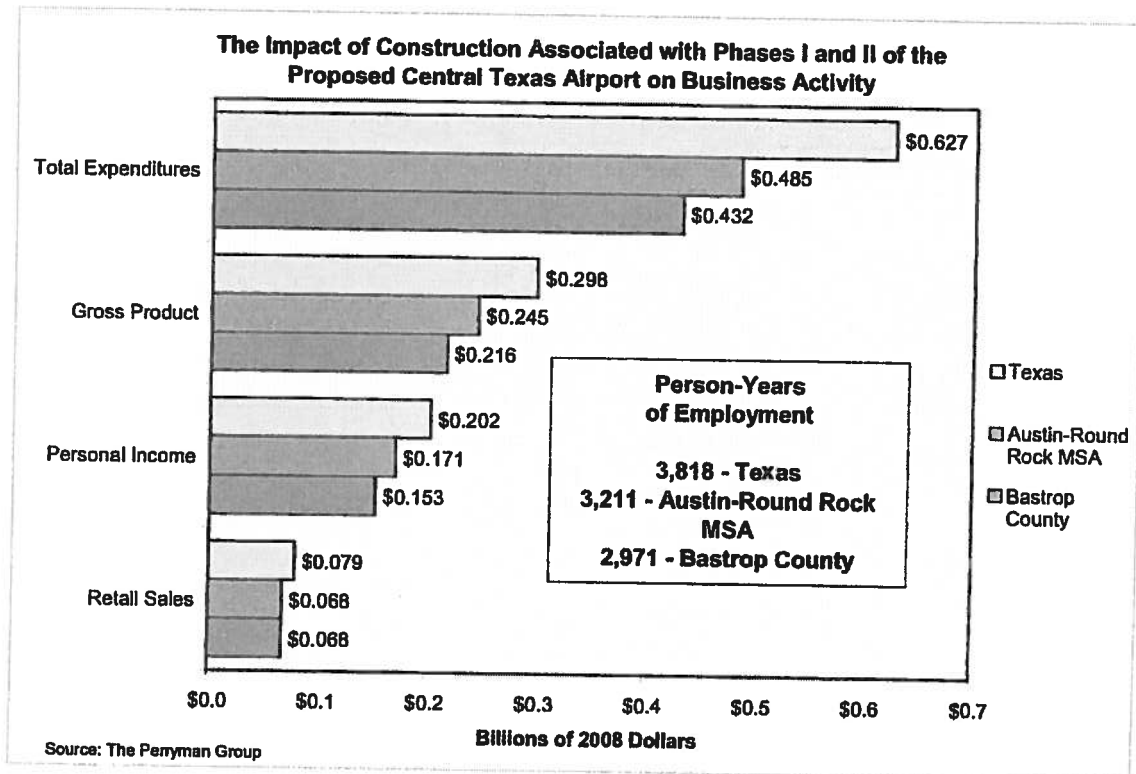
- Phase I construction includes the first set of hangars, the runways, and associated facilities. This activity would lead to some \$379 million in spending, \$178 million in output, and 2,281 person-years of employment in the Texas economy. Activity would be concentrated in the local area.



- **Phase II would involve additional hangar space and related investment. This incremental construction and development would lead to gains of \$248 million in total spending, \$120 million in output, and 1,537 person-years of employment in Texas.**

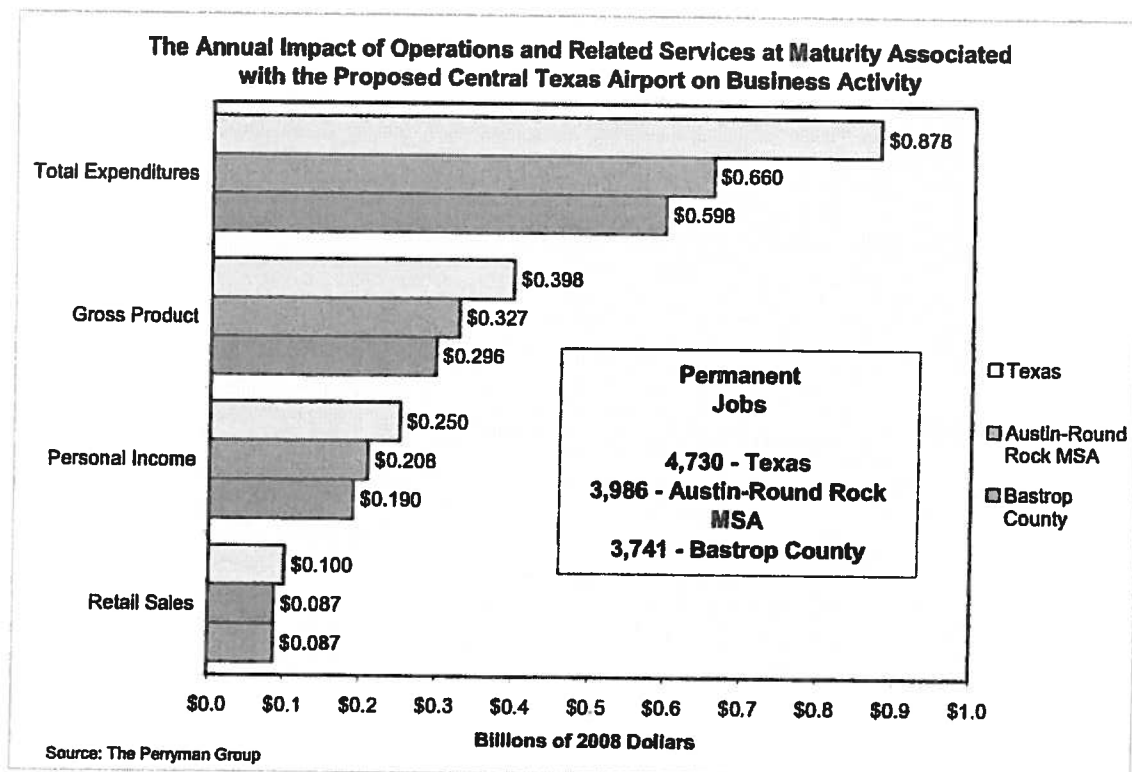


- The total effect of construction of the airport and related facilities would lead to an additional \$627 million in total spending, \$298 million in output, and 3,818 person-years of employment in the state.



RESULTS: ONGOING OPERATIONS IMPACTS

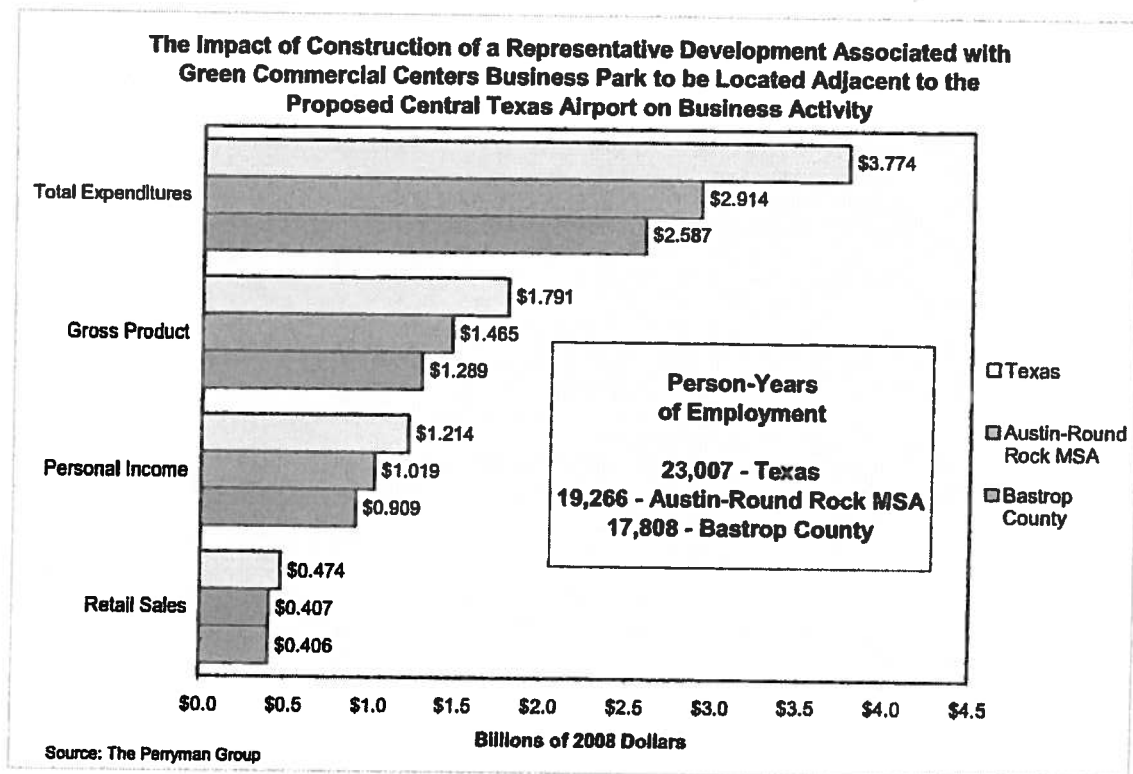
- **The operations of the airport and related services generate ongoing positive economic effects.** The Perryman Group measured these impacts to include **\$878 million in annual total spending, \$398 million in output, and 4,730 jobs.** Activity would be concentrated in the immediate area, with spillover effects to the region and beyond.



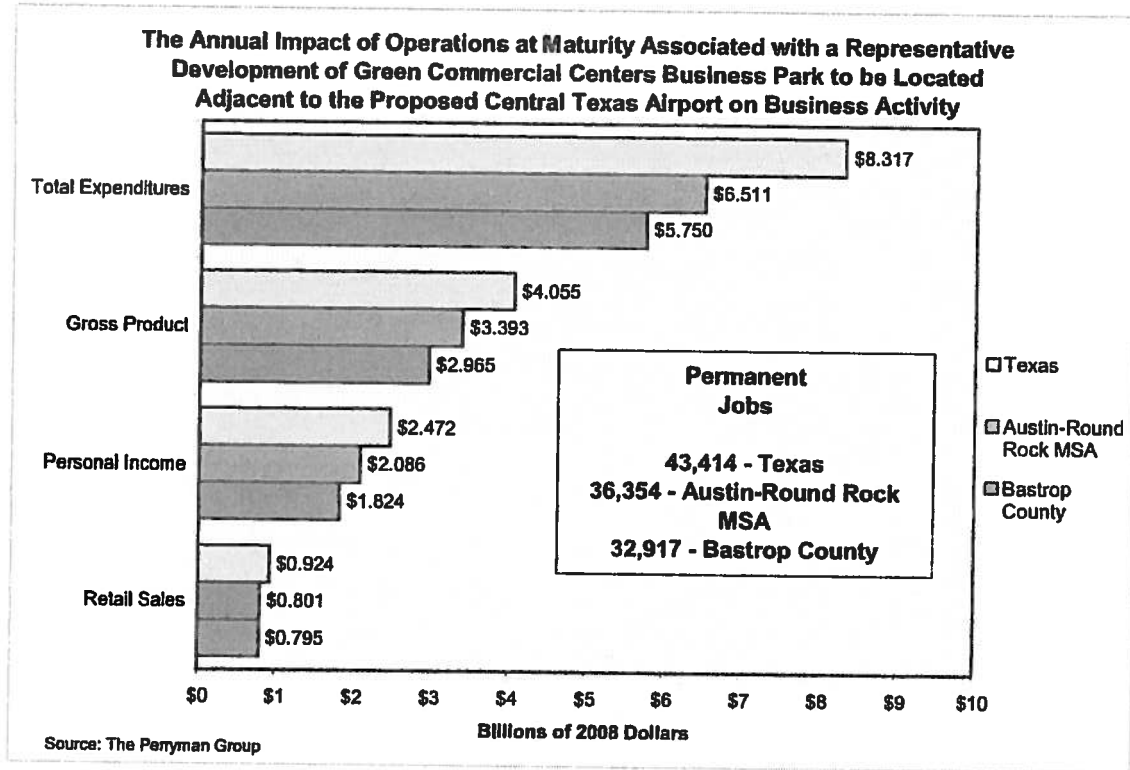
- This volume of economic activity would, in turn, lead to gains in direct and indirect tax receipts to local governments and the State. TPG measured the annual fiscal effect to include \$85.1 million to local taxing entities and almost \$18.6 million to the State.

RESULTS: REPRESENTATIVE DEVELOPMENT

- As noted, the Central Texas Airport involves a green development. Construction associated with a representative development (as previously described) would lead to gains of almost \$3.8 billion in total spending, \$1.8 billion in output, and 23,007 person-years of employment.

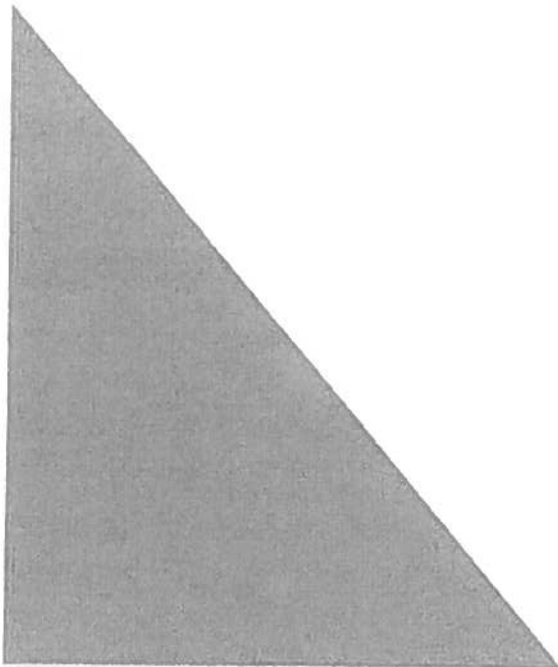


- Ongoing operations of the development (at maturity) would lead to annual gains of \$8.3 billion in total spending, \$4.1 billion in output, and 43,414 jobs.



- The fiscal impact of this green development would be sizable, with local entities likely to see gains in tax receipts each year of some \$86.9 million (\$198.4 million to the State).

Conclusion



Conclusion

- The Austin area has long been one of the most dynamic economic regions of the state and, in fact, the nation. Population and economic growth over time have increased demand for a reliever airport.
- Although not totally immune to the national economic downturn, the Austin area has remained relatively stable and is likely to be one of the first areas to gain momentum once a recovery begins. The Perryman Group's forecasts call for healthy growth.
- The proposed Central Texas Airport and associated green development would lead to a sizable stimulus to area business activity. Through construction and development and ongoing operations, the facilities would generate substantial economic activity, including thousands of jobs. The green commercial development located adjacent to the airport would contribute to even larger potential gains.
- In addition, local and State tax receipts would be positively affected.
- The proposed Central Texas Airport would be an important enhancement to the economies of Bastrop County, the Austin area, and the state of Texas.

