

**AGENDA  
SPECIAL CITY COUNCIL MEETING  
CITY OF BANNING  
BANNING, CALIFORNIA**

September 13, 2016  
3:00 p.m.

Banning Civic Center  
Council Chambers  
99 E. Ramsey St.

**I. CALL TO ORDER**

- Roll Call – Councilmembers Franklin, Miller, Moyer, Peterson, Mayor Welch

**II. PUBLIC COMMENTS – *On Items Not on the Agenda***

*A five-minute limitation shall apply to each member of the public who wishes to address the Mayor and Council on a matter not on the agenda. A thirty-minute time limit is placed on this section. No member of the public shall be permitted to “share” his/her five minutes with any other member of the public. (Usually, any items received under this heading are referred to staff or future study, research, completion and/or future Council Action.) (See last page. PLEASE STATE YOUR NAME AND ADDRESS FOR THE RECORD.*

**III. STUDY SESSION**

1. Banning Airport Feasibility Study ..... 1
  - Presentation by Barry Foster, HdL Companies

**IV. ADJOURNMENT**

*Pursuant to amended Government Code Section 54957.5(b) staff reports and other public records related to open session agenda items are available at City Hall, 99 E. Ramsey St., at the office of the City Clerk during regular business hours, Monday through Friday, 8 a.m. to 5 p.m.*

*The City of Banning promotes and supports a high quality of life that ensures a safe and friendly environment, fosters new opportunities and provides responsive, fair treatment to all and is the pride of its citizens.*

**NOTICE:** Any member of the public may address this meeting of the Mayor and Council on any item appearing on the agenda by approaching the microphone in the Council Chambers and asking to be recognized, either before the item about which the member desires to speak is called, or at any time during consideration of the item. A five-minute limitation shall apply to each member of the public, unless such time is extended by the Mayor. No member of the public shall be permitted to “share” his/her five minutes with any other member of the public.

Any member of the public may address this meeting of the Mayor and Council on any item which does not appear on the agenda, but is of interest to the general public and is an item upon which the Mayor and Council may act. A five-minute limitation shall apply to each member of the public, unless such time is extended by the Mayor. No member of the public shall be permitted to “share” his/her five minutes with any other member of the public. The Mayor and Council will in most instances refer items of discussion which do not appear on the agenda to staff for appropriate action or direct that the item be placed on a future agenda of the Mayor and Council. However, no other action shall be taken, nor discussion held by the Mayor and Council on any item which does not appear on the agenda, unless the action is otherwise authorized in accordance with the provisions of subdivision (b) of Section 54954.2 of the Government Code.

**In compliance with the Americans with Disabilities Act**, if you need special assistance to participate in this meeting, please contact the City Clerk's Office (951) 922-3102. **Notification 48 hours prior to the meeting** will enable the City to make reasonable arrangements to ensure accessibility to this meeting. [28 CFR 35.02-35.104 ADA Title II]



# **ECON**Solutions

By HdL

Development **Driven By Data**

## **BANNING AIRPORT FEASIBILITY STUDY**

ECONsolutions by HdL  
1340 Valley Vista Dr., Suite 200  
Diamond Bar, CA 91765  
[www.hdlcompanies.com](http://www.hdlcompanies.com)  
[www.econsolutionsbyhdl.com](http://www.econsolutionsbyhdl.com)

Contact: Barry Foster 909.861.4335  
[bfoster@hdlcompanies.com](mailto:bfoster@hdlcompanies.com)



**BANNING AIRPORT FEASIBILITY STUDY****OBJECTIVE**

The purpose of this report is to analyze and evaluate the Banning Municipal Airport, including its effectiveness as a land use, along with exploring the possibility of closing down the airport operation and looking at the 'highest and best' land use for the future, as well as suggested next steps for the City of Banning to consider.

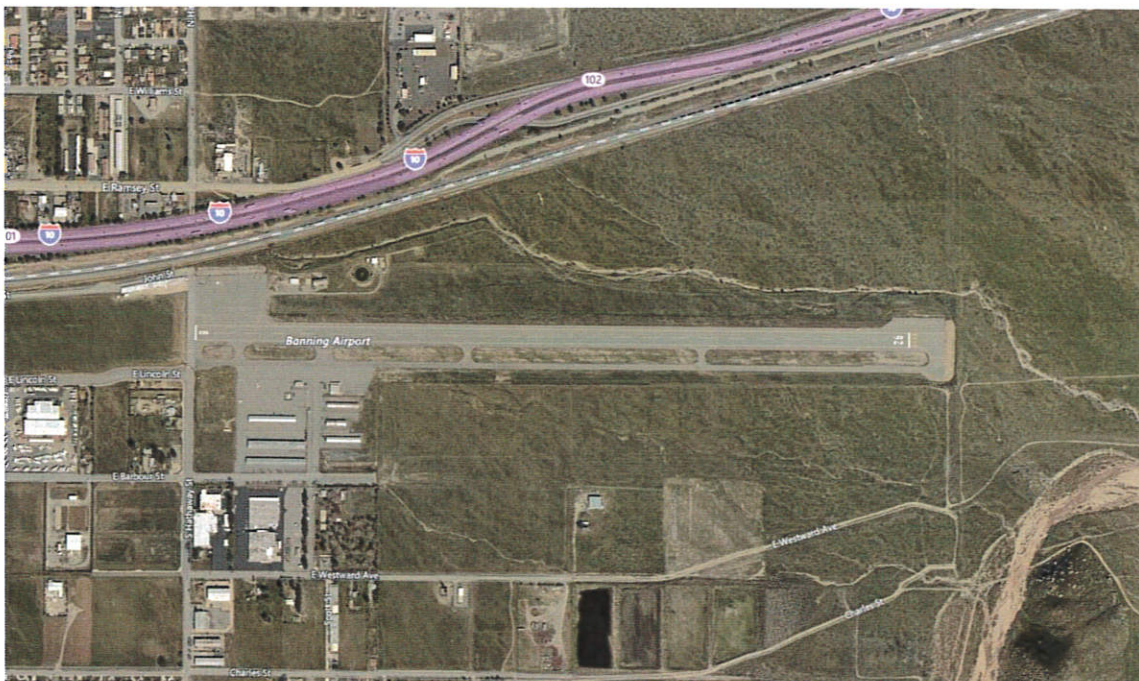
**BACKGROUND**

The Banning Municipal Airport consists of 153.83 acres situated on the eastern edge of the City of Banning and just south of I-10. The Banning Municipal Airport is owned and operated by the City of Banning and serves as a general aviation airport. The following represents a summary of the facilities at the Banning Municipal Airport:

- Total size is 153.83-acres
- 5,200-foot-long asphalt runway that is generally classified as in good condition
- Contains a small office/terminal structure
- 54 City-owned hangars
- 7 Privately owned hangars

The FY 2016/17 Operating Budget for the Banning Municipal Airport includes \$136,285 in estimated total annual expenditures and \$138,750 in projected annual revenues.

**Source: City of Banning**





## OTHER AIRPORTS

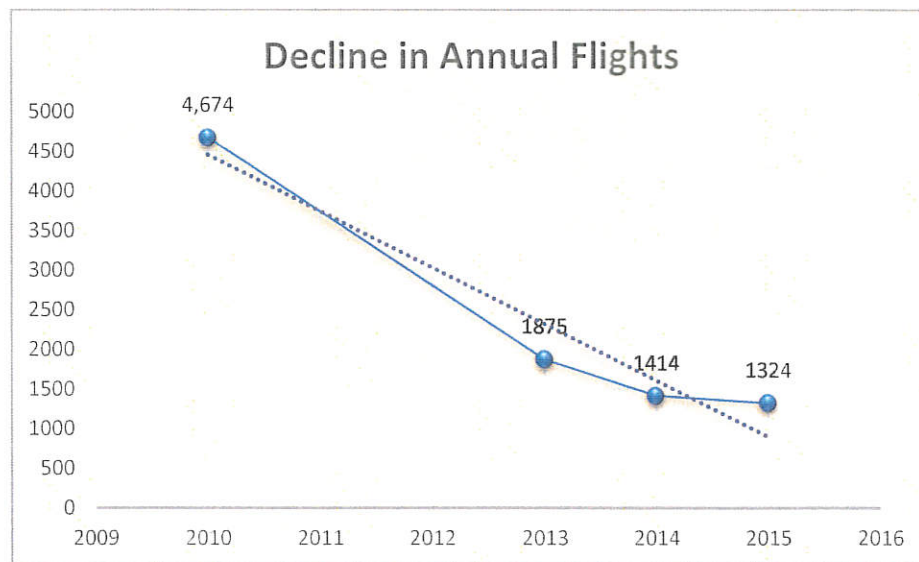
| Regional Airports—Source: AirNav.com/FAA                      |  |   |                                   |  |
|---|--|---|-----------------------------------|--|
| Airport   | Ownership                                      | Runways   | Number of Planes Based at Airport | Number of Annual Operations  |
| Palm Springs  | City of Palm Springs                           | Two asphalt runways of 10,000 feet and 3,048 feet                       | 96                                | 54,480 annual flight operation in 2015   |
| Ontario International Airport                                 | City of Ontario                                | Two concrete runways of 12,197 feet and 3,718 feet                      | 37                                | 83,585 annual flight operations in 2015  |
| Commuter and General Aviation Airports-Source: AirNav.com/FAA |  |   |                                   |  |
| Bermuda Dunes Airport   | Privately Owned                                | One asphalt runway of 5,002 feet  | 101                               | 10,950 annual flight operations in 2015  |
| Chino Airport   | San Bernardino County                          | Three asphalt runways of 7,000 feet, 4,919 feet and 4,858 feet          | 479 (FY2013/14)                   | 164,615 flights operations in 2014   |
| Corona Municipal Airport                                      | City of Corona                                 | One asphalt runway of 3,200 feet  | 251                               | 50,000 flight operations in 2015   |
| French Valley Airport   | Riverside County                               | One asphalt runway of 6,000 feet  | 195                               | 98,185 flight operations in FY 2014/15   |
| Hemet-Ryan Airport  | Riverside County                               | One asphalt runway of 4,315 feet  | 69                                | 75,555 flight operations in 2015   |
| March Air Reserve Base  | US Air Reserve                                 | One Concrete runway of 13,300 feet and one asphalt runway of 3,059 feet | 0                                 | Open to the public with Air Museum and looking to expand services with new private terminal operations |
| Riverside Municipal Airport                                   | City of Riverside                              | Two asphalt runways of 5,401 feet and 2,850 feet                        | 159                               | 109,865 flight operations in 2015  |
| Riverside-Flabob Airport                                      | Privately owned                                | One asphalt runway of 3,190 feet  | 86                                | 7,665 flight operations in 2015  |
| Jacqueline Cochran Airport                                    | Riverside County                               | Two asphalt runways of 8,500 feet and 4,995 feet                        | 47                                | 76,285 annual flight operations in 2015  |
| Perris Valley Airport   | Privately owned                                | One asphalt runway of 5,100 feet  | 56                                | 27,375 annual flight operations in 2015  |
| San Bernardino Airport  | San Bernardino International Airport Authority | One concrete runway 10,000 feet   | 38                                | 30,660 annual flight operations in 2014  |
| Upland-Cable Airport  | Privately owned                                | One asphalt runway of 3,863 feet  | 298                               | 91,980 annual flights in 2014  |
| Banning Municipal Airport                                     | City of Banning                                | One asphalt runway of 4,955 feet  | 38                                | 1,324 annual flights operations in 2015  |

In reviewing the data from the fourteen other airports, it appears that the Banning Municipal Airport lacks the needed infrastructure, amenities or superior location to successfully compete with other airports for more business. The hangars available in Banning are lacking as compared to other nearby airports. Presently, only 38 or 62% of the total of 61 hangars at the Banning Municipal Airport are used. The number of planes based at Banning, in conjunction with a steady decline in the total annual flight operations seems to present a less than optimistic future for the Banning Municipal Airport. In fact, from 2010 to 2015, annual flight operations decreased by 71.7%. Below demonstrates the trend of significantly decreasing annual flight operations in recent years for the Banning Municipal Airport.

| Annual Flights |      |                        |                            |
|----------------|------|------------------------|----------------------------|
| Flights        | Year | Previous Year % Change | Total % Change 2010 - 2015 |
| 4,674          | 2010 |                        |                            |
| 1,875          | 2013 | 59.99%                 |                            |
| 1,414          | 2014 | 24.6%                  |                            |
| 1,324          | 2015 | 6.4%                   | 71.7%                      |

Source: City of Banning/FFA

Given the significant decline in annual flight operations and low number of aircraft based at the Banning Municipal Airport as compared to other airports, the ability to compete with other airports for business in the future seems unattainable. Investing more resources into the airport and providing upgrades would not be cost-effective or provide the city with an adequate return on investment.

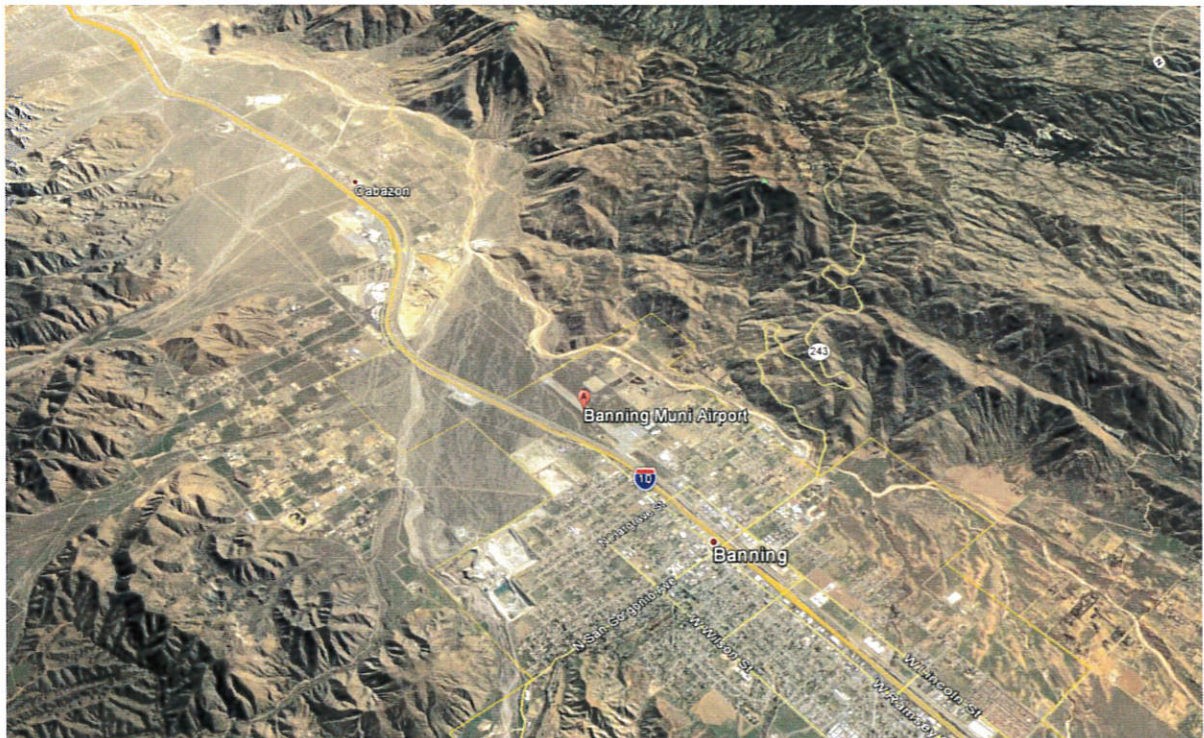




## LOCATION

The Banning Municipal Airport consists of 153.83 acres and is situated on the eastern border of the City of Banning, adjacent to the Union Pacific Railroad and just south of Interstate 10 (I-10). The airport is approximately 85 miles east of the City of Los Angeles and 28 miles east of the City of Riverside. The airport is surrounded by the I-10 to the north, South Hathaway St to the west, East Barbour St to the south and Morongo tribal land to east.

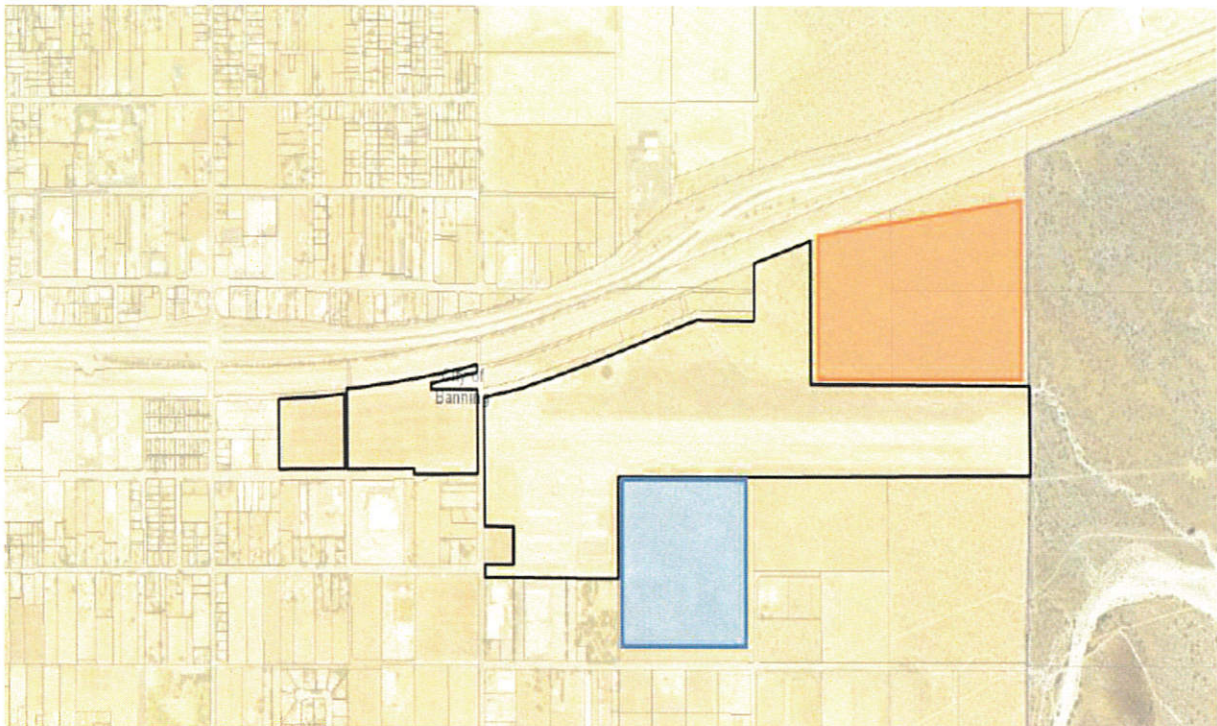
The airport property is located in the Inland Region's Banning Pass area (the Pass) where the climate is generally excellent year-round and is centrally located to accommodate business needs. The Pass encompasses 234 square miles along I-10, and is located approximately 75 miles east of Los Angeles and 25 miles west of Palm Springs. The Union Pacific Railroad parallels I-10 through the Pass, along with easy access to the ports of Long Beach and Los Angeles-San Pedro. The Pass area is a component of the Inland Empire Region, one of the fastest growing regions in the United States. Air cargo is available at Ontario, March Global Port and San Bernardino International Airport, along with passenger air at Ontario International Airport and Palm Spring International Airport.






The Banning Municipal Airport and adjacent property is situated right along the I-10, which is the major east-west corridor in the Southwest region of the United States, along with having close proximity to State Highways 60 and 79, which serve the area with convenient accessibility to I-15, I-215 and State Highway 91. Nearby you will find the 44-acre Casino Morongo, the Desert Hills Premium Outlets and the Cabazon Outlets. The site is minutes away from Arrowhead Mountain Spring Water's 383,000 square foot bottling plant. The City of Banning maintains effective partnerships with regional groups such as Riverside County Economic Development Agency and Western Riverside Council of Governments who work on regional improvements and ways to make the Inland Region an attractive place for new development. Banning has a municipally



owned and operated electrical utility providing service at competitive rates for businesses and residents, as well potentially being an incentive tool to assist in the redevelopment of the airport site. The airport site is also centrally located along the NAFTA (North American Free Trade Agreement) Corridor that serves to eliminate tariffs and barriers, along with encouraging free trade between the U.S., Mexico and Canada. NAFTA assists many businesses such as manufacturing, agriculture and logistics doing work in California and Mexico. The Riverside County Economic Development Agency is working on Beaumont, Hemet and San Jacinto to be considered for an expansion of the March ARB Foreign Trade Zone. This will provide another economic development tool for possible users (manufacturing and logistics) that could locate in Banning if the Banning Municipal Airport is redeveloped.



-  154 acres – Banning Municipal Airport
-  39 acres available – represented by Grubb & Ellis
-  59 acres “held for development” – owned by Pacific Newport Properties



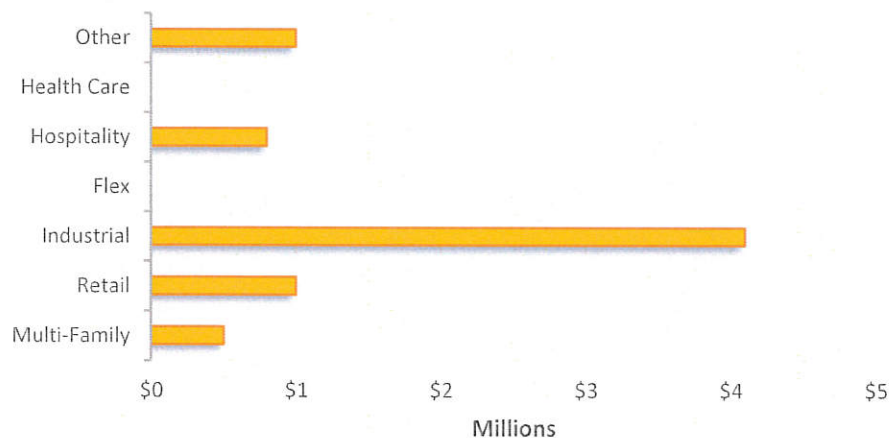
## AREA ANALYTICS FOR COMMERCIAL REAL ESTATE– AUGUST 2015 THROUGH AUGUST 2016

The commercial real estate market is still 'soft' in the Banning area. A CoStar report for the one-year period between August 2015 and August 2016 provided just 13 commercial real estate transactions in Banning. By far the most active sector for commercial real estate in this marketplace is industrial. Industrial is also the most active sector for commercial real estate in the Inland Region.

The Analytics includes all land designation types and both raw and developed land.

| Sales Volume             | Survey |
|--------------------------|--------|
| Transactions             | 13     |
| Sales Volume (Mil)       | \$7.0  |
| SF Sold (Mil)            | 0.18   |
| Average Months on Market | 19     |
|                          |        |
| Sales                    | Survey |
| Sales Price/SF           | \$37   |
| Ave Sales Price (Mil)    | \$0.7  |
| Cap Rate                 | 8.8%   |

### Valuation of Commercial Real Estate Transactions

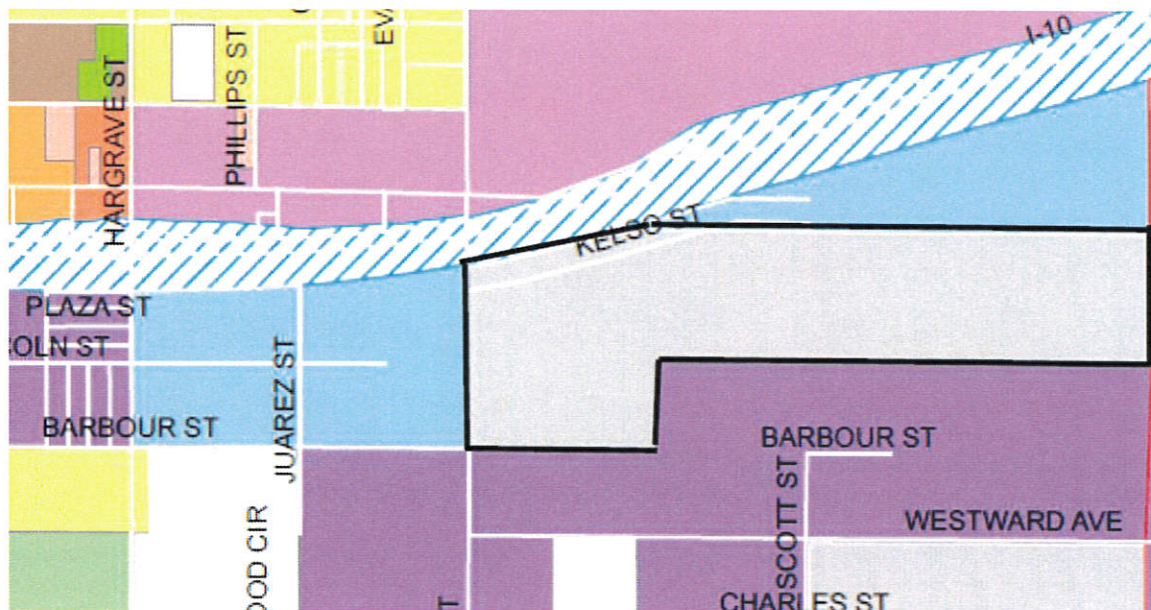


Source: CoStar

## LAND USE

The property that borders the Airport to the north and to the west is zoned “Airport Industrial”: Currently land uses must be focused on airport-related and transportation-related functions, including machining, manufacturing, warehousing, flight schools, restaurants and office uses. Aircraft maintenance, repair and catering services are also appropriate. The property south of the Airport is zoned “Industrial.” This district includes industrial parks and freestanding industrial users. Examples of permitted uses include light and medium intensity manufacturing operations, warehousing and distribution, mini-storage, associated offices, commercial recreation facilities, auto storage and repair, and retail uses supplementary to the industrial area.

Please note that the land presently zoned ‘Airport Industrial’ really hasn’t produced development consistent with airport operations—flight schools, restaurants, aircraft repair/maintenance or catering. The parcels zoned industrial are generally smaller and not conducive for the larger scale projects being pursued for logistic buildings in the 400,000 to 1 million square foot size range.



Current zoning designations:

-  Airport Industrial
-  Industrial
-  Public Facilities - Airport

Land directly east the Banning Municipal Airport is owned and controlled by the Morongo Band of Mission Indians. Some uses that would be permitted and conditionally permitted within the industrial designations are as follows:

| Permitted Uses                             | Conditionally Permitted Uses            |
|--|---|
| Warehousing                                | Cargo/Storage Containers                |
| Distribution                               | Billiards/Pool Halls                    |
| Machining/Welding                          | Indoor Recreation Facilities            |
| Sheet Metal Shops                          | Outdoor Commercial Recreation           |
| Public Utility Facility                    | Sports Facility Outdoor Public Assembly |
| Vehicle Fueling/Service Station            | Theaters and Meeting Halls              |
| Parks and Playgrounds                      | Manufacturing Facilities                |
| Accessories and Retail Uses                | Mixed Use Industrial Office             |
| Breweries ancillary to a bar or restaurant | Wholesaling                             |

The property owned and controlled by the Morongo Band of Mission Indians appears suitable for larger scale distribution-logistics development.

#### UTILITIES

Access to the Banning Municipal Airport is good. The primary airport entrance road, Veterans Way, is a 31-foot wide asphalt road and is accessible off of Barbour Street. The entrance road is in good condition and terminates at the auto parking area behind the terminal-office building at a secured airport entrance gate. Access to the airport property is convenient from I-10, via Hargrave Street to Barbour Street. This easy connection to I-10 would be helpful for the redevelopment of the property with industrial uses, consistent with other land uses adjacent to the airport property.

Information regarding utilities available at Banning Municipal Airport is listed below:

| Utility     | Source                          |
|-------------|---------------------------------|
| Water       | City of Banning                 |
| Sewer       | SUEZ North America              |
| Electricity | City of Banning                 |
| Gas         | Southern California Gas Company |
| Telephone   | Frontier Communications         |

Please note that any redevelopment of the airport property would require a comprehensive assessment of utility needs and/or upgrades of utilities consistent with any planned uses.



## **FACILITIES/INFRASTRUCTURE**

The following provides an assessment of the facilities and infrastructure at the Banning Municipal Airport.

| <b>Category</b>        | <b>Condition</b> |
|------------------------|------------------|
| Runway                 | Good             |
| Taxiway                | Good             |
| Hangers                | Fair to Poor     |
| Navigation Equipment   | Good             |
| Weather Station        | Good             |
| Perimeter Fencing      | Poor             |
| Gates/Interior Roadway | Poor             |
| Office/Terminal        | Poor             |

## **GRANTS FROM FAA**

Since 1983, Banning has received \$4,577,581 in grant funding from the FAA. Based on research from other cities that pursued closing airports, there should be an expectation that much of this money will have to be repaid if the City of Banning moves forward with closing its airport. Please note this will include discussion and negotiation registration with the FAA. Consulting the advice of legal counsel will be important.

## **CLOSING AN AIRPORT**

The closing of an airport is challenging and will encounter significant opposition, including possible legal challenges from aviation interests (pilots) and the Federal government—the Federal Aviation Administration (FAA). Since 1990, there have been 30 airports that have closed in California. Two Cities; Rialto and Santa Monica are worthy of looking at in how they have approached closing their municipal airports. The City of Rialto worked for nearly 20 years to close the Rialto Municipal Airport. The City of Santa Monica has been working for nearly 35 years in closing the Santa Monica Municipal Airport. Both encountered significant challenges in pursuing the closure of their airports. Relocation expenses, loan repayments for past FFA loans, and demolition/remediation costs all must be considered in determining the cost to close an airport.

## **RIALTO EXAMPLE**

For more than 20 years, the City of Rialto worked on closing its municipal airport and redeveloping the 437-acre area with more productive land uses. For years both local aviation interests (local pilots) and the FAA led opposition against closing the Rialto Municipal Airport. Facing declining use—including a decrease of aircraft based at the Rialto Municipal Airport and decreased flight operations and a diminishing revenue stream, the City of Rialto determined it was more cost-effective to for the City to close the airport operations and redevelop the area with more productive uses. Please note the Rialto Municipal was similar to the Banning Municipal Airport in condition, as well as experiencing a steady decline in use and revenues.

In March 2005, the Former Redevelopment Agency of the City of Rialto approved Contracts of Sale with Lewis Hillwood Rialto LLC (joint venture of Lewis Operating Companies and Hillwood

Investment Properties) for the redevelopment of the Rialto Municipal airport and adjoining land owned by the Redevelopment Agency. The City of Rialto and Lewis-Hillwood lobbied for special federal legislation to close the Rialto Municipal Airport. In August 2005, the Congress of the United States adopted Public Law 109-59, which authorized the closure of the Rialto Municipal Airport, the transfer of certain assets of the airport and the conveyance of property, as well as sharing of the fair market value of the Rialto Municipal Airport property with the Federal government to move aviation operations to the San Bernardino International Airport. Under the terms of the transaction, Rialto was responsible for paying 45% of the fair market value of the Rialto Municipal Airport to the Federal government. The fair market value reflected demolition and environmental remediation costs. The City of Rialto was also responsible for paying 90% of the unamortized portion of any outstanding FAA grants and this will be included in the payment to the federal government. The payment from the City of Rialto will occur over time as land is sold to Lewis Hillwood Rialto LLC.

As part of the closure of the Rialto Municipal Airport, Rialto worked with Lewis-Hillwood and the planning firm of LSA to create a Specific Plan for the redevelopment of approximately 1,500 acres with approximately 1,735 residential units, 800 acres of industrial/warehouse uses, 25.5 acres of office uses, 62.3 acres of retail uses, 20.9 acres of parks and open spaces and an elementary school. Please note that 53% of the land area in the Specific Plan consists of industrial land use. Unfortunately, the recession hit and then the State of California abolished redevelopment all of which delayed implementation of Rialto's redevelopment efforts. After establishing a new fair market value and after transferring the obligations of the former RDA to the City of Rialto, in September 2012, Lewis-Hillwood entered into a binding agreement with the City of Rialto to acquire the 437 acres of property over a phased period of time. Finally, in 2015, Lewis-Hillwood started acquiring property and pursuing the development of projects, including the development of a large scale 800-acre business park—Renaissance Rialto.

#### **SANTA MONICA EXAMPLE**

In 1981, the City of Santa Monica started to consider closing the Santa Monica Municipal Airport. While Santa Monica has experienced declining use and revenues, the primary reason for closing the airport is for safety and noise concerns because of the airports location within a densely populated urban area. The City of Santa Monica and many community groups strongly desire the airport to be closed and redeveloped.

The Santa Monica Airport was originally developed by Douglas Aircraft Company starting in the 1920's. Over time-in the 1950's and 1960's more general aviation uses also happened at the Santa Monica Airport. In its peak, Douglas Aircraft Company employed 44,000 at its Santa Monica Airport operation. In 1975, Douglas closed its Santa Monica operation and relocated its entire business to the Long Beach Airport. By 1977, the Santa Monica Municipal Airport was only a general aviation airport.

Over the years there has been significant political and legal challenges to closing the Santa Monica Municipal Airport from local aviation interests and the FAA. In the 1970's and 1980's a number of legal challenges put forth by neighborhood groups and the FFA regarding operations at the airport have resulted in noise and use restrictions, along with reducing the size of the airport. The FAA has also stated that a Federal grant from the FAA to the Santa Monica Municipal Airport in the amount of \$250,000 prohibits the airport from closing before 2023, if at all (several court rulings

still leave this issue in a gray area). Furthermore, from the 1980's through 2015 there have been at least 12 aircraft accidents associated with the Santa Monica Municipal Airport operations.

In July 2016, the Santa Monica City Council voted to close the airport using a phased approach of reducing flights and eventually closing the airport by July 1, 2018. The City of Santa Monica's goal is to redevelop the airport property with a park and open space, along with sports and recreation uses.

### GENERAL AVIATION USE DECLINING

General aviation use has been declining nationally and in California for more than twenty years. The number of operating airports, number of registered pilots and new aircraft being manufactured all are decreasing. According to data from the General Aviation Manufacturing Association (GAMA), the number of operating public use airports, number of registered pilots and new aircraft being produced all has decreased considerably in the U.S. since the late 1980's. The following are several key indicators highlighting the decline in general aviation use.

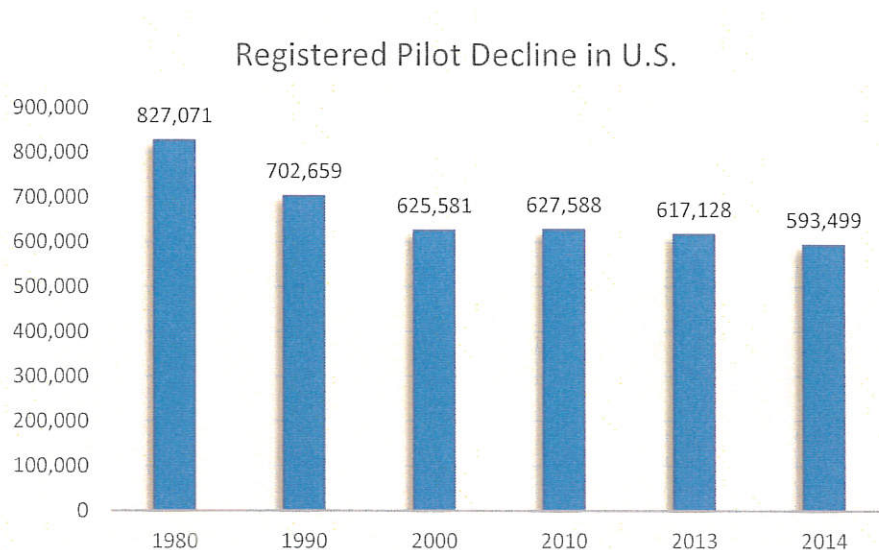
#### Airports

- 5,590 public use airports in the U.S in 1990
- 5,049 public airports in the U.S in 2014
- 2,952 general aviation airports in the U.S. in 2014
- 378 primary airports in the U.S. in 2014—this includes Ontario International Airport and Palm Springs International Airport
- 251 general aviation airports currently operating in California

Note: 9.7% decrease in public use airports since 1990

#### Registered Pilots

- 827,071 registered pilots in the U.S. in 1980
- 702,659 registered pilots in the U.S. in 1990
- 625,581 registered pilots in the U.S. in 2000
- 627,588 registered pilots in the U.S. in 2010
- 617,128 registered pilots in the U.S. in 2013
- 593,499 registered pilots in the U.S in 2014

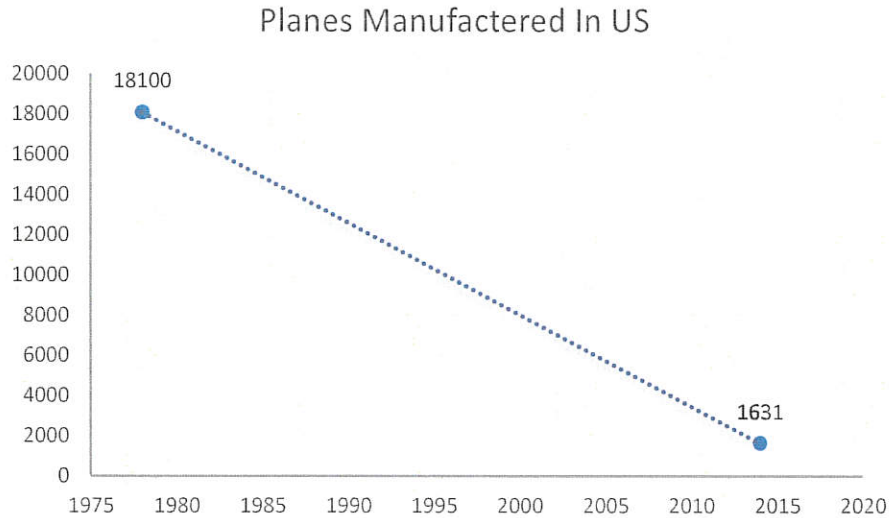




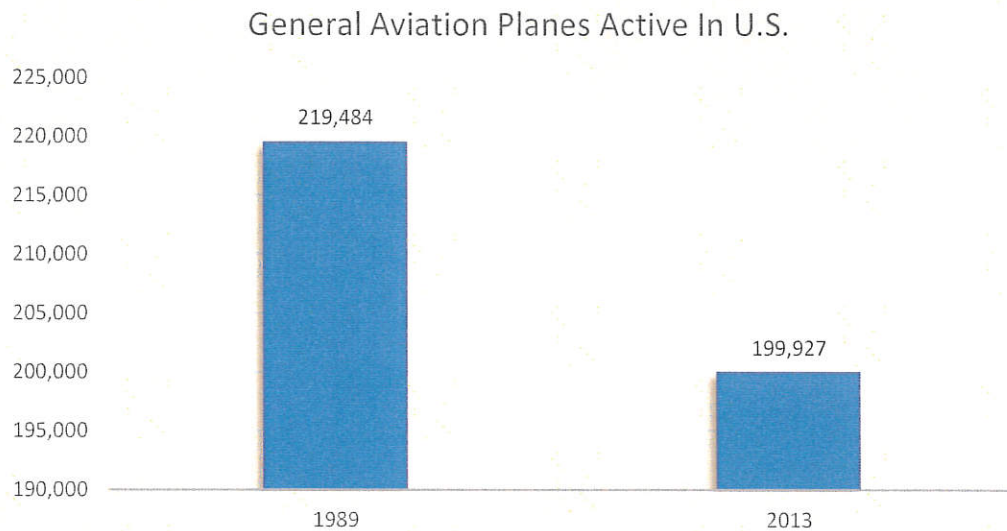
Note: 28.2 % decrease in registered pilots in the U.S. from 1980 to 2014

### Aircraft

- 18,100 aircraft manufactured in the U.S in 1978
- 1,631 aircraft manufactured in the U.S in 2014
- 219,484 general aviation aircraft active in the U.S. at the end of 1989
- 199,927 general aviation aircraft active in the U.S. at the end of 2013



Note: 91.0% decrease in the number of new manufactured aircraft in the U.S from 1978 to 2014



Note: 8.9% decline in number of general aviation aircraft active in the U.S. from 1990 to 2013

**Source:** General Aviation Manufacturing Association and FAA

## HIGHEST & BEST USES

The highest and best use for the airport property in Banning--now or in the future doesn't appear to be operating it as a municipal airport. Clearly the data shows that general aviation use has been declining in both California and the U.S. for the past 20 years. The use and revenue stream for the Banning Municipal Airport reflect this trend. Additionally, based on research, the Banning Municipal Airport doesn't compare well with other nearby airports in terms of infrastructure and use.

In considering market conditions and adjacent land uses, along with its location, the airport property doesn't seem suitable for land uses such as residential (single-family or multi-family), office or commercial retail. Given its location and adjacent land uses, along with mid to near term market conditions any redevelopment possibility of the Banning Municipal Airport should focus on future land use for industrial development, which could include users such as distribution, logistics, e-commerce and light manufacturing. With convenient access from I-10, along with possible connection to rail service, as well as existing industrial zoning already in place with adjacent properties, redeveloping the airport with an industrial land use designation seems logical and in tune with market conditions.

Industrial development including distribution and logistics is clearly the #1 category of new commercial development in the Inland Empire (IE) Region that includes Riverside and San Bernardino counties. A Cushman & Wakefield market report for 2<sup>nd</sup> Quarter 2016 indicates vacancy rates in the IE region have decreased to 4.7% for the 490.22 million square feet (SF) of total industrial inventory in the IE. The decline to 4.7% was from a high of 12.8% during the recession period. Cushman & Wakefield reports there was 12.4 million SF of new industrial product finished in the IE in the first half of 2016, along with another 15.7 million SF of industrial space presently under construction in the IE, which represents 80% of all the industrial development underway in Southern California. The Inland Empire East, which includes Riverside, San Bernardino, Rialto, Colton, Redlands, the High Desert, Perris, Moreno Valley and Beaumont/Banning, built 8.36 million SF of new industrial in the first half of 2016, as well as another 5.55 million SF presently under construction. According to Cushman & Wakefield, Banning has 187,500 SF of industrial inventory and there is no development presently underway. Beaumont has 1,285,627 SF of industrial inventory. Clearly there is more opportunity for additional industrial development in the Banning/Beaumont area.

## Industrial Snapshot 2Q 2016

| SUBMARKET                   | INVENTORY (SF)     | OVERALL VACANCY RATE (SF) | UNDER CONSTR (SF) | YTD CONSTR COMPLETEIONS (SF) |
|-----------------------------|--------------------|---------------------------|-------------------|------------------------------|
| Riverside                   | 42,032,944         | 5.60%                     | 271,237           | 716,672                      |
| San Bernardino              | 34,123,808         | 8.00%                     | 624,627           | 1,516,659                    |
| Colton                      | 6,903,553          | 0.60%                     | 0                 | 0                            |
| Redlands                    | 26,358,628         | 14.00%                    | 927,798           | 1,101,889                    |
| Rialto                      | 22,843,521         | 10.60%                    | 0                 | 3,457,333                    |
| Moreno Valley               | 20,214,503         | 8.70%                     | 0                 | 1,568,231                    |
| Perris                      | 16,137,867         | 1.30%                     | 3,281,987         | 0                            |
| Hesperia                    | 795,073            | 0.00%                     | 0                 | 0                            |
| Victorville                 | 5,985,068          | 1.00%                     | 444,740           | 0                            |
| Banning                     | 187,500            | 3.00%                     | 0                 | 0                            |
| Beaumont                    | 1,285,627          | 34.60%                    | 0                 | 0                            |
| <b>INLAND EMPIRE EAST</b>   | <b>176,868,092</b> | <b>7.70%</b>              | <b>5,550,389</b>  | <b>8,360,784</b>             |
| Ontario                     | 106,384,339        | 2.20%                     | 2,663,330         | 1,687,949                    |
| Rancho Cucamonga            | 38,979,243         | 2.10%                     | 116,480           | 156,900                      |
| Fontana                     | 52,613,291         | 7.50%                     | 4,523,778         | 1,888,793                    |
| Chino                       | 44,655,131         | 0.40%                     | 180,000           | 0                            |
| Jurupa Valley/Eastvale      | 30,709,661         | 1.20%                     | 2,261,907         | 122,585                      |
| Montclair                   | 3,102,477          | 0.50%                     | 0                 | 0                            |
| Upland                      | 2,890,169          | 1.00%                     | 0                 | 0                            |
| <b>INLAND EMPIRE WEST</b>   | <b>279,334,311</b> | <b>2.80%</b>              | <b>9,745,495</b>  | <b>3,856,227</b>             |
| Corona                      | 27,406,185         | 4.70%                     | 422,441           | 196,628                      |
| Temecula                    | 4,270,879          | 4.00%                     | 0                 | 0                            |
| Lake Elsinore               | 754,104            | 0.00%                     | 0                 | 0                            |
| Murrieta                    | 1,583,579          | 0.40%                     | 0                 | 0                            |
| <b>Inland Empire Totals</b> | <b>490,217,150</b> | <b>4.70%</b>              | <b>15,718,325</b> | <b>12,413,639</b>            |

Source: Cushman & Wakefield

Logistics clearly is the business sector for which the IE has its greatest competitive advantage, with close proximity to the ports (LA-San Pedro and Long Beach) and having land available for large scale development projects, plus having a qualified workforce ready to work close to home. All of this is why the IE is clearly the dominant area for new logistics development. Major industrial developers such as Alere, IDI, IDS, Hillwood, Majestic Realty, Panattoni Development, ProLogis, Ridge Development, Sares-Regis Group, Trammell Crow Companies and Western Realco all have numerous projects under development in the IE region.



A new and rapidly emerging focus in logistics development is fulfillment and e-commerce uses. According to CBRE, in 2016-e-commerce/fulfillment related industrial development projects represented 37% of the total activity for industrial development in Southern California and was 57% of the transacted square footage for buildings over 100,000 SF. The IE Region has a significant portion of this development (the IE Region has seven Amazon fulfillment centers - including two in Moreno Valley, two in San Bernardino, Redlands, and recently opened in Eastvale, along with an 880,000 SF e-commerce fulfillment center in Rialto that employs more than 1,000 and situated on land that was formerly part of Rialto Municipal Airport. Typically, these types of supply-chain network projects produce more jobs and sales tax revenue opportunities than traditional warehouses. On average the number of jobs is 2 to 3 times more with a fulfillment center/e-commerce use rather than a traditional warehouse. In 2015, e-commerce represented 7% of retail revenues in California, but this is rapidly growing.



**Amazon Fulfillment Center Interior**

Recently, the City of Beaumont approved a logistics-distribution center project with Wolverine Worldwide Inc. that will include a fulfillment operation and point of sale in Beaumont. The two-phase development proposes constructing a Phase 1 720,000 SF building to be followed by a Phase 2 580,000 SF building. Total employment is estimated at 280 to 300, which does not reflect any construction jobs. Wolverine estimates total value of the project including land, building and equipment at \$57 million. Beaumont is providing Wolverine with an economic incentive package, including a sale tax participation agreement.

Creating employment opportunities in the community is an important component of successful economic development. Pursuing a proper balance of jobs to housing is a must for creating a strong economic foundation for a city. According to ICSC (International Council of Shopping Centers) 83% of purchases are made within five miles of where we live or work. Having a strong daytime population and strong local workforce is also important to the success of local retailers and restaurants. A 252-acre logistics business park is projected to create between 1,700 to 2,400 new jobs for Banning.

| Inland Empire Employment Indicators |         |         |
|-------------------------------------|---------|---------|
|                                     | 2Q 2015 | 2Q 2016 |
| I.E. Employment                     | 1.3M    | 1.4M    |
| I.E. Unemployment                   | 6.4%    | 5.5%    |
| U.S. Unemployment                   | 5.4%    | 4.9%    |

Source: Cushman & Wakefield

| Banning Employment Indicators |        |        |
|-------------------------------|--------|--------|
|                               | 2015   | 2016   |
| Banning Labor Force           | 10,700 | 10,900 |
| Banning Employment            | 10,100 | 10,200 |
| Banning Unemployment          | 5.9%   | 6.3%   |
| Riverside County Unemployment | 6.7%   | 7.1%   |

Source: California Employment Development Department

Given the location of the airport property in Banning, along with current and near-term market development conditions, the highest and best use for the Banning's airport property is industrial—not as an airport. With land quickly becoming scarce for new industrial development projects in the IE West area (Chino, Ontario, Upland, Rancho Cucamonga, Corona Eastvale Jurupa Valley and Fontana), the IE East area including Moreno Valley, Perris the High Desert and Banning/Beaumont will only garner more development interest for new logistics-distribution development projects. Combining the 154-acre airport property, along with the two adjacent undeveloped privately owned properties would create an industrial development opportunity of 252 acres.

## NEXT STEPS

The following are suggested next steps for the Banning Municipal Airport.

- City Council shall contemplate what the long-term use should be—either continue operating as an airport or closing down the airport and pursuing a redevelopment project-with industrial land use recommended.
- Consider the idea of phasing out the airport operations over a specified period of time. Consider retaining a consultant with experience in closing an airport.
- Consider possible development partners to assist with the redevelopment of the airport property, including pursuing a Request for Qualifications (RFQ) process.
- Consider retaining a land use planner to create a specific plan or overlay zone for the airport property and other adjacent industrial zoned properties.

***THIS PAGE LEFT BLANK  
INTENTIONALLY***