BRAINARD AIRPORT PROPERTY STUDY

2022/2023

LEGISLATIVE SUMMARY

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Connecticut Finance, Revenue and Bonding Committee

And

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Legislative Summary

LEGISLATIVE PURPOSE

The Study analyzes the property's economic, environmental, and legal aspects concerning its current and potential uses. The methodology encompasses economic impact assessments of current and alternative uses, environmental and flood control evaluations, regulatory and contractual obstacles identification, and cost analysis for developmental suitability. These assessments collectively feed into a comprehensive analysis to determine the property's highest and best use, ensuring alignment with specific legislative goals.

PREFERRED DEVELOPMENT SCENARIO OPTIONS

As per the State's enabling legislation, the study looks at the suitability of alternative uses of the property, including commercial, residential, and recreational opportunities, to help determine the highest and best use of the property, if not its current use. The four scenario options (Table 1) were developed from the region's real estate market analysis findings, valuation of repositioning and related economic and fiscal benefits, and data from third-party sources such as the City of Hartford, the State of Connecticut, and the U.S. Census Bureau. The analysis includes the potential scenarios and evaluating related programs' timing and absorption effects over multiple years.

After thoroughly analyzing the four options, Scenario 2 emerged as the optimal choice for the highest and best use of the property.

Table 1: Development Scenario Options

Scenario 1: Limited Aviation Development	Scenario 2: Industrial Redevelopment (Recommended)
• The airport remains open with limited new development for aviation purposes. • Includes the addition of an air traffic control tower, runway extension, hangars, and 94,000 SF of aviation-related facilities. • All existing airport operations continue.	• Closure of Runway 11-29 and redevelopment of approximately 18 acres for industrial uses. • Development of two 100,000 SF single-story industrial buildings, accessory retail, and aviation-related development from Scenario 1. • Existing airport operations continue.
Scenario 3: Industrial Focus	**Scenario 4: Mixed-Use Redevelopment**
• Complete closure of the airport for redevelopment. • Development of over 2.6 million SF of industrial space, 140,000 SF of office space, and 100,000 SF of accessory retail. • No aviation operations.	• Complete closure of the airport for mixed-use development. • Includes over 2,700 rental housing units, 105,000 SF of retail, 262,000 SF of industrial/flex space, and 255,000 SF of indoor and outdoor recreation facilities. • Also involves new public facilities like a school, community center, and library (costs not included in this analysis). • No aviation operations.

PREFERRED DEVELOPMENT SCENARIO ANALYSIS

Analyzing the impacts of potential repositioning scenarios for the Airport property involves a comprehensive evaluation beyond assessing the operational impact. Crucially, the economic feasibility of each scenario, including development costs and regional needs, is central to this assessment. This evaluation includes the expenses related to environmental remediation and those directly tied to the Airport's closure. The Internal Rate of Return (IRR) was used to offer a deeper economic insight, a standard financial metric that helps gauge an investment's possible profitability. While a higher IRR generally indicates higher potential returns, it's a relative metric and doesn't provide a precise dollar-based return value.

Further enhancing the financial analysis, the study incorporated the Net Present Value (NPV) analysis. By accounting for the time value of money, NPV assists in discerning the likely positive or negative returns on investment for each scenario. This analysis chose a 4% rate, mirroring public sector borrowing costs minus an inflation risk premium, considering all cash flows are represented in real terms. A project would be considered financially viable if its NPV is positive when using a discount rate reflecting the capital cost.

Table 2: Return Metrics Over 30-Year Analysis Period

Scenario	Total Benefits	Total Costs	IRR	NPV @ 4.00%	Payback Period
Scenario 2	$92,200,000	($7,400,000)	57%	$43,400,000	5 Years
Scenario 3	$724,300,000	($70,800,000)	32%	$287,300,000	7 Years
Scenario 4	$1,175,200,000	($868,100,000)	5%	$27,000,000	24 Years

Both Scenarios 3 and 4 would require the complete closure of the airport and the razing of all structures on the property, with an expected remediation cost of approximately $45 million. The analysis delves into the consequences of a hypothetical delay in airport closure under Scenarios 3 and 4, altering the start from Year 1 to Year 10. This delay precipitates distinct financial repercussions for each scenario. For Scenario 3, the IRR experiences a negligible decline of less than 1%, preserving much of its investment appeal. However, its NPV suffers, dropping from $287 million to $97 million, a two-thirds decrease that significantly undermines its long-term fiscal promise. Scenario 4 takes a more detrimental hit; its IRR plunges into negative territory at -7%, and the NPV collapses to negative $91 million, signaling financial infeasibility. Even though Scenarios 3 and 4 show positive rates of return on investment, the postponement also affects the payback timelines. Specifically, the payback year for Scenario 3 is pushed to 17 years, a substantial extension within the 30-year analysis framework. In contrast, the return period for Scenario 4 exceeds the 30-year analysis boundary, marking it as an unsustainable investment option in the context of long-term financial planning and returns.

Table 3: Return Metrics Over 30-Year Analysis Period – Alternative Start Date for Full Closure Scenarios

Scenario	Project Start Date	IRR	NPV @ 4.00%	Payback Period
Scenario 2	Year 1	57%	$43,400,000	5 Years
Scenario 3	Year 10	32%	$96,800,000	17 Years
Scenario 4	Year 10	-7%	($91,200,000)	+30 Years*

** - Payback period beyond the 30-year analysis period.*

The closure of Hartford-Brainard Airport is definitely feasible, but it introduces a complex element that could significantly affect the investment returns in any situation, given that the State wouldn't reap any potential advantages for several years due to the indeterminate time required for the airport shutdown.

These financial insights, derived from rigorous evaluation, are compounded by the analysis of comprehensive environmental, economic, and regulatory assessments. Considering all these multifaceted considerations, Scenario 2 is the optimal choice primarily due to its exceptional IRR at 57%, attributed to lower initial investment demands, especially in development subsidies, and a consistent increase in tax revenues.

It is important to note that unpredictable long-term real estate market trends, potential complications arising from airport closure risks, and unforeseen delays due to environmental or other conditions are not accounted for. Assumptions regarding benefits and costs are based on conceptual development scenarios, which may evolve during actual implementation, affecting job creation and demographic compositions in unpredictable ways.

The endorsement is based on economic performance, particularly its high IRR and reasonable NPV, and bolstered by its alignment with broader strategic considerations of the legislation, confirming Scenario 2 as the most prudent, beneficial, and sustainable investment pathway.