

Clear View Strategies, LLC  
158 48th Street  
Pittsburgh, PA 15201  
www.clearviewstrategies.com

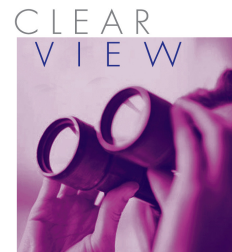
Lynn Colosi, Principal  
(412) 683-36384  
lcolosi@clearviewstrategies.com

# AMTRAN JOINT DEVELOPMENT PROJECT ROARING RIVER MILLS PROPERTY

## Highest and Best Use A Study on Probable Land Uses for Roaring River Mills

AMTRAN  
3301 5th Avenue  
Altoona, PA 16602

Submitted May 31, 2008



Ideas That Move People

## TABLE OF CONTENTS

Executive Summary.....	1
1.0 Background.....	2
2.0 Introduction.....	2
3.0 Marketplace Information.....	3
4.0 Legally Permissible Uses.....	6
5.0 Physically Possible Uses.....	14
6.0 Financially Feasible Opportunities.....	16
7.0 Probable Uses of Land.....	18
8.0 Summary and Conclusions.....	19

## **HIGHEST & BEST USE STUDY**

### **Executive Summary**

A study was undertaken to determine the highest and best use of the Roaring River Mills property for AMTRAN's Joint Development project. This report, completed by Clear View Strategies, identifies land uses likely to be successful on the 2.3 excess acres next to AMTRAN's facility project.

First, a determination was made as to the types of land uses that are legally permissible on the property. This is dictated mostly by Altoona's Planning Code and zoning codes, which identifies the land uses that are permitted on the site. Roaring River Mills is zoned I-L Light Industrial and allows 21 uses, most notably manufacturing, warehousing and office. However, because Roaring River Mills is an important community development initiative, AMTRAN sought input from five other public agency partners on their vision for the project.

Physical characteristics of a site have the potential to impact development. For example, things like a property's size, shape, terrain, accessibility, natural constraints and capacity of utilities all could influence, even preclude certain types of development. The Roaring River Mills property has no such issues. Its most evident aspect is a 16-foot slope from 6<sup>th</sup> Avenue down to 5<sup>th</sup> Avenue, which shouldn't pose a problem for most development types.

The market place and private interest in a site typically demonstrates whether a property is financially feasible, i.e. affordable and profitable. Frequent inquiries about a property from buyers, potential tenants and customers are usually a good sign that the property is in demand and likely developable. Developers forecast whether a site has potential income as compared to expenses and financial obligations requisite to complete the development. In the case of Roaring River Mills, interest is moderate and comes mostly from developers seeking sites for restaurant and office space.

Based on the application of these criteria to the excess property at Roaring River Mills, the most likely, successful and maximally productive development types are: restaurant, government buildings, office space and flex space.

### **1. Background**

AMTRAN, Altoona's transit agency, purchased a property known as Roaring River Mills for its facility expansion project. Roaring River Mills is located across the street from AMTRAN's headquarters next to Mansion Park stadium. The project address is 3404-3410 Fifth Avenue and 3311-3427 Sixth Avenue, Altoona, Pennsylvania. The size of the site is 3.2-acres and includes several transit-related buildings and land that have been vacant for more than five years.

The property offers outstanding opportunities for AMTRAN. The buildings on site, which were used in the early 1900s for transit-related activities, can be utilized again for similar functions, most notably bus storage. Its proximity to AMTRAN's administrative offices makes it convenient for employees and for moving and storing buses efficiently. The site, besides being used for AMTRAN's needs, has several acres of excess property that can incorporate a Joint Development project and generate non-traditional revenues for the transit agency.

AMTRAN is currently in the midst of conducting a variety of planning activities to determine the feasibility of Roaring River Mills including this Highest and Best Use Study. This study is being undertaken to provide AMTRAN with information about the kinds of development projects that are likely to be successful on the excess property at Roaring River Mills and compatible with their facility project.

### **2. Introduction**

Highest and best use is the reasonably probable and legal use of vacant land or improved property which meets the following criteria: 1) legally permissible; 2) physically possible; 3) financially feasible; and 4) maximally productive. As part of this study, these criteria will be applied to the excess property at Roaring River Mills to determine its highest and best use.

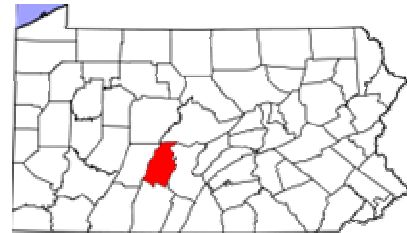
Specifically, the consultant will utilize these criteria to determine the best use of the property in the context of the marketplace, AMTRAN's facility project and Federal Transit Administration policies. Private and public restrictions, zoning, building codes, historic preservation controls, and environmental regulations will be examined to determine legally permissible uses of the site. We already know from previous work that Roaring River Mills has issues related to historic preservation and environmental clean-up. Size, shape, terrain, accessibility, natural constraints and the availability/capacity of utilities will be assessed to determine what is physically possible on the site. Those uses that are legally permissible and physically possible will be tested to determine financial feasibility. Potential ground lease income from these uses will be compared to AMTRAN's expenses and financial obligations to determine whether potential revenue exceeds investment and results in profitability. Maximally productive criteria will be applied to the uses that pass the first three tests determining the likely, probable use of the property.

### **3. Marketplace Information**

Altoona is a city in Blair County, Pennsylvania and, by population, is the tenth largest city in the Commonwealth according to U. S. Census 2000 data. Altoona was formed in 1849 as a result of the railroad industry and is



currently involved in revitalization efforts trying to recover from industrial decline and urban decentralization.



After World War II the era of railroad ended and the interstate highway system was developed, which resulted in the relocation of retail activity and shopping center development to the areas surrounding highway interchanges. The local economy shifted in Altoona in the 1990s when its link to the interstate highway system was completed.

#### **Altoona Demographic Information**

Due to the shift away from the rail-centered economy, Altoona became more diversified and began implementing new redevelopment initiatives focused on manufacturing, professional and retail opportunities. Provided below is a series of tables that depict the changes in the marketplace over the past seven years and today's status.

##### **Population – Blair County/Altoona**

<b>2000</b>	<b>2003</b>	<b>% Increase</b>	<b>2008</b>
129,000	128,000	-0.8	108,000
49,523	47,980	-3.1	NA

##### **Labor Force**

<b>Labor Force</b>	<b>Employment</b>	<b>Unemployment</b>	<b>% Unemployment</b>
65,300	62,600	2,700	4.1

## AMTRAN Joint Development Project

### Employment Pattern %

Manufacturing	Retail	HealthCare	Hotel/Restaurant
17	17	17	8

Wholesale	Administrative Support	Miscellaneous Service	Professional Services
6	5	5	4

Construction	Financial/Insurance	Information	Transport/Warehouse
4	3	3	3

### Market Access (% of US Consumers)

Local Area	Trade Area	One Day	Two Day
0.04	0.05	24	51

### Retail Sales (# of Establishments)

Total (\$ millions)	# Establishments	CBD blocks	Shopping Centers
1,750	86	10	12

### Retail Sales (% Sales)

Motor Vehicle/Parts	General Merchandise	Food/Beverage	Building Materials
30	19	13	11

### Office Space Vacancy Rates (%)

CBD Class A	CBD Class B	Sub Class A	Sub Class B
11	12	10	13

### Office Space Gross Annual Rent (\$/sf/yr)

CBD Class A	CBD Class B	Sub Class A	Sub Class B
18	16	18	16

### Industrial Space Inventory (%) and Vacancy Rate

Warehouse/Distribution	Manufacturing	Research & Development	Vacancy Rate
55	40	5	10

## ***AMTRAN Joint Development Project***

### **Industrial Net Lease and Expenses (\$/sf/yr)**

<b>Net Lease</b>	<b>Real Estate Tax</b>	<b>Insurance</b>	<b>Maintenance</b>
3.50	0.45	0.10	0.05

### **R&D Flex Space Net Lease and Expenses (\$/sf/yr)**

<b>Net Lease</b>	<b>Real Estate Tax</b>	<b>Insurance</b>	<b>Maintenance</b>
6.50	0.50	0.10	0.05

*Source: Altoona Blair County Development, Statistical Information, Econographics Report, DCG Corplan Consulting, LLC*

### **Major Employers**

1. Altoona Regional Health System
2. Altoona Area School District
3. Sheetz, Inc.
4. Blair County
5. Wal-Mart Associates, Inc.
6. Pennsylvania State University

<b>Employment and Wages by Industry Sector</b>	<b>Employer Units</b>	<b>Employment</b>
1. Health Care and Social Assistance	377	9,617
2. Retail Trade	589	8,608
3. Manufacturing	145	8,215
4. Local Government	108	5,307
5. Accommodation and Food Services	274	4,637

*Source: Center for Workforce Information and Analysis*

## AMTRAN Joint Development Project

### Roaring River Mills

The property known as Roaring River Mills has a long and rich history in the City of Altoona. This site, originally part of the former Altoona & Logan Valley Electric Railway Company, is 3.2 acres in size and consists of three (3) vacant buildings. The agency stored and maintained its vehicles and equipment in two of the buildings - the old Trolley Barn and Battery Storage Warehouse buildings. These two structures have been determined by the Pennsylvania Historical and Museum Commission (PHMC) to be historic resources and, as such, will be retained and upgraded to code. AMTRAN intends to re-use the old trolley barn (8,000 square feet) for bus storage and meeting room space, and the battery storage warehouse (3,120 square feet) for Class A office space which will be leased. The third building (25,000 square feet), which is considered a non-contributing resource to the historic fabric of the site by PHMC, will be demolished as part of the Joint Development project.



### 4. Legally Permissible Uses

Use of the excess property at Roaring River Mills for Joint Development must comply with a variety of land use regulations and policies, most notably those of:

- ☑ Federal Transit Administration's Joint Development Policy
- ☑ Pennsylvania Department of Environmental Protection
- ☑ Pennsylvania Historical and Museum Commission
- ☑ City of Altoona's Comprehensive Plan
- ☑ City of Altoona's Planning Code
- ☑ AMTRAN

As such, these agencies' guidelines and procedures will be reviewed to determine the impact on AMTRAN's Joint Development property, and the eventual uses permitted on the site.

#### Federal Transit Administration (FTA) Joint Development Policy

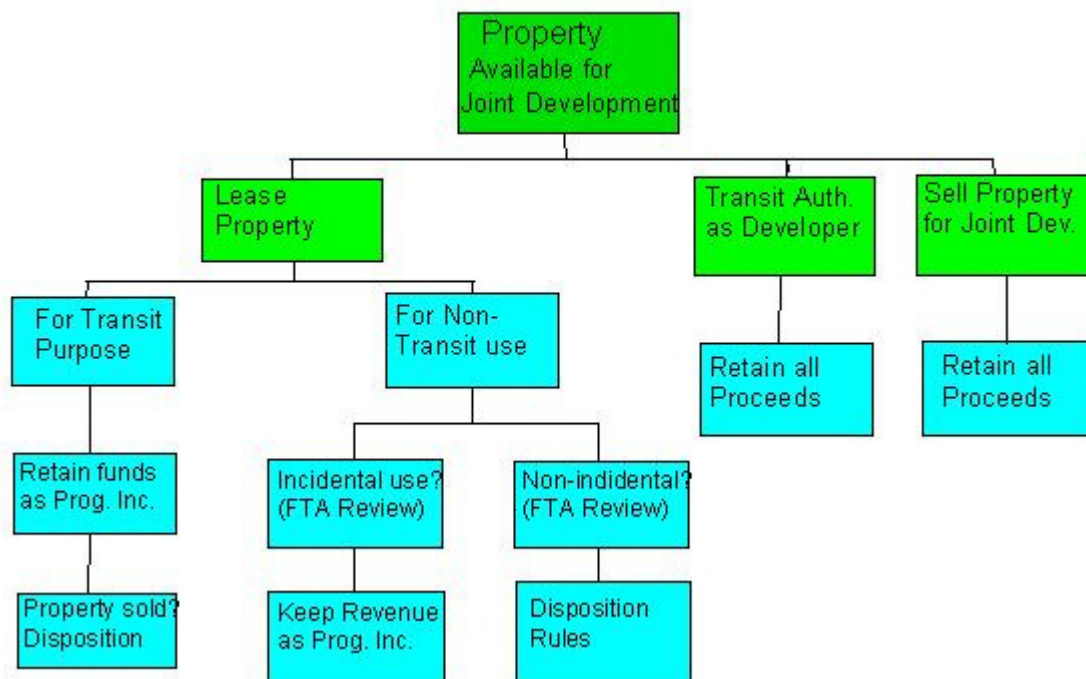
All transit agency grantees are permitted to utilize real property acquired with Federal grant funds to support transit oriented and joint development. Under the Federal Transit Administration's (FTA) Joint Development Program, AMTRAN is permitted to: 1) "sell the property for excess non-transit use"; 2) "lease the property for incidental, non-interfering use by others while the property is held for a future



## AMTRAN Joint Development Project

identified transit use”; or 3) “undertake a transit oriented joint development on the property.” The only restriction placed on a sales transaction, according to the FTA, is that the transit agency must retain “effective continuing control” of the development for transit purposes otherwise it must return a pro-rated share of the sales proceeds to the United States Treasury. (“Effective continuing control” means that “...as long as the transit system retains some assurance that the development will remain transit-oriented. The assurance may take the form of an easement, or it may be evidenced by a physical connection between the transit facility and the development.”)

### FTA JOINT DEVELOPMENT DECISION TREE



In AMTRAN's case, the agency is going to utilize Federal grant funds to undertake joint development of the excess property. AMTRAN's intention is twofold: 1) to secure a long-term lease that generates "program income" that can be used by AMTRAN for eligible transit purposes throughout its system; and 2) to help shape the community by revitalizing an otherwise underutilized and dilapidated site. Additionally, AMTRAN is intending to maintain continuing control through a long-term ground lease with an eventual developer.

The FTA allows transit agencies to use the concept of "highest and best **transit** use" as an alternate to "highest and best use" when valuing real property for joint development. This allows transit agencies to consider projects that don't produce the highest or optimal cash flow scenarios but result in the highest level of transit use and support.

## ***AMTRAN Joint Development Project***

Based on AMTRAN's plans for its development project, it is in compliance with FTA's guidelines for Joint Development of the site.

### **Pennsylvania Department for Environmental Protection**

About five years before AMTRAN identified Roaring River Mills as a potential site for its facility project, the site's owner hired Blazosky Associates, Inc. of State College, Pennsylvania, to conduct an Environmental Site Investigation on the property. This study, according to Blazosky's report, was undertaken to determine the extent of environmental impacts that likely resulted from the historic use of the property as a commercial electric trolley and maintenance site. The environmental investigation revealed, in summary, that:

- Asbestos and lead based paint are present in the Roaring River Mills building and lead based paint is present in the Battery House (Building B); and
- Metals, including arsenic and lead, are present in the soil and it appears that contaminated soil had been used as fill on the site.

As part of its due diligence to assess the feasibility of using Roaring River Mills for its facility project, AMTRAN hired Mountain Research, LLC, an environmental engineering and laboratory services' company, to conduct a Phase II Environmental Assessment of the site. AMTRAN's objective was to determine the extent of soil and groundwater contamination, address those concerns and achieve Pennsylvania's Act 2 Certification under the commonwealth's Land Recycling and Environmental Remediation Standards Act. Results of the Phase II assessment indicated that there were levels of contamination above the statewide health standards under the Act 2 program. As such, a remedial work plan was submitted to and approved by the Pennsylvania Department of Environmental Protection (DEP) in accordance with Act 2 standards. The goal of these studies will be the "release of liability" concerning contamination issues that were created during the past uses of this site.

The results of the Act 2 certification will most likely result in an environmental covenant or restrictions on the deed that will prohibit certain types of development. Based on discussions with officials at EADS Group, an Altoona engineering firm and consultant to AMTRAN on their facility project, several land uses will likely be prohibited. For example, day care will most likely be restricted and so will residential development. It also appears that only slab on grade construction will be permitted. However, at this time, uses prohibited by the DEP have not been identified but will be part of the Act 2 study and certification process.

### **Pennsylvania Historical and Museum Commission**

Because the Roaring River Mills site was part of the Altoona and Logan Valley Electric Railway Company from the late 1890s, AMTRAN coordinated this project with the Pennsylvania Historical and Museum Commission (PHMC) to undertake an assessment of the historical nature of site and its three buildings. PHMC determined that two of the structures – the former Battery House and the former Trolley Barn – are historic resources and should be retained and upgraded to code without major alterations. As such, PHMC has requested review of design plans prior to modification of these structures.

PHMC concurred with AMTRAN's proposed use of the entire site including its Joint Development opportunity. PHMC approved the use of the former Trolley Barn for bus storage/maintenance as well as renovation of the Battery House for potential Class A office space. They also agreed with AMTRAN's proposal to demolish the third building, which PHMC cited as a "non-contributing" resource to the historic fabric of the site. The Commission would like to see "buffering" between the eventual developments on the site. PHMC determined that AMTRAN's project, including its use of the buildings and the removal of the third building, has a conditional "No Adverse Effect" on cultural resources as provided in a letter to AMTRAN dated November 6, 2007.

The information for cultural resources and potential effects of the projects on these resources was included in AMTRAN's newspaper advertisement that announced the public meeting held October 4 2007, letters to officials and public meeting notifications, as well as during the meeting. This information was also included in the Environmental Assessment prepared for this project and made available for public review. There was no public feedback or controversy concerning potential impacts.

### **City of Altoona's Comprehensive Plan**

Legally permissible uses of all properties, and for the purposes of this study AMTRAN's excess property, are defined and affected mostly by current land use regulations and zoning ordinances within the county and/or city of jurisdiction. In this case, Altoona's comprehensive plan determines overall land use goals and policies. The City's local zoning ordinances and subdivision regulations enable the implementation of the general or comprehensive plan. It is plausible that Altoona's planning commissions, review boards and public agencies could also have the ability to influence or attach a variety of permit conditions to the uses of land. As such, AMTRAN continues to develop relationships with local land use and planning entities and other agencies that might have a stake in the outcome of the Joint Development project.

AMTRAN's overall proposal, including the Joint Development portion, to revitalize the Roaring River Mills site is compatible with the City of Altoona's Comprehensive Plan, most notably its policies for land use. According to the Comprehensive Plan, the City has limited amounts of undeveloped land and, as such, must:

## **AMTRAN Joint Development Project**

- Make the best use of undeveloped land;
- Stress the redevelopment of under-used areas and re-use of existing buildings; and
- Make sure that development regulations do not waste land.

AMTRAN's project will utilize two existing buildings at Roaring River Mills, undergoing historic renovations, and will incorporate a newly constructed private development project that will be compatible with AMTRAN's project and its historic surroundings. Their use of the overall site complies with the re-use of existing buildings and the redevelopment of an underutilized property.

### **City of Altoona's Planning Code**

The Roaring River Mills site is zoned I-L Light Industrial Zone. Generally, this zone provides for most types of manufacturing, warehousing and offices. Section 510.1 2 of Altoona's Planning Code states:

*"It is the purpose of this Zone to establish industrial areas which are or may become integral with established or potential residential neighborhoods and/or public parks or other conservation areas; and to require stringent performance standards and other regulations designed to protect residential valuations, to effect a desirable transition between industrial and other uses, and to promote to a high order or industrial development."*

There are 21 permitted uses identified for the Light Industrial Zone, Section 510.2 of Altoona's Planning Code, which include:

1. Accessory uses on the same lot and customarily incidental to the permitted uses including:
  - a. Space for overnight and/or weekend parking of commercial vehicles
  - b. Storage of raw materials, equipment and finished products (unless Section 509.3(C) applies to the type of storage facilities proposed.
  - c. Other customer accessory uses and structures which are clearly incidental to the principal structure and use.
2. Agricultural operations and forestry activities
3. Automotive assembly and services
4. Bus shelters
5. Cemeteries and Houses of Worship
6. Communications services
7. Cultural and government facilities
8. Eateries and overnight lodging
9. Educational services
10. Health services, medical laboratories and diagnostic facilities
11. Manufacturing
12. Parks, playgrounds and open space
13. Professional and business offices
14. Professional services

## ***AMTRAN Joint Development Project***

15. Public utility transmission and distribution lines, substations, water pumping stations and reservoirs
16. Research and development laboratories
17. Retail sales and retail services
18. Storage facilities
19. Transportation services
20. Wholesale sales and wholesale services
21. Woodworking and xylography

There are “Special Exceptions” (Section 510.3) related to off-site parking, sexually oriented business, permanent containerized storage and uses similar to the permitted uses. There are no “Conditional Uses”. (Section 510.4) And “any use not complying with the specifications of this Article is prohibited” as stated in “Prohibited Uses” (Section 510.5).

AMTRAN held a public plans display meeting concerning this project on October 4, 2007, which was attended by Altoona’s Director of Planning & Community Development. During the meeting the City’s director offered support for AMTRAN’s Joint Development project and provided such in a letter to the transit agency.

In a subsequent meeting with the Department of Planning & Community Development, the director stated the City’s concerns for AMTRAN’s project center mostly on adherence to applicable zoning ordinances and building codes, and the eventual look of the development. An important issue, according to City Planning officials is storm water retention, which is an issue that cannot be negotiated and is dictated by state law and local code. Concerning the “look” of the development, officials discussed their desire for improvements to sidewalks, buffers, pedestrian access and safety, landscaping and parking availability.

Based on Altoona’s Planning Code and discussions with officials any of the 21 uses are permitted on AMTRAN’s site.

### **Altoona Visioning Report**

Additionally, the overall project is in accordance with the Altoona Visioning Report called “A Framework for Action: A Report from the Visioning Committee for the City of Altoona” August 23, 2006, completed by Altoona Blair County Development Corporation (ABCD). Below are excerpts from the report and ways in which AMTRAN is complying with ABCD’s vision.

- “How buildings and sites are constructed or redeveloped and for what purpose, should be decided in the context of the highest and best use and for the maximum economic life cycle.”

AMTRAN is undertaking this study to determine the highest and best use of the Roaring River Mills property in order to identify the use that creates the highest residual land value and best

## ***AMTRAN Joint Development Project***

development for the community. AMTRAN is most likely the only entity able to rehabilitate the site – based on historical and environmental regulations – and prepare it for redevelopment.

- “...subsequent development project outcomes can be achieved by managing and directing existing public operational funds and related public funding sources and programs as part of a formal and strategic systematic process.”

Under the Federal Transit Administration’s (FTA) Joint Development Program, AMTRAN can utilize federal grant funds to support transit oriented or joint development. AMTRAN, while preparing the site for its facility project, can prepare the excess property to “enhance urban economic development or incorporate private investment including commercial and residential development.”

### **AMTRAN**

AMTRAN, through FTA’s Joint Development Program, is able to utilize its resources to initiate development and enhance community revitalization. As such, AMTRAN has a responsibility to utilize the Roaring River Mills site in a manner that benefits not only the agency but the neighborhood and community too. Taking the FTA’s policy, the agency, and the community into account, AMTRAN considers the optimum use of the site as one that incorporates a use compatible with its transit use, reflects the neighborhood’s needs and is sustainable over a long-term.

AMTRAN has several objectives for the site and subsequent Joint Development project. In regard to development types and uses, the agency is not interested in a residential development, which is neither permitted by Zoning nor by the outcome of the Phase II environmental assessment, or daycare, a use also precluded by the assessment and incompatible with transit operations. AMTRAN prefers a development type other than retail on the site because of its prevalence and saturation in the Altoona market area. However, AMTRAN will not eliminate it as a potential use. The agency’ overarching goal however is to create an integrated and complementary development project that incorporates minimum architectural standards and additional parking for the agency.

## ***AMTRAN Joint Development Project***

### **Synopsis**

Based on Altoona's Planning Code, the Phase II Environmental Assessment, subsequent Act II certification and AMTRAN's objectives for the site, five permitted uses have been eliminated.

<b>Uses</b>	<b>Reason for Elimination</b>
1. Accessory Uses	AMTRAN is already using part of the site for accessory purposes and is designating the excess property to a revenue-generating development opportunity.
2. Bus Shelters	The site is intended for a revenue-generating joint development opportunity, although a bus shelter will most likely be integrated somewhere into the overall project.
3. Cemeteries	Based on results of the Phase II Findings and subsequent Act 2 certification, slab on grade will be the only types of development permitted.
4. Parks, Playgrounds, Open Space	The Phase II Findings and mitigation plan most likely preclude this type of use.
5. Public Utility, Distribution Lines, Sub Stations	AMTRAN's intent is to develop this property in a manner that is compatible to its facility project and the City's vision for the site.

Remaining legally permissible uses for AMTRAN's Joint Development site include:

1. Agricultural operations and forestry activities
2. Automotive assembly and services
3. Communications services
4. Cultural and government facilities
5. Eateries and overnight lodging
6. Educational services
7. Health services, medical laboratories and diagnostic facilities
8. Manufacturing
9. Professional and business offices
10. Professional services
11. Research and development laboratories
12. Retail sales and retail services
13. Storage facilities
14. Transportation services
15. Wholesale sales and wholesale services
16. Woodworking and xylography



### 5. Physically Possible Uses

Every site has physical characteristics that impact its highest and best use. The physical characteristics that typically influence the use of a site include:

- Size
- Shape
- Terrain
- Accessibility
- Natural constraints
- Capacity of utilities

Lot development standards as governed by the local planning code also affect the physical feasibility of a property. Each of these characteristics, relative to the Roaring River Mills property, will be discussed in this section.

#### Size

The excess property at Roaring River Mills that AMTRAN is anticipating using for Joint Development is 2.3 acres or 100,188 square feet. However, there are several lot development standards identified in Altoona's Planning Code that impact use related to size. According to Section 510.9 – Coverage, the coverage of the site can be no more than 65 percent, which in this case an area of 65,122 square feet.

Additionally, Section 510.8 - Area states that the area shall not be less than six thousand (6,000) square feet. There are also frontage and setback requirements (Sections 510.11 Frontage and 510.12 Setbacks) that will influence the size of the site. However, depending on AMTRAN's strategy for subdivision, these impacts could be minimal. Use of the site is affected too by Altoona's height restriction, which according to Section 510.7 of the Planning Code, "shall not be greater than one hundred (100) feet" or "shall not be less than one (1) story."



#### Shape

The excess property wraps around AMTRAN's facility site with the majority of frontage along 6<sup>th</sup> Avenue. The property is sort of "L" shaped with AMTRAN's facility site setting on the eastern corner of the property.



## ***AMTRAN Joint Development Project***

### **Terrain**

The subject property slopes approximately 16 feet from 6<sup>th</sup> Avenue down to 5<sup>th</sup> Avenue.

### **Accessibility**

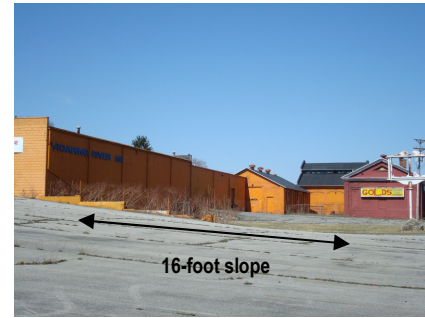
The subject site has decent access. Access most likely will occur from any of three points located along 6<sup>th</sup> Avenue, 5<sup>th</sup> Avenue and 35<sup>th</sup> Street. Because 6<sup>th</sup>



Avenue is a divided four-lane roadway, a left turn from the site onto 6<sup>th</sup> Avenue most likely will be precluded, according to initial conversations with PennDOT District 9 officials. Prior to the overall development of the site, AMTRAN will collaborate with the developer who will be required to undertake a traffic impact analysis to determine potential roadway and access improvements.

AMTRAN buses and other vehicles will access the site from 5<sup>th</sup> Avenue or the undedicated alley that runs along the northeast side of the property therefore minimizing

interaction with vehicles accessing the development site.



### **Natural Constraints**

There are no natural constraints to or on the site.

### **Capacity of Utilities**

Because the site had been utilized previously, Roaring River Mills is already served by all of the local utilities companies. The utilities on site are:

- ✓ Electric – First Energy/Penelec
- ✓ Natural Gas – Dominion Peoples
- ✓ Water/Sewer – Altoona City Authority
- ✓ Telephone – Verizon, Inc.

The capacity of utilities should be adequate for the eventual redevelopment of the site having been sufficient for the previous uses – fabric warehouse/retail and Altoona & Logan Valley Electric Railway.

## **Synopsis**

Because the impacts of physical characteristics on this site are minimal, none of the permissible uses could be precluded or eliminated from the previous list.

## **6. Financially Feasible Opportunities**

Next, the combination of legally permissible and physically possible uses must be tested against the financial feasibility of a site. This is determined by applying two factors:

- 1.) Supply and demand and determining the buyers, tenants and customers that might potentially be interested in the site; and
- 2.) Potential income compared to expenses and financial obligations in order to determine if income exceeds the cost of the uses and results in profitability.

This will impart a forecast of the likely development of the site based on realistic marketplace feedback and interest along with affordability and profitability of development of the site.

### **1.) Potential Interest in the Site**

Discussions were held with several real estate professionals to determine the level and type of interest in the Roaring River Mills property. The most notable of those discussions was held with Jim Estep, the owner of Estep Realty, on April 3, 2008. Estep's agency is the one that listed Roaring River Mills and represented the owner in sales negotiations the past few years. Estep said that he still receives inquiries about the site. The majority of the inquiries, according to Estep, are mostly from "individuals or entrepreneurs interested in opening dance clubs, bars or restaurants with sports bar and gaming themes like Dave & Busters or Rick's in Monroeville." Estep said that recently one individual proposed a 20,000 square-foot facility.

Estep believes that any government building like a Social Security office will work on the site. According to Estep, PennDOT District 9 had been looking for a site to build new office space and this one might work for them. He said that other opportunities or possibilities include Penn State Altoona or a local Community College. Government-owned facilities, however, take properties off of the tax rolls unless a developer builds and owns the project for the agency.

Adjacent property owners sometimes have interest in a particular site too. For instance, Altoona School District has an athletic facility, Mansion Park, directly across 5<sup>th</sup> Avenue from the subject site. The district has long needed additional parking for its facility along with an athletic training center. According to Estep, "most anything for the school district would be compatible and permissible."

Flex space is a potential use according to officials at Altoona Blair County Development (ABCD) who are looking for sites for a flex-space project. Flex-space is a building that provides

its occupants with the flexibility to utilize the space as office or other uses such as manufacturing, laboratory, light industrial or warehouse. ABCD currently occupies such space and, because of its success is looking for a site on which to develop a similar type project. In this case, either ABCD or private enterprise could be the developer, own the project and lease space to potential tenants.

Estep expressed concerns about utilizing the site for office space. Office space vacancy rates in Altoona are about 10 percent to 15 percent, according to recent economic statistics. To that end, Estep said that he owns office space and hasn't received any inquiries or interest in "a long, long time."

### **2.) Profitability of the Site**

Developers most likely will consider the excess property at Roaring River Mills appealing because of the value that AMTRAN is adding in site preparation work. First and foremost, AMTRAN conducted a Phase II Environmental Site Assessment that confirmed contamination found previously by the property owner who conducted an Environmental Site Investigation in 2002. AMTRAN submitted a baseline remedial work plan to the Department of Environmental Protection in accordance with the Land Recycling and Environmental Remediation Standards Act (Act 2) and will undertake clean-up of the site at a cost of about \$200,000. AMTRAN will also demolish the Roaring River Mills building in preparation for development, incurring an additional site cost of \$73,000. And AMTRAN will redevelop their portion of the site, making historic renovations, and improving the condition and aesthetics of an underutilized property. These enhancements will take the onus off of the developer by alleviating some of the site preparation and associated costs.

The joint development portion of this project will be a major source of income for AMTRAN, which can be utilized to leverage additional state and federal funds and make improvements throughout its system. As such, AMTRAN is looking to lease the property to a developer in exchange for a long-term annual revenue stream and will negotiate the terms and conditions of a ground lease with the eventual developer. As a result, developers need to account for an ongoing lease payment as opposed to an outright purchase, the traditional and preferred method of property acquisition.

It appears as though development of the site could result in profitability for the developer, however it is too early to determine. Although the developer will incur costs to complete site preparation and construct the project, those costs will be discounted as a result of the site work being undertaken by AMTRAN. AMTRAN will be saving the developer a minimum of \$273,000 in site preparation which would typically be incurred under normal circumstances. Because the development project and type have not yet been identified, construction costs/expenses cannot be determined; although the cost to construct commercial space can be on average \$30 to \$300 a square foot. The developer will have an ongoing financial obligation to AMTRAN in an annual ground lease payment. Real estate taxes will be another obligation of the developer although sometimes taxes and other charges like maintenance are passed onto the tenants depending upon the types of development and leases negotiated.

## ***AMTRAN Joint Development Project***

Applying the Altoona market area's office and flex space rental rates - as an example - seems to result in financially feasible opportunities on the site. According to Altoona's Planning Code, the maximum footprint of a development at that site would likely not exceed 65,000 square feet and 100 feet in height. Potential land uses developed by EADS Group to depict the potential use of the site, identify a range of alternatives including a 3-story, 84,000 square-foot office building and a compatible 42,560 square-foot retail development. Utilizing these square footages and applying market rental rates results in projects that appear to be profitable.

### **Synopsis**

There is market interest in AMTRAN's excess property according to several real estate experts and the capacity for profitable development. Interested parties continue to contact real estate professionals associated with the site. The development types most usually mentioned are restaurant/bar, office and flex-space. Because of the work that will be conducted by AMTRAN, notably environmental remediation and building demolition, costly site preparation activities will be alleviated by AMTRAN. In this case, joint development and the principles associated with the concept are working to make this development a successful endeavor.

By applying the criteria for financially feasible, the following likely uses have been clearly identified.

- Restaurant
- Office – professional and government
- Flex Space

## **7. Probable Uses of the Land**

The probable uses of land are the ones that have passed the previous three tests: legally permissible; physically possible; and financially feasible. By applying the market place's interest to the legally and physically possible uses, we have been able to identify some reasonable development types that should be productive and vital to the overall development and community. The probable land uses, based upon the collective data, analysis and market place interest, can be identified as follows:

<b>LAND USES</b>	<b>SPECIFIC TYPES</b>
Restaurant	Eateries, cafes, coffee shop, luncheonettes
Government Buildings	School District, PennDOT, Social Security, or similar
Office (build to suit)	Communications, educational, healthcare, professional or business services
Flex Space	Medical labs, diagnostic facilities, manufacturing, research and development, professional and business, wholesale sales and services, and woodworking

## **8. Summary and Conclusions**

AMTRAN was interested in undertaking a study to determine the highest and best use of the Roaring River Mills property in preparation for a joint development project which it is about to initiate. The methodology utilized to complete the highest and best use assessment considered all of AMTRAN's potential public partners and their vision for Roaring River Mills and its eventual development. Criteria identified and applied to the site – like legally permissible, physically possible and financially feasible – resulted in the identification of four specific uses for the site:

- ☒ Restaurant
- ☒ Government buildings
- ☒ Office
- ☒ Flex Space

The information from this study will help AMTRAN to gauge likely, successful development types and establish parameters, goals and objectives for its project, all of which will be incorporated into their Joint Development Requests for Proposals. Understanding uses that are maximally productive and realistic in the marketplace will help AMTRAN to evaluate developers and the projects that they submit.