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ECONOMIC DEVELOPMENT STRATEGIC PLAN ADDITIONAL INFORMATION

Loring Development Authority of Maine

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1 Introduction

1.1 Overview of the Assignment

RKG Associates, Inc. (RKG) was engaged by the Loring Development Authority of Maine (LDA) to help develop a forward-looking high-level strategic plan to guide the continued redevelopment of the former Loring Air Force Base, now known as Loring Commerce Centre. The goal is to develop realistic and measurable objectives and a specific action plan for implementing the Authority's overall goals. The LDA is well along in the planning process - the staff and board understand what there is to work with in terms of assets, and the costs to operate and maintain Loring as a business/aviation/industrial park are relatively predictable, based on over 20 years of redevelopment experience. What has been missing is a strategic marketing plan focused on targeted business sectors that can best utilize Loring's various assets.

In order to assist the Authority with this planning, RKG Associates (RKG) teamed with Jeffrey Donohoe Associates (JDA), who brings expertise in the redevelopment of former military bases, especially those in rural locations. In addition, JDA is experienced in Unmanned Aerial Systems (UAS), a fast-growing industry that has unique aviation and airspace requirements, many of which Loring possesses.

This report builds on, and is meant to augment, the ***Draft 2019 Strategic Plan*** that is under development by the LDA, and which includes a more robust history of Loring and detailed information on the available assets and organizational structure. This report does not replicate this information but rather serves to guide the finalization of the final chapters of the Strategic Plan.

1.2 Background

The LDA was created by the Maine State Legislature in 1993 in response to the closing of Loring Air Force Base. In 1997, the United States Air Force transferred approximately 3,700 acres of land, buildings, infrastructure and other property to the LDA by way of a no-cost Economic Development Conveyance (EDC) and Lease in Furtherance of Conveyance (LIFOC) for job generation purposes. The LDA acquired full quitclaim title to the property in 2004. The remaining 5,000 acres of property was transferred to other federal agencies, primarily for wildlife conservation purposes, with the exception of a few facilities including the Defense Finance Accounting Service (DFAS) office building. This 142,000 square foot facility was transferred to the LDA in 2005 under a leaseback arrangement wherein DFAS would continue to occupy and maintain the facility subject to federal appropriations.

The LDA has achieved moderate levels of success over the years in retaining and generating employment opportunities at Loring, with a variety of tenants utilizing buildings and land. As of August 2019, approximately 340,000 square feet (SF) of building space and 173 acres of land was owned by or rented to private firms employing 42 people, along with nearly 675,000 SF of space on 107 acres to public sector organizations employing 715 people. In addition, there are approximately 90 people living in the former base housing that was sold off, along with nearly 200 students at the Job Corps

center. The creation of the Maine Military Authority (MMA) in the early 2000s and its subsequent growth resulting in approximately 500 skilled jobs by 2008, served as the pinnacle of Loring's success. However, its pull-back in 2010 with the loss of the National Guard work and ultimate demise in 2018 has led to increased availability of buildings and less revenue for the LDA.

Of the more than 2.7 million SF of potentially available space at Loring, approximately 976,000 is considered to be in good condition and marketable. Of this, 367,000 SF is currently occupied by tenants along with 66,000 SF occupied by the LDA, leaving 543,000 SF available for lease or sale, including office space, warehouse and manufacturing facilities. The former MMA facility, which includes significant vehicle repair equipment, and the number of other large and small buildings provides the LDA with a range of marketable assets.

Financial Statements

A review of the LDA's fiscal year financial statements from 2017 through 2019 (draft), as well as current monthly statements for July through September, indicates that although the organization has maintained a positive Net Position,[1] it has continued to break-even or lose money from day to day operations. The LDA is highly dependent on annual funding from the State of Maine, which provided approximately $1.4 million in FY2018 and just under $1.3 million in FY2019. In 2019, the LDA took in approximately $2.5 million, including the state aid, and expended approximately $2.4 million before depreciation and write-off of uncollectible accounts. Principle sources of revenue (cash flow) other than the state aid include lease income from tenants and utility payments for water and sewer services provided. The LDA also receives an annual payment on a note receivable for use of a 185-mile pipeline that runs to Searsport from Loring, now leased to a natural gas company.

As of the end of FY2019 (June 30), the LDA had total liabilities of $3.1 million, including $1.8 million in short-term liabilities, $1.4 million of which is a credit-line with a local bank. Total current assets were $1.7 million while fixed assets were $56 million net of depreciation. In addition, there was $655,000 remaining on the pipeline Note Receivable.

Both lease revenues and state aid have been going down over the past few years, as major tenants such as the Maine Military Authority ended operations. Meanwhile, the costs of operating the facility as a business park, in particular the costs of maintaining buildings and roads, and providing water and sewer services, have continued to rise. The LDA has pared its property management costs to help offset the loss of revenues, and is currently operating at minimum realistic staffing levels.

The provision of state aid to Loring Commerce Centre has been, and continues to be, critical to the survival of the LDA. Unless revenues from leasing, outside funding (state or federal aid) or the sale of assets increase dramatically, or costs are offloaded, the LDA is likely to reach a point of insolvency within the next few years.

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[1] Net Position for a not-for-profit semi-governmental organization such as the LDA is the equivalent of Equity for a private sector firm – that is, it is what remains after subtracting Liabilities (what it owes) from Assets (what it owns). In the LDA's case, it's 2019 positive Net Position of $54.6 million consists almost entirely of the book value of its Capital Assets, mainly land, infrastructure (airfield, roads, utilities) and buildings.

Financial Forecasts

The LDA has budgeted approximately $2.26 million in revenues for FY19/20 (July-June) offset with $2.63 million in operating expenses resulting in a net loss from operations of $362,000. The revenues include anticipated new leases for buildings ($100,000), revenues from asset sales ($250,000) and extension of existing leases that are obligated or expected to be renewed. It also assumes $600,000 in Job Increment funds. Major expense items include $462,200 for Outside Contracted Services, $330,400 for debt service and $1,030,200 for Facilities and Public Works.

As of October, it appears that Loring Industries will increase its lease on the former MMA building (#7230) and may have a tenant for the other MMA building (#7220) resulting in over $230,000 in new revenues and significant increases in the out-years.

In its latest budget, the LDA has included a $400,000 "Option Fee" of which $100,000 has been received from a Chinese-based investment group to hold any sale or leasing activity until they finish their due diligence for becoming, in effect, the master redeveloper of the entire facility, with the goal of using it and the aviation facilities as the focal point of a fresh-to-market (China) trade program (exporting foods and other goods). The LDA has considered the $100,000 as deferred revenue, with the understanding that it may need to be returned should the agreement not materialize, and has created a contingent liability to offset this deposit. If this plan materializes, the LDA will need to weigh the long-term advantages and risks associated with turning over the redevelopment to a private organization.

While these revenue forecasts (and reduced operating costs) help to steer the LDA towards, break-even, it will still require some level of subsidy in order to stay solvent.

1.3 Strategic Planning Efforts

In early 2019, the LDA board began a process of revisiting it's strategic planning with the drafting of a plan. This document, which is under construction, has chapters that cover the history of redevelopment at Loring, the assets (land, buildings, utilities and other infrastructure), and the organization of the LDA. The remaining sections of the report are forward-looking and are intended to discuss target markets, the LDA's goals, the resulting financial projections, and potential metrics with which to define success, much of which is addressed herein.

SWOT Analysis

The LDA's draft plan lists out Strengths, Weaknesses, Opportunities and Threats, as a first step towards crafting a development strategy. The strengths include the existing assets and infrastructure both on-site and off, such as highway and rail access to ports north and south, robust internet capabilities and the quality of life and the local workforce. Weaknesses recognize the need for marketing, the cost of maintaining the assets in place, the relatively high energy costs, the amount of state and local bureaucracy facing businesses, and the declining population and aging workforce. Opportunities focused around the airport, food production, wood fiber, the region's IT backbone, and expansion of uses already present such as DFAS and precision manufacturing. Lastly, identified Threats included

loss of leadership, loss or downsizing of key tenants, lack of revenue, loss of political support and competition from other locations.

After review of this information, the consulting team has summarized the primary SWOT attributes of Loring Commerce Centre as a competitive job-supporting economic entity as:

Strength:	Available assets: buildings, land (paved areas), airfield, infrastructure
Weakness:	Location - far from markets
Opportunity:	New technologies and productivity enhancements in wood fiber and agricultural sectors, along with alternative energy production
Threat:	Loss of subsidy from State of Maine

It is important to recognize that these key SWOT attributes also have opposites: while the Airport is a potential asset, it is also a significant liability in that it requires significant financial outlays to maintain its functionality. Likewise, while the presence of a robust broadband backbone ("3 Ring Binder") is a positive attribute, that level of service is typically expected at any competitive business park location. And while Loring is far from markets, there are relatively good highway and rail connections to Canada, the rest of the US and to key port facilities north and south. The opportunity to provide value-added services to the County's primary industries – wood fiber and agriculture – is tied to the ability to cost-effectively utilize the existing buildings and infrastructure and be reasonably cost competitive. Without continued subsidization from the State, the LDA will quickly face a serious cash flow crisis.

1.4 Economic Impacts of Loring Commerce Centre

Loring today supports over 760 jobs in 15 different organizations. The economic impact of this activity is significant. In order to estimate the annual impacts to the State of Maine and to Aroostook County, RKG undertook an analysis using EMSI input-output modeling software[2] that "removed" 762 jobs from the county in the industries now employing them, which would result in the loss of an additional 1,101 jobs due to the indirect (suppliers) and induced (household spending) impacts throughout the region. These loss of jobs results in an annual reduction in total earnings of over $116 million and a loss of over $4.3 million in taxes to local, state and federal governments. This represents approximately 6.1 percent of the County's 2018 job base of 30,400. In perspective, between 2010 and 2018 the County lost 2,175 jobs, or 7 percent, representing an average annual loss of 272 jobs. The sudden loss of Loring would be the equivalent of nearly 8 years of job losses county-wide.

From a fiscal perspective, the loss of Loring could also have a major negative impact on the Town of Limestone. While the town derives some revenue from property taxes paid by those who have purchased buildings or land from the LDA, the biggest impact is the wastewater sewer system. The Loring system was taken over by and integrated with the Limestone Water and Sewer District. Loring is the largest customer and ratepayer, accounting for 80% of the operating costs and debt service on upgrades needed for the wastewater treatment plant. With loss of this rate base, the town might have trouble covering costs and continuing to operate the system.

[2] Economic Modelling Systems, Inc. - https://www.economicmodeling.com/

2 Overview of Key Market Sectors

This chapter touches on several market sectors that could utilize the assets of Loring Commerce Centre and that may hold potential for the future. These market sectors have, or could have, a presence at Loring for the reasons discussed below. However, successfully capturing a share of these highly competitive markets will be a challenge for the LDA.

2.1 Unmanned Aerial Systems (Drones)

With its extensive aviation assets, Loring Commerce Centre is positioned to pursue opportunities with companies that are active in this fast-growing industry.

In December of 2013, the Federal Aviation Administration (FAA) selected six test sites to perform research into the integration of unmanned aerial systems ("UAS", or "drones") into the National Airspace System. Since that time, the growth in UAS activity has steadily increased. The creation of FAA's UAS Test Sites was a watershed moment for UAS in the United States, which until that time had been primarily used for military applications, and for hobbyists (small drones or "sUAS"). Over the years, commercial applications for drones have continued to increase.

The UAS market is one of the fastest growing industries in the world, with FAA growth estimates in the range of 30% to 40% compound annual growth rate. While typically referred to as "drones", UAS have grown far beyond just hobby drones and consumer quadcopters. The commercial application of UAS to businesses in many industries has begun to bring disruptive change to a variety of businesses and governmental operations. A report entitled "2018 State of Drones" indicates that 10% of companies surveyed are already using drones, with construction & engineering (35%), government (24%), transportation & warehousing (13%) and insurance (12%) showing the highest rates of adopting drone use.

Within the United States, substantial growth in commercial UAS is expected by 2022. The FAA expects the number of commercial non-model UAS units in the United States to jump from 110,000 in 2017 to more than 450,000 units in 2022.

The majority of commercial drone applications in the US are focused on sUAS. However, sUAS have limitations in terms of flight time due to battery life. In addition, the ability to fly sUAS can be impacted by winds. Further, the FAA requires that drones be operated within the line of sight of the pilot, or within the site of a ground-based observer who is in direct contact (usually by radio) with the pilot.

As larger and longer range UAS are used for commercial purposes, these aircraft will be used for an array of applications worldwide. Recently, the Aerospace Industries Association (AIA) released their evaluation of the expected growth in the large UAS market. AIA anticipates that large UAS will be a $30 billion industry by 2036, representing more than 60,000 jobs in the aerospace sector. AIA anticipates autonomous passenger flights and cargo flights over this period, assuming that regulators are able to keep up with rapidly changing UAS capabilities. The graphic to the right was prepared by AIA and shows sectors of aircraft activity AIA expects to be impacted over the next twenty years.

Urban Air Mobility

One of the largest focus areas within the UAS sector is the projected growth in the air taxi sector. The potential growth in air taxi and passenger transportation is evident, in terms or the number of companies seeking to develop new air vehicles for air-taxi and short-range passenger transportation, and in NASA's focus on both UAS Traffic Management (UTM) and Urban Air Mobility (UAM).

Figure X – Concept of an Urban Air Mobility Environment (NASA/Lillian Gipson)

NASA is currently conducting a program to promote public confidence in UAM safety and facilitate community-wide learning while capturing the public's imagination.

UAM promises to relieve urban congestion and improve logistics efficiency by delivering packages, cargo and people from origin to destination using unmanned aircraft within urban areas. UAM also promises to bring cargo and people into urban areas as well as moving them around within a city. Many UAM companies are targeting a service territory of 250 to 300 miles, meaning a UAS could transport people from Limestone to Portland. UAM advocates promise lower costs, increased reliability and safety, and more efficient movement of people and products through the application of new technologies including UAS, Air Traffic Management systems and vertiport infrastructure.

UAM represents the combination of aircraft, command and control networks and infrastructure that will support package delivery, transportation, short haul cargo. UAM systems are attracting significant

investment from worldwide venture capital due to the combination of lighter batteries with higher capacity, more powerful electric motors, air traffic management systems, artificial intelligence supporting route management and control systems, and investment by regulatory agencies to support growth of the network. Currently there are approximately 100 different companies in the process of developing UAM aircraft solutions in the form of Electric Vertical Take Off and Landing ("eVTOL") systems, according to the Vertical Flight Society. All of these ventures are in various stages of prototype development and are seeking approvals from FAA or foreign government equivalents. As these companies begin to complete prototypes and begin the approval process, testing locations will be required which have low air traffic volumes and low population density. Once aircraft are approved for flight, companies will need to develop supply chains with manufacturing and assembly locations.

While there are 100 or more companies developing eVTOL aircraft for the UAM market, those manufacturers and developers can easily be broken into two distinct categories: existing aircraft OEM that are diversifying into the UAM market and new manufacturers that are focused solely on the UAM or similar markets. There are also other companies that are developing air traffic systems that can support the operations within the national airspace. An important consideration is that eVTOL systems are electric powered so the batteries, motors, and charging stations are somewhat new to the aviation industry and are in development by aircraft OEMs and component makers alike.

2.2 Autonomous Vehicles

As technology improves, many vehicle manufacturers are evaluating the ability to make vehicles autonomous. Over the next ten to twenty years, it is expected that fully autonomous (driverless) vehicles will become more common on our roadways. However, moving from the research, development and testing phase to the implementation phase will require substantial investments in the development of software, systems and testing.

According to CBInsights.com, more than forty companies are working on development of autonomous vehicles. In addition to major automobile manufacturers like Chevrolet, Toyota and Volvo, major technology companies such as Amazon, Alphabet (Google), Cisco and Apple are also pursuing entry into the autonomous vehicle market.

An August 2018 article in Forbes Magazine[3] indicates that the expected value of the global market for autonomous vehicles will increase from$54.2 billion in 2019 to more than $556.6 billion in 2026. This represents a compound annual growth rate or more than 39%.

The two markets which are expected to see the earliest impacts from autonomous vehicles are taxis and commercial trucking. Some initial testing is ongoing in these sectors, and widespread adoption is predicted by 2030.

Testing for autonomous vehicles is drawing attention from numerous states, including Maine. The State established a Commission on Autonomous Vehicles in 2018 "to coordinate among state agencies and knowledgeable stakeholders to inform the development of a process to allow an autonomous

[3] "Sharp Growth in Autonomous Car Market Value Predicted But May Be Stalled By Rise In Consumer Fear"

vehicle tester to demonstrate and deploy for testing purposes an automated driving system on a public way."

Nevertheless, in 2018 the City of Portland was selected by a Kirkland, Washington company as one of seven places for testing new software which maps local traffic rules and restrictions for autonomous vehicles. The software is intended to help autonomous vehicles "understand" issues such as school zones, speed limits, stop signs, one-way streets and crosswalks.

Although Loring may have assets that can benefit the testing and development of autonomous systems, the economic impact in terms of long-term jobs and revenues will need to be analyzed should opportunities arise.

2.3 Solar Energy

The LDA has an existing agreement to lease approximately twenty-five acres of land for the development of a solar array, working with Dirigo Solar LLC. This solar installation is expected to generate up to five megawatts of electricity. Loring has the ability to support additional solar development. In fact, if the airfield and support areas were converted to a utility-scale solar energy generation project, the 600+ acres could generate an estimated 120-megawatts of electricity, almost enough to meet the entire 130-megawatt demand of the Northern Maine Independent System Administrator (NMISA). Given the fact that NMISA is not interconnected with ISO New England, the primary issue associated with solar electricity generation is identifying users for the power. Over the next five to ten years, Loring could likely support an additional twenty-five to fifty acres of solar development. However, while developing additional solar power generation could offer some land lease revenue, the number of permanent jobs created by solar energy generation is limited. In fact, according to the Solar Foundation's 2018 Solar Jobs Census[4], Maine has just 15 jobs associated with the operation and maintenance of the State's 55 megawatts of solar capacity, or approximately one permanent operations job for every four megawatts of installed capacity.

The LDA had a previous expression of interest in developing a large solar farm at Loring. The project, a utility-scale solar project, would include as much as 600 acres, primarily adjacent to the airfield, including property adjacent to the runways and taxiways. However, this project would require some form of transmission upgrade to move the power generated at Loring into Southern New England.

A second project was proposed to move any form of renewable energy (wind, solar or biomass) generated in Maine or Canada to Southern New England. Conceptually, power would be converted from AC to DC and transferred by way of the pipeline corridor (to Searsport) and via undersea cable from Searsport to Boston, but that project apparently has not progressed beyond the concept stage. The associated capital costs of such a program, along with the several regulatory and permitting hurdles that would need to be dealt with, may be difficult to overcome.

[4] https://www.thesolarfoundation.org/solar-jobs-census/factsheet-2018-me/

2.4 Agriculture Production and Processing

Aroostook County is perhaps best known for its farming, with nearly 800 farms and 320,000 acres of land with 174,000 acres in production growing a variety of crops, led by potatoes (52,600 acres), vegetables (45,800 acres), silage (22,900 acres) and various grains and beans (37,000 acres).[5] While potatoes have been the largest cash crop in the past, farmers are beginning to grow vegetables (primarily broccoli) and other rotation crops, with a nascent industry in various grains. Organic growing is also becoming an important part of the county's agriculture.

Historically crops have been grown in the county and shipped elsewhere for packaging or further production. Large food companies have come into the region and built facilities for value-added products such as frozen french fries, which have created additional downstream job opportunities for county residents. There have been smaller scale efforts to add value by pre-packaging vegetables and other potato products, including by Pineland Farms and others. In 2018, there were 1,046 jobs in Crop Production and 768 in Food Manufacturing in Aroostook County.

Increasingly farmers are seeking alternative, higher-value crops to grow, especially for "rotation crops" grown two out of three years in the potato fields. Mostly these rotation crops are either plowed back into the ground or used as silage. However, some farms are finding markets for grains that can yield a revenue stream in the off-years from potato growing. Several farms are looking at growing hemp, either for industrial use (fiber) or for the CBD oil that comes from the flowers, but need to be licensed by the state and come under federal regulations that have not yet been finalized. Currently there are 167 licensed hemp farmers in Maine, with 22 in Aroostook County.[6] Although it is reported that hemp can generate significant revenues per acre, reportedly as much as $20,000 to $25,000 per acre.[7],the lack of regulations and need for strict quality control measures to keep THC levels below federal maximums, plus the lack of information on how hemp impacts soils, has prevented many farmers from moving to this crop. Hemp processing, either to extract fiber from the stalks or CBD oil from the flower heads, is growing nationally and is relatively capital intensive, requiring a variety of extraction, processing, drying and packaging equipment. Some hemp producers may be sending their crop as far away as North Carolina for processing. However, there are also reports that both nationally and regionally, prices paid for hemp are declining rapidly as supply has overtaken demand, resulting in a great deal of market uncertainty regarding future capacity.

There is also a small but growing interest in animal production in the County, including raising organic beef and bison. Organic growers are also a significant component of the mix in Maine.

Although forecasts call for a continued decline in agricultural employment, the trend is to look to more and more value-added activities taking place in Maine and in Aroostook County in particular. This includes cooking, freezing and packaging of potatoes and vegetables, extraction and processing of seed oils, or malting of grains (to supply the growing craft beer brewing industry), all of which are taking

[5] 2017 Census of Agriculture, USDA

[6] Maine Dept. of Agriculture, Conservation & Forestry

[7] https://www.sunjournal.com/2019/07/19/hemp-maines-newest/growing/field/

place to some degree in the county. Loring has had several inquiries from individuals and firms looking to expand into these areas, utilizing the existing buildings and facilities.

2.5 Forest Production and Processing

Forest products have been a mainstay of the state's northern economy for many decades. Historically the state (including Aroostook County) was a major source for dimension lumber for building as well as for pulp for papermaking, which was once the state's largest employer. Statewide it is an $8.5 billion industry employing 14,500 workers directly and generating $737 million in exports.[8]

In 2010 the Forest & Logging, Wood Products Manufacturing and Paper Manufacturing sectors in Aroostook County employed 2,268 people.[9] In 2018, this total grew by 24 jobs to 2,291, or just over 1%. What is important is that while papermaking lost 189 jobs and forestry lost 20, wood manufacturing gained 233 jobs, making the largest growth sector over that time span. These employment trends reflect the systemic shift that is occurring in the wood fiber industry towards value-added goods and increased productivity. The future of the forest products/wood fiber market is well documented in a publication from FOR/Maine[10] that describes in detail the market potential for a variety of "new" products ranging from nanocellulose to pyrolysis oils, and how Maine competes in the world economy. Maine wood also generates power and provides heat for large scale users.

The production of higher-value wood and wood-fiber products is very capital and technology intensive, providing and opportunity for Loring Commerce Centre's existing assets to be used to support this growing market.

2.6 Transportation Equipment Manufacturing and Repair

The Maine Military Authority's build-up a decade ago and subsequent demise left Loring Commerce Centre with two positive attributes – buildings and equipment suited for a variety of transportation-related manufacturing and repair activity, and a trained and capable workforce. The buildings and equipment are currently being used to a small extent by Loring Holdings, with a possibility of expansion on the horizon. The workforce still exists, however many of the individuals who worked there are likely working elsewhere, including out of the region. The ability to remobilize these workers is a question that some seem to think has a positive answer because of their close ties to the local area. The availability of these assets is the major selling point for Loring, and having Loring Holdings on-site and actively attempting to build these capabilities is a positive direction. More detailed information on the workforce and their interest in returning to the region, or willingness and skills needed to take a job in this field if they are still around, should be explored.

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[8] Forest Opportunities Roadmap/Maine, *Vision and Roadmap for Maines Forest Products Sector*, Feb2018 and *Maine Forest Economy*, MFPI 2016

[9] EMSI

[10] *Global Market Analysis and Benchmarking Study*, 2018, Indufor NA

3 Marketing Strategy

3.1 Statement of the Authority's Goals and Objectives

In its 2019 Strategic Plan, the LDA identifies a number of goals and objectives for the organization. The key goal for the LDA is the identification of a reliable revenue stream to support ongoing operations, maintenance, capital improvements and marketing of the Loring Commerce Centre. Strategies for achieving this goal include:

- Diversification of business risk by expanding and diversifying the tenant base;
- Workforce development through partnering with regional educational institutions; and
- Focusing on attracting aviation users *or alternative uses of the airfield for R&D, vehicle testing or alternative energy production*.

A fourth strategy to achieve the LDA goal is:

- Focus on supporting and encouraging cutting edge technology in the forest products industry and value-added processing for existing and emerging agricultural sectors in Aroostook County.

In addition to these strategies, the LDA must increase its focus on marketing the site to potential users and tenants. Over the past several years, the LDA has had a limited focus on marketing the property.

3.2 Factors Affecting Marketability

There are a number of factors and influences which affect the marketability and attractiveness of the Loring Commerce Centre as a place to do business. These include:

- Quality of Life – For many people considering relocating to Aroostook County, quality of life (or the "Maine way of life") is primary consideration. From a practical perspective, much of the State's area north of Bangor shares similar characteristics to Aroostook County. However, Aroostook County is more difficult to reach, as it is further north than other areas.

- Loring's Assets are an Amenity – The assets at Loring further reinforce the attractiveness of Aroostook County both as a business location and as a residential location. However, many of these assets are also available in other areas of Maine. While the assets at Loring (particularly the amount of land, existing buildings, infrastructure and roadways) have value from a business development perspective, the LDA must also invest significant funds each year to keep the assets "viable".

- Locational Perception – In general, the State of Maine is seen by many people as "remote". Within the larger context of the State of Maine, Loring is that much more remote and isolated. Across New England, many people and business owners are not familiar with Loring, Limestone and/or Aroostook County beyond what they may have learned about the region

from the historic Phish concerts of the 1990s. Many people within and outside the region consider Loring as an illustration of the Bert & I[11] "Downeast" comedy routine "You Can't Get There from Here". While Loring has proximity to some Canadian markets to the north, these markets are generally small and have a very limited number of target industries that could benefit from locating at Loring.

Competitive Position within Maine

Within the context of the State, Loring is at a competitive disadvantage in terms of population, workforce, transportation access and number of businesses when compared to many other areas. These constraints make marketing the property and attracting new economic opportunities more challenging. Among the competitive locations within the State are:

- Aroostook County – The remainder of Aroostook County is dominated by agricultural and forestry uses, small scale manufacturing, office uses and some warehousing. Government, healthcare, and social services account for six of the ten largest employment sectors. The largest private sector employment is in food service and drinking places, crop productions, wood product manufacturing and specialty trade contractors.

- Bangor – The City of Bangor has a number of economic development assets, including an international airport, post-secondary educational institutions, and a large available labor force. Bangor is also closer to the coast and has substantially better transportation access than Loring.

- Lewiston/Auburn – The Lewiston/Auburn area benefits from its location on Interstate 95, as well as a significant labor force, which includes a large immigrant labor pool. Bates College is located in Lewiston. The area has numerous former textile mills and seen some success in adaptively reusing these historic structures.

- Portland – For many people outside the region, Portland "is Maine". The City has seen significant investment over the past two decades, creating jobs and increasing economic activity. In addition, Portland has seen significant in-migration, with many new residents attracted to the City by its vibrant downtown area, coastal location, job opportunities, economic activity and other amenities. While the cost of living in Portland is high compared to other areas of Maine, it is substantially lower than other major Northeast metropolitan areas.

- Midcoast Regional Redevelopment Authority (MRRA) – Since the former Brunswick Naval Air Station was nominated for closure in 2005, MRRA has been working to redevelop its 2,100 acres of land and 1.5 million square feet of buildings. The facility includes the Brunswick Executive Airport (FAA identified KBXM) which has parallel 8,000' by 200' runways.[12] According to MRRA, more than 1,900 jobs have been created at more than 130 businesses on the site. The property has good transportation access via Interstate 295 and is close to the coastline.

[11] https://www.youtube.com/watch?v=sIJBUZm1HoY

[12] Only one of the two runways is currently in use.

Competition in Areas with Similar Assets

While the marketing and redevelopment issues experienced by Loring are challenging, they are not unique. Many closed military installations have experienced slow redevelopment, in part due to aging infrastructure, old buildings and the need for significant investment to make the sites usable. These issues are generally worse for more rural locations such as Loring. Among the former military installations which have seen varying levels of successful redevelopment are:

- Savanna Army Depot – This facility is located in northwestern Illinois, approximately two hours west of Chicago. Similar to Loring, the facility struggles financially with the ability to provide water and wastewater services to support redevelopment users. The facility has poor transportation access, being located an hour from regional interstate highways. While Loring struggles with its airport, Savanna struggles with redevelopment uses for its former rail lines. The site has miles of track, but it cannot support loaded rail cars, and is mostly used for storage of empty rail cars.

- Seneca Army Depot – This facility is located in Upstate New York, in the Finger Lakes Region. This site is located between Seneca and Cayuga Lakes, approximately twenty miles south of the New York State Throughway. The facility benefitted from a State of New York investment to upgrade water and sewer systems, necessitated by the planned construction of a State prison at the site. The property's central core is dominated by hundreds of former ammunition storage igloos, which have very limited redevelopment potential. In the Summer of 2019, Seneca County reportedly sold approximately 7,000 acres of the site (the remaining acreage) to a local businessman for $900,000. The winning bid was selected from sixteen submissions according to the Seneca County Industrial Development Agency. The buyer plans to invest $13 million to expand an ironworks business.

- Plattsburgh AFB – The Plattsburgh Airbase Redevelopment Corporation (PARC) is responsible for the redevelopment of the former Plattsburgh Air Force Base. The property reportedly included more than 3,400 total acres, and benefits from close proximity to Interstate 87 in Northern New York. PARC's properties (excluding the airport) have been marketed for sale, to encourage economic development and job creation. In 2016, PARC had just 35 acres left to sell, as all of the remaining non-airport land had been sold. The airport properties are not available for sale, only for lease. The airport has service from Allegiant, Spirit and United Airlines. Allegiant and Spirit fly predominantly to Florida destinations, while United flies to Washington Dulles. According to the airport's website, they have multiple hangars available, and more than 1.5 million square feet of facilities.

- Wurtsmith AFB – This facility is located just west of Lake Huron in Northern Michigan. Access to the site is predominantly via US Route 23, approximately 55 miles from Interstate 75 which runs south to Detroit and north to Canada. Despite its distance from Interstate 75, the facility has been redeveloped to support more than 1,300 jobs at more than 40 employers. In addition, more than 700 former military housing units have been transferred to private ownership. The primary airfield tenant is Kalitta Air, an air freight service, which provides maintenance, repair and overhaul services for its own fleet of jet aircraft, in addition to servicing other company's aircraft. Kalitta's decision to locate at the former Wurtsmith Air Force Base was due in part to

the State's decision to provide $5 million in funding to support the development of a new hangar at the site capable of housing a Boeing 747 aircraft.

3.3 Airport Considerations

The airfield at Loring is one of the assets with the highest potential in terms of economic development. However, in order to achieve that potential, a number of issues need to be resolved, and it is likely that substantial capital improvements will be required. Key issues include:

- Need for Capital Improvements – In order for the airport to support any significant level of aviation activity, the airfield will likely require significant upgrades. Key areas of consideration will include runway repairs, apron and taxiway repairs, lighting upgrades and landing systems. According to AirNav.com, airfield markings are in poor condition, approach lighting is insufficient, and there are no runway end identifier lights. According to the LDA, approach lights, runway end lights and edge lights are in place, but the LDA chooses not to use them at this time. The lighting and markings reportedly follows Air Force specifications, and would have to be changed meet FAA requirements if the airport were to become an FAA-compliant airport. The airport can reportedly be used under visual flight rules (VFR), and only during daylight hours. AirNav also notes concerns over potential standing water on the runway during and subsequent to precipitation events. The LDA indicates that this is the result of a flat spot in the runway for a planned (but never constructed) crosswind runway.

  It is significant to note that the LDA is in negotiations with a China-based entity to utilize the airfield for transportation of food products to China using large aircraft. A use of this magnitude would certainly impact the long-term future for the airport. However, in order to land large aircraft, significant upgrades are likely to be required. In particular, it is anticipated that the company that insures the aircraft will mandate specific upgrades to the airfield in order to reduce the risk of damage to the aircraft. From a practical perspective, upgrades are likely to be required in accordance with FAA standards in areas such as pavement condition, lighting, navigational aids, lighting, etc.

- Public vs. Private Airport – The question of whether Loring should remain a private airport, or convert to a public airport, is a multi-faceted question for the LDA Board. Becoming an FAA- sponsored[13] airport would allow access to FAA funding for eligible capital improvement projects, which are generally 90% funded by FAA and 10% by the State and airport operator. However, in order to become an FAA-sponsored airport, and become part of the National Plan of Integrated Airport Systems (NPIAS), the LDA would have to prepare an Airport Master Plan and an Airport Layout Plan. Developing these plans could cost between $300,000 and $1 million. However, if Loring becomes a NPIAS airport, it would be eligible to compete for funds from the Military Airports Program, which could provide funding over three to five years for upgrade projects. According to the FAA website,

[13] Federal Aviation Administration

"The Military Airport Program (MAP) is a grant set-aside from the Airport Improvement Program (AIP). Through this program, FAA awards grant funds to the civil sponsor of a military airfield for the development of aviation facilities for the public. This program also assists new sponsors in converting former military airfields to public use to add system capacity and reduce congestion at existing airports experiencing significant delays. In addition, the MAP provides financial assistance to the civilian sponsors who are converting, or have already converted, military airfields to civilian or joint military/civilian use. To aid in this process, MAP grants may be used for projects not generally funded by the AIP, such as building or rehabilitating surface parking lots, fuel farms, hangars, utility systems, access roads, and cargo buildings."

In addition, becoming a NPIAS airport requires a commitment to operate and maintain the airport consistent with FAA standards and requirements. This means that activities such as runway plowing, field maintenance, operational activities and access must be provided continually. Providing airfield services and staffing can be expensive, and given a limited base of existing users, it is unlikely that the LDA could provide the necessary funding to support FAA-level operation of the airport.

- Operating Cost Considerations – At the present time, the LDA operates the airport on a very limited basis. As such, the operating costs are limited. If the airport were to be converted to an FAA-sponsored airport, operating costs would increase dramatically, as the airport, including runways and taxiways, would have to be maintained to FAA standards. This would require a significant budget for personnel, as well as supplies, particularly for de-icing the runway. As a comparison, the annual operating budget for the Brunswick Executive Airport, which has an 8,000' by 200' runway, is $1.3 million annually. The Loring runway is 125% larger in surface area than the Brunswick runway.

- Viability for UAS – As discussed elsewhere in this report, the Unmanned Aerial Systems (UAS, or drones) sector is experiencing dramatic growth, as drones see increased use in commercial applications. As larger and larger drones are targeted for commercial applications, drones companies will require locations for testing, training of pilots and sensor operators, and for maintenance, repair and overhaul. In addition, while drones typically perform "out and back" missions today, over time, they are likely to move towards "point to point" missions. Loring's long runway and uncongested airspace could be attractive to companies producing larger drones such as Textron, Northrop Grumman, General Atomics and Boeing/Insitu. In addition, the opportunity to fly over large unpopulated areas, such as the forested areas to the west and northwest of Loring, could also be attractive for drone testing and training.

  However, the Loring airfield is likely to require significant investment to support drone flight activity. In addition to pavement repairs and upgrades, use of larger drones in the airspace in proximity to Loring is likely to require some form of Beyond-Visual-Line-of-Sight (BVLOS) system. A BVLOS system can be used instead of a chase plane or ground-based visual observer for drones flying below 18,000 feet.

- Abandon the Airport – The LDA has the option of abandoning the airport as an operating entity, and to convert the existing airport property to another use. The runways, taxiways and aprons areas could be converted to support utility-scale solar uses, autonomous vehicle testing

or other economic development activities. As discussed above, the LDA has evaluated areas adjacent to the runways and taxiways for a 600-acre solar project, which means that including the runways and taxiways, a solar project in excess of 1,000 acres could potentially be developed, though there is not presently a way to transmit this solar energy to Southern New England. In any case, any conversion of the airport needs to be closely evaluated in the context of successful economic development against the potential benefits of maintaining the airfield.

3.4 Identification of Target Opportunities

Autonomous Vehicles

The infrastructure at Loring could potentially be of interest to companies in the autonomous vehicle industry. Loring's vast roadway network, low traffic volumes, variety of road conditions and even the runway, taxiways and apron areas could offer autonomous vehicle companies an opportunity to test "unique" scenarios that could be more difficult to test in more active traffic areas. Companies could test "crash avoidance" scenarios, "lost link/software failure" scenarios, pedestrian/vehicle interaction safety scenarios and mechanical failure scenarios in the field at Loring to make sure that they react as planned before testing their products in heavier traffic locations such as Portland, for example. In addition, companies could also test "winter weather driving" capabilities of their products.

From a marketing perspective, pursuing companies in this sector will require significant research into industry practices, attendance at tradeshows and other gatherings of experts in this area, and direct marketing to companies including vehicle manufacturers, technology development companies, software developers and other specialty products companies. This must be weighed against the economic impact that could occur – development and testing of these systems may be sporadic and bring only temporary jobs to Loring, while utilizing relatively large amounts of the asset base.

Solar Energy Production

Unless and until NMISA connects with ISO New England, the ability to develop utility-scale solar capacity is limited. However, increasing the availability of competitively priced solar power for tenants at Loring should be a major focus of the LDA's marketing strategy. Unless and until a major user is found, it is difficult for solar providers to get the financing needed to invest in the infrastructure. Having one or more potential solar developers ready to partner with the LDA to help attract energy-intensive users will be critical to remain competitive in the agricultural and forestry value-added processing sectors (see below).

Agriculture Production and Processing

With Loring's extensive building inventory, there are opportunities for companies seeking to add value to the various products being grown in Aroostook County. These include hemp drying and processing, cooking/freezing/drying/packaging of potatoes and other vegetables, processing grains including malting of barley, as well as other activities. The LDA has entertained several inquiries in this area and needs to continue to reach out to the agricultural for more opportunities.

The ability to provide clean, environmentally controlled space could be an advantage to many smaller firms growing and processing organic goods, or medical hemp/CBD (and perhaps marijuana/THC at some point in the future). Having the infrastructure and ample water supplies (and treatment capacity) might also be attractive to aquaculture and hydroponic operations, if energy costs can be competitive (see solar above).

Forest Production and Processing

Like agriculture, Loring's opportunities should be focused on providing support (through buildings and infrastructure) for value-added processing of wood fiber and other components. This might include engineered lumber and systems, as well as processing wood pulp for nanocellulose and/or pyrolytic oil or other components. The ability to add value at the source, so as to minimize the high costs of transporting raw material out of the region and state, is the advantage that Loring can bring to producers. Because this is still a nascent industry, it will take time and many successes and failures for long-term economic development to succeed. The LDA needs to take a very active and visible role in this industry in order to take advantage of any opportunities that may quickly pop-up.

In this sector, Loring will be competing directly with what is happening in Millinocket at the former Great Northern Paper site. The locally-based Our Katahdin group is actively seeking developers and investors to bring some of this technology to that site and has the added advantage of low-cost hydropower. They also have the old mill facility and supporting infrastructure. The LDA should be aware of what is going on with this project and be prepared to work with that group.

Transportation Equipment Manufacturing and Repair

Loring Industries is working hard to bring more work in to their own operations as well as to attract other companies in related industries. The firm is currently looking at expanding its container-conversion business and pursuing transit-oriented repair and overhaul work. Nationally, employment in the transportation equipment manufacturing sector (NAICS #336) has been growing at over 3 percent annually since 2010 and is anticipated to continue. The LDA through Loring Industries is connected to companies supplying repair services to transit operators and other organizations and should continue to pursue this market aggressively.

Aviation-Related Opportunities

Commercial applications for medium and large UAS[14] are expanding rapidly. These types of drones are typically runway-dependent and require a runway of at least 6,000 feet. Though there are relatively few commercial medium and large UAS flying currently, growth projections are strong. Drones of this type typically fly at altitudes above 18,000 feet, and can stay aloft for twenty to thirty hours or more. Drones can be used to gather large quantities of data, from inspecting off-shore oil rigs or wind turbines to mapping entire states to inspecting oil pipelines and electric transmission lines. In addition, unlike smaller drones, medium and large UAS create significant numbers of jobs both during operations and for data analysis.

As medium and large drones move from military applications to commercial applications, the need for additional pilots and sensor operators will continue to increase. Concurrently, the need for skilled

[14] Drones with a weight of 1,320 pounds or more

aircraft maintenance technicians and data/imagery analysts is also expected to increase. The pilot shortage in manned aircraft is being driven by mandatory retirement for many Baby Boom-era pilots, and increased production of passenger and cargo aircraft. Boeing estimates the aircraft maintenance technician shortage to be in excess of 7,000.

The increased commercialization of medium and large UAS is expected to increase the need for airports which can support these aircraft. Currently, the only UAS-focused airport in the United States is Grand Sky, located in Grand Forks County, North Dakota. Grand Sky is located on 217 acres of land that Grand Forks County leased from the United States Air Force. The airport is a joint-use airfield which supports both private commercial operations as well as military activity. The joint-use agreement provides Grand Sky tenants with the ability to utilize the Air Force's 12,351-foot runway. There are twenty-two joint-use airports in the United States.

Since its inception in 2014, Grand Sky has focused on supporting medium and large UAS flight activity. Two anchor tenants, Northrop Grumman and General Atomics, have developed facilities at Grand Sky, and both companies have announced expanded facilities beyond their initial footprints. In particular, General Atomics is training pilots for the MQ-9 Reaper, including their own internal pilots and pilots for NATO Allies who have purchase the Reaper. Grand Sky has developed and installed a Beyond-Visual-Line-of-Site (BVLOS) system, which allows medium and large UAS to takeoff and land without the need for a chase plane. The FAA requires UAS to be operated within the line of sight of the operator (or designated visual observers) when operated below 18,000 feet. The Grand Sky BVLOS eliminates the need for a chase plane within the geographic area served by the BVLOS. The system was recently expanded to provide a 100-mile "BVLOS Super Corridor". The State of North Dakota appropriated $28 million in the most recent legislative session to develop a statewide BVLOS network.

Pursuing aviation-related opportunities obviously pre-supposes that the LDA will elect to keep the airfield in place, which requires a substantial financial commitment. This would allow the LDA to pursue UAS opportunities, as well as pilot training for manned and unmanned aircraft and sensor operator training. However, as discussed elsewhere in this report, the Loring airport is likely to require significant capital investment to support large-scale aviation uses, whether those uses are manned or unmanned.

Other UAS-related Opportunities

Loring Commerce Centre has some features that could be attractive to Urban Air Mobility (UAM) companies looking to certify their aircraft. Specifically, Loring has uncluttered airspace and low population density, as well as existing facilities that could be used to house, maintain and monitor UAS. In addition, the large paved areas, including the former runway, taxiways and aprons, could be used for vertical takeoffs and landings.

Another potential area where the Loring Commerce Centre's assets could be attractive for UAS-related activity is in testing for large, runway-dependent UAS. Large UAS often weigh 200 pounds or more and have wingspans that can reach 50 feet or more. The largest UAS, Northrop Grumman's Global Hawk, has a wingspan of 131 feet and weighs almost 15,000 pounds, with a maximum takeoff weight of more than 32,000 pounds. General Atomics' Predator C (Avenger) has a wingspan of 66 feet, with a maximum gross takeoff weight of 18,200 pounds. The Avenger can also carry weapons as part of its payload.

The value of these larger aircraft is their flight duration of 15 hours or more. Some aircraft have flight durations of 25 to 35 hours on a single load of fuel, giving them tremendous range and the ability to carry large payloads, including sensors weighing hundreds of pounds. Some significant advantages of large UAS are:

- Flight times of 20 to 40 hours or more for a single flight operation;
- Larger and more capable payloads which enables multiple sensors that can be used simultaneously;
- Ability to store more data on-board the aircraft, as well as the ability to take advantage of existing technology and communications equipment that is too large to fit on smaller aircraft; and
- Operational ranges of thousands of nautical miles.

The growth in UAS has created increased demand for UAS pilots, as well as the need to test commercial versions of existing military UAS. The Loring Commerce Centre's runway and uncluttered airspace could be attractive to companies seeking to commercialize existing military technology, and to companies requiring additional pilots to fly UAS on a contract basis. However, in order for Loring to be viable as a test and/or training location, some significant investments would be necessary. The FAA currently requires a chase plane (with both a pilot and a visual observer) for UAS operating below 18,000 feet. This is a substantial cost factor, making UAS flight far more costly than necessary. One option is to install a Beyond-Visual-Line-of-Sight (BVLOS) radar visualization system. This system, currently approved by the FAA for use at the Grand Sky UAS Park (Grand Forks Air Force base, ND), is being used by General Atomics to certify their aircraft for commercial use, and as part of the training for in-house pilots and to train overseas pilots.

In addition, UAS testing and training may also require upgrades to airfield lighting and operation of the aircraft control tower which could require significant amounts of funding. Pavement may have to repaired on the airfield (runway, taxiways, apron) to limit damages to UAS, and an active FOD (Foreign Object Debris) management program will be required.

Population, accessibility and labor force concerns could be an issue for companies that could potentially establish UAS testing and/or training at the Loring Commerce Centre. Operations of this type require a skilled, trained labor force, and while companies can "import" some workers, they also typically look for local labor to complement their organic workforce. This could provide an opportunity to work with local education providers to partner with these organizations.

3.5 Specific Marketing Opportunities and Strategies

There are a variety of marketing approaches that the LDA can implement to market and promote the Loring Commerce Centre. These include both electronic marketing as well as more traditional marketing approaches, including trade shows and organizations, personal contact and promotional activities.

Website Update and Maintenance

At a minimum, the LDA needs to update and enhance its website. The existing website has little to no interactivity, and much of the information is dated. For example, despite the prominence of the runway

in the picture on the website's homepage, there appears to be no mention of the airport or airfield on the website. In addition, the Inventory of Loring Properties appears to be two years old.

The website should be updated to include enhanced graphics, additional demographic and economic information, and workforce data. In addition, the LDA may want to include information on financing, permitting, development, and services the LDA can provide to potential users/developers. Websites for former military installations such as PeaseDev.org (Pease Air Force Base), MRRA.US (Brunswick Naval Air Station) and MassDevelopment.com (Fort Devens) include higher levels of graphics, real estate search capabilities, scrolling graphics, information on incentives and news/events updates. In general, these sites are considered to be more "visually appealing" and functional than the Loring website. Each offers a higher level of detail and a broader content than the Loring website.

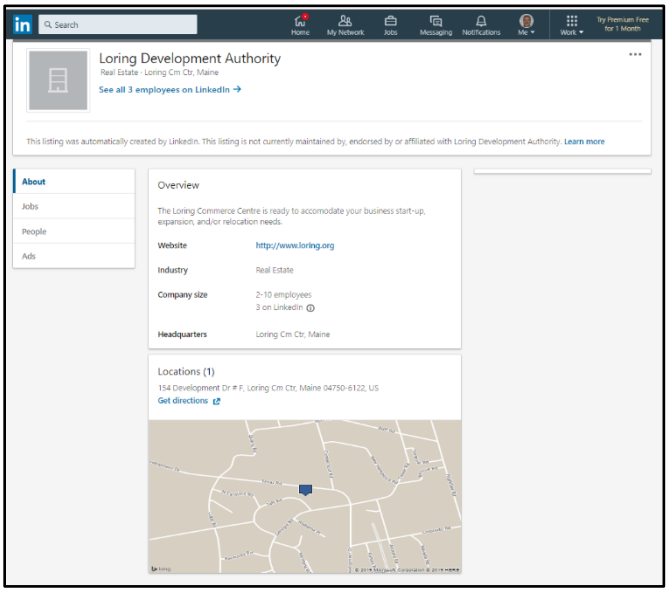
The website as a whole should be updated on quarterly basis, to ensure that all content is accurate and up-to-date. Specific pages, such as a News page, an Events page and the Available Properties page, should be updated more frequently. When the website is revised and upgraded, it should be updated using a user-friendly interface, and one or more members of the LDA staff should be trained on how to update specific pages. As an example of a comprehensive economic development website, see the website for Battle Creek Unlimited, https://bcunlimited.org/.

Social Media

Over the past two decades, social media has exploded as a communication tool for businesses and organizations of all types. The use of social media is an inexpensive tool to promote a business or organization in real-time at a very low cost. For example, Facebook has a reported 2.4 billion monthly active users, Instagram has one billion users, Twitter has 330 million users monthly and Linkedin has 300 million active users each month. While these figures do not guarantee that the Loring Commerce Centre will attract followers who read their posts, it does offer Loring the opportunity to "promote" actions, activities and accomplishments in real-time at very low cost.

In general, Facebook and Linkedin are the most popular social media platforms for businesses and organizations. Facebook is the largest social media platform, with an estimated 2.4 billion monthly active users, and a reported 1.6 billion daily active users.

Creating accounts and posting to these sites is relatively simple, and can be completed in just a few minutes. This would allow the Loring Development Authority the ability to promote its activities and accomplishments, as well as those of Loring's tenants. In addition, visits by Loring's Congressional Delegation, as well as State political leaders, can also be highlighted.



It is interesting to note that Linkedin automatically created a page for the Loring Development Authority (as shown in the graphic to the right), presumably because it identified the organization as the "employer" on the personal Linkedin pages for Carl Flora and Diane Martin.

The highest profile social media sites, such as Facebook, Linkedin and Instagram, are very easy to update and keep current from the perspective of promoting activities, tenant successes and high-profile visitors to Loring. However, it is important that any public postings be reviewed critically before they are posted for accuracy, content and with an eye towards "political and social sensitivity". While postings can be removed if they are determined to be detrimental for some reason, others will likely have forwarded, re-posted and/or "screen-shotted" anything that is deemed "problematic". For this reason, some companies and organization use professional marketing/public relations groups to manage their postings. Since social media is more "immediate" than the website in terms of its ability to relay "current events/successes/activities", it needs to be updated and managed more closely. A good goal is to try to generate some form of update at least once a week, so that Loring is frequently providing information to followers. For example, a single event could generate two or three postings (or more), depending on the event. For instance, a planned visit my a member of the Congressional Delegation could include a pre-event posting ("the Senator is planning to visit Loring next week"), a day-of-event posting ("here's a video of the Senator's comments today"), and a post-event posting ("as a result of the Senator's visit, here's what we expect to happen".

Industry Associations and Trade Shows

Participation in industry associations is an excellent way to network with companies and organizations in similar circumstances. For example, the Association of Defense Communities (ADC) is an organization that supports communities with both active and closed military installations. ADC's meetings offer the opportunity for communities dealing with redevelopment of former military installations to share experiences and best practices for topics ranging from financing to maintenance to marketing to environmental cleanup.

In addition, industry associations can also be a good opportunity to meet potential tenants through their specific trade associations. For example, given Loring's previous experience with transportation-related tenants, some marketing opportunities could be pursued with members of the National Truck

Equipment Association, the Association of Equipment Manufacturers or even the Canadian Transportation Equipment Association.

Should the LDA elect to pursue UAS activity, or autonomous vehicle research, testing and/or manufacturing, it may make sense to get involved in the Association of Unmanned Vehicle Systems International (AUVSI). AUVSI has both regional and national chapters, and their annual conference (xponential.org) attracts more than 10,000 attendees each year. The 2020 conference will be held in Boston in May.

One of the best opportunities to network and generate contacts is by speaking and/or participating on a panel at a conference or trade show. Speakers and panelists are viewed as "subject matter experts", and frequently receive interest and inquiries as a result of speaking at a conference. In addition, the speaking event can also be promoted in advance and after the event on social media, as a means of promoting Loring.

Participating in a conference or tradeshow can be very expensive, including creation of a display/ booth, staffing, travel, per diem, hotel and personnel costs. Participating in some tradeshows can cost $10,000 to as much as $25,000. With this kind of investment, it is important to prepare in advance of the show to achieve maximum benefits.

The LDA will likely need to create one or two tradeshow booths/ displays for use when exhibiting at tradeshows. Many organizations have a larger booth as well as a "tabletop" or more limited booth for smaller shows. Some organizations also choose to have multiple sets of graphics for a booth, so it can appear more "customized". In general, the tradeshow booth will help to create an awareness of Loring, but is less likely to generate an immediate tenant or high quality prospect. All shows provide a list of exhibitors, which should be reviewed to identify the organizations that Loring's representative want to meet at the show. In addition, Loring's representatives should also walk the tradeshow floor to see other booths, particularly direct competitors (if they are also exhibiting).

In some cases, it may be a good idea to attend a tradeshow without exhibiting, in order to understand the types of exhibitors and exhibits, and to determine whether and to what extent Loring "fits" with the show. There are pros and cons to this approach – the ability to actually exhibit is postponed for a year, but the LDA could save thousands of dollars by avoiding exhibiting at the "wrong" trade show.

Staffing is critically important at any tradeshow booth. Personnel should be appropriately dressed, and any individual staffing the booth needs to have sufficient knowledge to respond to inquiries from attendees and potential prospects. Frequently, staffing a booth requires two or more people in order to cover all of the show hours and have the opportunity to have separate meetings without leaving the booth unattended.

Many organizations opt for "giveaways" during a tradeshow. Some are in the form of logo merchandise (thumb drives, stickers, pins, cups, etc.) with the organization's logo imprinted on them, while others keep a supply of chocolates or candies available in the booth. Others hold a drawing for one to three prizes, such as a golf driver, a small drone, a smart watch or something similar. Using products or services from local vendors also helps to strengthen local relationship[s.

The benefit of the drawing is that typically, a business card must be dropped into a fishbowl to enter, which would provide the LDA a supply of attendee's business cards for email marketing campaign

described above. Obviously, participation in a tradeshow also offers significant opportunities to post the LDA's participation on various social media platforms. In addition, the winner of any giveaway can also be promoted on social media platforms.

Some organizations also use coordinated logo sportswear for their booth personnel, so that their booth personnel are easily recognizable as a "team". Though this is more common for larger booths and teams, some smaller organizations choose to use this approach as well. For a multi-day show, some organizations have their teams coordinate their "uniforms" for each day – for example, khakis and a red polo shirt, or black dress pants with a white polo shirt.

Email Marketing

Another way to promote properties is direct email marketing. Online email marketing services such as PropertyBlast.com, BigBoysBlast.com and SendMyListing.com offer direct email contact to commercial real estate professionals, at generally low costs. These services can send an email flyer to more than 100,000 real estate professionals for under $200. Using a service of this type to highlight available development sites and/or facilities could be a cost-effective way to create an awareness of the property across a large number of real estate professionals. Whether the email is successful is difficult to determine, as a variety of factors usually contribute to a company or site selector making an inquiry regarding a particular site or community.

In addition to emailing a "one-pager" regarding available property at Loring via one of these services, the LDA could also develop a quarterly newsletter "update" to be emailed to the LDA's internal mailing list. Direct email contact, properly managed, can help to increase awareness of the Loring property and create "top of mind awareness" for the property and the region in general as an economic development location. The LDA can complete this effort using internal staff, or as an alternative, the LDA could contract with an outside entity, such as Constant Contact, to maintain regular contact with key email contacts.

The use of an email marketing strategy can be helpful in keeping Loring in the forefront of contacts minds. This is important because if someone "familiar" with Loring has a need for space and/or developable land, it's important for that potential tenant to "remember" that Loring is an option. Using an email marketing platform such as MailChimp or Constant Contact[15] can be very cost effective. Pricing is generally driven by the number of contacts, or email addresses, that receive content. Plans can range from as low as $20 per month to around $200 per month. Like social media postings discussed above, it is critically important to ensure that the content of the email is reviewed and critiqued before it is sent out. Emailing up-to-date information every 30 to 90 days can help keep Loring "top of mind" for contacts. As an example, the Midcoast Maine Redevelopment Authority uses MailChimp for email marketing to contacts, as shown in the graphic to the right.

Direct Outreach

Personal visits and direct contact with potential tenants is one of the best methods of marketing a property, because face-to-face contact allows for the maximum amount of interaction and direct explanation. However, it can also be one of the most expensive means of marketing, since it usually

[15] https://blog.capterra.com/mailchimp-vs-constant-contact/

requires travel to remote locations. While direct outreach within New England can generally be accomplished by driving to a prospect's site, areas beyond New England will likely require air travel, hotels, vehicle rental and per diem (food) costs. A three-day trip to a West Coast location could require an investment of $4,000 or more.

Typically, direct outreach is focused on contacts that have expressed an interest and been pre-screened. However, in some instances, the LDA may elect to go to an area with a concentration of companies in a specific industry or group of industries, after scheduling meetings with a group of specific companies. For example, Southern California has a number of large UAS companies that could be visited on a single trip. Similarly, the Seattle area has a number of aviation companies (Boeing) and suppliers that could be visited in a single visit.

Direct Outreach – Embarking on a direct outreach trip requires significant planning in order to ensure that the investment in travel and other trip costs is a worthwhile investment. If the direct outreach trip is to meet with a high-likelihood tenant, the LDA should attempt to set up additional meetings during the same trip, to help enhance the value of the trip. The additional meetings could be for companies within the LDA's target market sectors, or even with related entities of existing tenants. For example, any trip within New England could include a visit with Joe Alosa (Loring Industries) in Concord, New Hampshire.

If the LDA is doing a "familiarization trip" to introduce Loring to a number of users within a region as a form of direct outreach, significant analysis needs to be completed in order to identify specific regions that have concentrations of target sectors companies. For example, the San Diego region has a significant concentration of aviation-related manufacturers, as does Seattle. There are similar regions with concentrations of companies in the manufacturing and repair of transportation. The LDA needs to focus on recruiting from regions where it has some competitive advantage, which typically mean locations in the northern area of the US, frequently referred to as the Rust Belt. These areas have experience operating in cold weather locations, higher utility costs and other operating factors unique to the Northeast.

It is critical to setup meetings in advance, and to confirm meetings two to five days before the trip. It is important to have printed marketing materials as a "leave behind" for these types of meetings. Meetings should be scheduled with ample time between meetings, to account for travel time and to have a cushion in the event that a meeting runs long or starts late. For each meeting, the LDA should focus on understanding whether the prospect has a current or anticipated need for space, and identify how Loring might be able to provide solutions that can be implemented to help the prospect's business.

After each meeting, the LDA should identify whether and to what extent follow-up is necessary. In every case, a follow-up email should be sent within 24 hours, as a thank you. If future follow-up is anticipated, the prospect's information should be included in a reminder file/calendar to ensure that the follow-up isn't "forgotten" six months or a year after the original meeting.

Marketing Materials

The LDA needs to develop up-to-date marketing and promotional materials in both paper and electronic formats. This will allow for potential tenants and other interested parties to have detailed information on Loring, the property (including facilities and available development sites), the region,

workforce, demographics, incentives and other key criteria. Producing these materials in .pdf format will allow them to be emailed, as well as being posted on the Loring website.

Updating Loring's marketing materials is a relatively simple task. Key site selection factors should be provided, to include demographics; workforce and wages; cost of living; transportation; utilities and infrastructure; quality of life issues; incentives; and available properties. These topics can be grouped and presented in a "one-pager" format, likely with a maximum of four to six total pages. Printed materials should be available for trade shows and face-to-face meetings, though printing should be limited to 250 to 500 copies of each, based on the expectation that the information will be updated at least annually. In addition, these materials should be available in .pdf format, so that they can be sent to potential tenants by email as necessary.

Staffing and Budgetary Implications

Implementing any of the propose marketing strategies outlined above will require some level of investment. With the exception of social media strategies, marketing investments could range from $50,000 to more than $150,000 annually, excluding staff costs. Attending and exhibiting at a trade show could cost $10,000 to $15,000 or more for each conference or trade show. An updated/enhanced website could cost between $15,000 and $25,000, while development of printed and electronic marketing materials could cost in the range of $5,000 to $10,000. Depending on the number of direct outreach meetings that the LDA pursues, costs could be as low as $20,000 or as high as $50,000. It is important to note that these costs do not reflect the personnel and benefits cost of a dedicated marketing staff member.

One opportunity for the LDA to reduce its direct cash outlay is to share marketing expenses with the Midcoast Regional Redevelopment Authority (MRRA), the redevelopment agency for the former Brunswick Naval Air Station. MRRA has an existing marketing program and attends a number of trade shows and conferences. By sharing expenses, MRRA could represent both Brunswick's and Loring's facilities from a marketing perspective. Given that the MRRA's Executive Director is a member of the LDA Boar, these discussions should be able to be completed relatively quickly. Secondarily, the LDA may be able to reduce some other costs, such as back-office or accounting functions, by having MRRA perform these services on a contract basis.

Additional Considerations

There are a number of additional considerations that the LDA Board should consider within the context of moving the organization forward. These overarching issues could affect the LDA's ability to implement some of the recommendations included in this report. These include:

- New Administrator/Executive Director – The current Executive Director is considering retirement within the next 6-8 months. Moving forward, the new Executive Director should be well-versed in using social media for marketing Loring, in addition to having a significant focus on marketing the property through other traditional marketing activities. Key platforms, such as LinkedIn, Facebook, Twitter and Instagram offer the ability to promote the site and publicize accomplishments in real time, at a relatively low cost.
- Financial Concerns/Considerations – The LDA faces significant financial challenges. The organization's draft financial statements for June 30, 2019 indicate a decline in revenues of

approximately 10% from 2018 to 2019. At the same time, operating expenses increased by more than 17%, although total marketing expenses are reported at less than $1,000 for each of these fiscal years. The decline in revenues and increase in expenses resulted in the organization's operating loss increasing by 186%, from $444,600 in 2018 to $1,272,500 in 2019. The organization received more than $1.4 million in assistance from the State of Maine in 2019, which represented 56% of the LDA's revenues. Revenues from leases and other operating activities fell from $1.5 million in 2018 to $1.1 million in 2019. Any reduction in support from the State has the potential to cripple the organization financially. To illustrate the seriousness of the LDA's financial position, the draft balance sheet for June 30, 2019 indicates that the LDA current assets of $1.7 million, which equates to approximately 120% of the 2019 support received from the State of Maine.

- Potential Sale of Assets – The LDA may want to consider the sale of assets as part of an overall strategy to stabilize cash flows and create a financial reserve. The LDA should consider selling existing facilities to current tenants as a means of generating cash flows to support operations and marketing. This strategy will reduce longer term lease revenues, but could offer the ability to generate new more immediate revenues which could be used to support operations and new marketing initiatives.

  The potential sale of the airport is a more complex matter. As discussed elsewhere in this analysis, the airport/airfield requires significant capital expenditures if any airport activity is to be supported. The LDA has held the airport for more than two decades, and invested funds in operations and maintenance – assuming an average of just $25,000 annually for mowing and vegetation control, more than half a million dollars has been spent maintaining the airport. Since the departure of the aircraft "teardown/parts" operation, aviation activity at Loring has been negligible. While holding the airport offers the LDA the opportunity to "grab the brass ring" if a large aviation user comes to Loring, the holding costs of the airport, combined with necessary capital improvements to upgrade the airfield IF a large aviation user is identified, likely outweigh the benefits of holding costs. A more comprehensive evaluation of the capital investment needs of the airport and support facilities is recommended before any decision regarding sale of the airport is undertaken.

  There are precedents for a private airport facility such as the Loring airfield. Grey Butte Field Airport is a private airport located east of Palmdale. California. The facility is owned by General Atomics (GA), and is used primarily for development and testing of UAS for the Department of Defense and the US Government. GA also leases a second facility, El Mirage Field, which is located east of El Mirage, California. AirNav.com indicates that the runway at Grey Butte is 8,000' by 150', while the El Mirage Field has three runways with a maximum length of 3,200'. AirNav indicates all of the El Mirage runways are in poor condition.

  There are a number of privately-owned airports available for sale, according to Loopnet.com. These airports are all smaller than Loring in terms of runway length, and most appear to be in better physical condition both in terms of airport ground facilities and tenant buildings. Nevertheless, these offerings indicate that there are competing facilities being marketed for sale in other states, and that if the LDA elected to sell the airport property, there are marketing channels which could be utilized.

3.6 Specific Recommendations

There are a number of steps that the LDA can take immediately to improve their marketing for the Loring Commerce Centre. The first step should be a redesign and updating of the Loring website. This will provide users with more up-to-date and usable information regarding Loring.

In addition, the LDA should immediately establish at least two social media accounts for Loring. Creating profiles on Facebook and Linkedin will provide the LDA with a platform to promote activities and successes at Loring to a broad audience. The Loring website should highlight and provide links to these social media platforms. It should be the responsibility of the Executive Director to post updates and information to these social media accounts, with a goal of providing updates at least every two weeks.

Updated marketing materials should be prepared in both electronic and paper forms. Printing of paper marketing materials should be limited, but it is important to have the materials available as a "leave behind" or "takeaway" for meetings with potential tenants. Electronic versions can be emailed as needed, and added to the website for visitors that are looking for more detailed information.

Summary

The LDA is in a precarious point in its history. Recent trends have been negative. Revenues and employment have declined in recent years, as a result of the loss of a major employer, write-offs for uncollected rents, increased operating costs and a limited marketing are all factors contributing to the LDA's state-of-the-organization. In addition to these issues, a reported reduction in State support in the range of $750,000, more than half of the State's FY 2019 funding to the LDA, could require the LDA radically alter its operation. This could require measures such as reduced staffing, deferral of repairs and maintenance, reducing or eliminating contracted services and possibly even defaulting on the LDA's line of credit and/or other long-term debt obligations.

In contrast to these financial challenges, the LDA has a pressing need to increase its marketing and promotional efforts. According to the LDA's financial statements, less than $1,000 total has been spent on marketing over the part two years. In a scenario without financial constraints, an organization such as the LDA could spend $200,000 to $300,000 annually marketing the property, and would likely require two to four years to see benefits from that investment. While some benefits could be generated sooner, creating an awareness of the opportunity at Loring will require time to implement.

The LDA is at a crossroads, with the possibility of insolvency looming if its recent financial trends cannot be reversed. While the LDA has several large-scale projects, such as utility-scale solar energy and a biomass-to-jet fuel facility, these are at a conceptual level and it is unclear whether the LDA can survive financially long enough to see these projects come to fruition.

From a practical cash flow perspective, the LDA should focus on short-term asset sales to generate sufficient funding to support a three to four-year marketing campaign, in addition to necessary operational funding. The LDA should attempt to market occupied buildings to tenants to generate additional cash. Overall, the goal should be to generate at least $5 million from assets sales before the end of the current fiscal year. This will provide funds for a period of four to five years to replace the reduced funding from the State and allow the implementation of a more aggressive marketing and outreach program over the same four to five-year period.

A decision on whether to maintain the airport, and under what "scenario" (public FAA airport, private airport or elimination of the airport) will affect the focus of the future marketing program. An FAA airport offers access to funding for capital improvements but also comes with FAA operating and maintenance requirements, while a private airport requires internally funded capital improvements but provides significant operating "flexibility". Elimination of the airport offers development potential in the areas of the runway, taxiway and aprons. Each of these strategies requires a different marketing approach, with varied levels of financial investment.

Assuming the LDA is able to generate the targeted $5 million from asset sales, an annual marketing budget of $250,000 could be supported for the next four years. This could include:

- Website Update and Maintenance – A budget of $15,000 annually will help to keep the website both current and relevant;
- Social Media – While much of this content will be internally generated, the LDA may want to allocate $10,000 annually for additional support;
- Email Marketing – Direct outreach to key potential marketing targets using a group such as Constant Contact should be budgeted at a cost of $12,000 per year;
- Marketing Materials – These materials should be updated annually in electronic and paper for, with a budget of $8,000 annually;
- Conference and Tradeshow Participation – Creating an awareness of Loring through participation and possibly exhibiting at up to eight conferences and tradeshows annually should be budgeted at $100,000 annually;
- Direct Outreach – As leads become more qualified and verified, it may be necessary to go directly to a potential tenant's location. In addition, when a key targeted key sector is identified, it may also be beneficial to visit a company or group of companies to introduce Loring and its assets. An annual budget of $50,000 should be available for these visits; and
- Contingency Funds – As with any uncertain activity, unplanned and unforeseen expenses can occur, whether it's an unplanned visit to Asia or an urgent need to replace a tradeshow booth or even to develop some custom conceptual plans for a potential tenant. An annual budget of $40,000 is recommended to address these issues.

The LDA also needs to continue to aggressively lobby the legislature for support and funding. Although the State of Maine has many needs and limited resources with which to address issues, support for the forestry and agricultural sectors as well as the retention of well-paying jobs in the northern part of the state should be a primary objective. As described elsewhere, Loring and Aroostook County compete not only with other regions of the country (and Canada) but also with the rest of the State of Maine for population, labor and income.