



San Bernardino International Airport



March 30, 2007

Patrick Hogan, President
CMB Export LLC
Corona Professional Center
400 S. Ramona Avenue, Ste. 212AA
Corona, CA 91719

RE: LETTER OF AUTHORIZATION TO RAISE CAPITAL FOR CERTAIN INFRASTRUCTURE PROJECTS

Dear Mr. Hogan:

In recent months, the Inland Valley Development Agency (IVDA) and the San Bernardino International Airport Authority (SBIAA) have conferred with CMB Export, LLC (CMB) with regard to a variety of planning and redevelopment projects and priorities related to the development of San Bernardino International Airport and the surrounding redevelopment project area. These important funding needs primarily consist of additions and upgrades to aviation and non-aviation facilities and infrastructure consistent with the master reuse plan of the former Norton Air Force Base. Current projects under consideration with CMB (totaling up to \$38m) consist of the following:

- 1) **Construction of Hard Cap Facility/Landfill (\$3.5 million)**: This project involves utilizing the site of the former military base landfill. The plan involves construction of an asphalt hard cap on the area to allow for a staging area for the multitude of vehicles and trucks servicing the aviation and warehouse developments on the airport property (more fully described below).
- 2) **Construction of Airport Maintenance Facility and Related Infrastructure (\$2 million)**: The removal of the old facility and planned construction of a new airport maintenance allowed of the location of the Stater Bros. facility as well as other commercial tenants to the former base.
- 3) **Funds for Road Improvement Projects (\$16.5 million)**: The IVDA is currently processing over \$36.5 million in projects to continue to improve existing roads in and around the former Norton AFB as a part of the Inland Empire Goods Movement Gateway Bill. These infrastructure improvements are expected to open parcels of land for future development in and around the former Base. The road projects are related to the widening and extending of up to five different roads on the former base. Our current projects include the Central Avenue Project from Valley View Avenue to Mountain View Bridge (estimated cost - \$5.2 million; Bids Advertised in January 2007); Tippecanoe Avenue from Mill Street to the Santa Ana River (estimated cost - \$3.8 million; expected to start in Spring

of 2007); Lena Road from Central Avenue to Orange Show Road (estimated cost -\$3.6m; currently under design; anticipated to start in summer 2007). Due to the rise in construction costs in recent years and the additional right-of-way needed to complete these major projects, additional funds are needed to complete the other roadways and infrastructure associated with this work. The IVDA is currently pursuing additional federal funds to complete these projects. In many cases, federal funds require a matching funds component (typically 10% of federal grants). The total anticipated additional 40 million funding request could result in a \$4,000,000.00 local matching funds component.

4) Airport Terminal and Infrastructure Upgrade Project (\$15 million): This amount is being considered for the initial phase of at least three phases in the airport terminal upgrade. Monies needed in this first phase will be used to remodel and equip the Terminal and related facilities and infrastructure to meet current FAA and TSA standards. It is the goal of the airport authority to foster regional passenger traffic and increase the air cargo capacity of the airport.

5) Other Roadway/Infrastructure Funds (\$1 million): These funds would allow us to complete additional infrastructure improvements and matching economic development grants. These funds will be designated to rehabilitate existing buildings, hangars, and other facilities at the former base and for other needed infrastructure upgrades such interior road improvements.

It is our intent to complete these projects in phases and over time for the above-described various priorities and other similar projects. Funding for Phase 1 as described below is needed as soon as possible. Phase 2 and beyond will be funded as the IVDA and SBIAA obtain the necessary governmental approvals and based on CMB's ability to raise the required capital as each phase comes on line. Any future projects comprising this \$38 million project list as outlined above will be funded on a case-by-case basis and over time.

The IVDA has authorized CMB to help raise \$5 million dollars for Phase 1 of these scheduled projects. The proposed investment would be a 6% interest only loan for a duration of no more than 6 years. The loan will be structured similar to that of the previous loan agreement with CMB in 1998 and is subject to IVDA and SBIAA Board approval.

The Phase I project is as follows: Phase 1 is related to the development of the Hard Cap project. The first phase involves modifications to cover and cap with asphalt and concrete, the former landfill of the former Norton AFB which is located on Airport property. In August 2004, the SBIAA approved a feasibility study on the conversion of landfill property into surface parking facility that can be leased out to transportation/logistics and trucking companies that need short term parking for their semi-trailers and containers. In addition, these facilities would be available for other vehicle parking needs associated with current and future aviation related users on the Airport. The original cost estimate was \$3.5 (which has been increased to \$4 million), and it is estimated that SBIAA will be able to generate sufficient lease revenues and thus recapture this expense in about 10-15 years. This parking facility will be leased to current

and future commercial tenants and makes the Airport area more attractive to prospective tenants. (The staff report was approved on May 25th, 2006 as well as a copy of the feasibility study -see enclosed).

Related to the Hard Cap project, we will require an additional \$1 million in CMB funds to improve the ingress and egress to the Hard Cap. These improvements will afford access to this facility to a number of users including Stater Bros. We anticipate that this additional money will be used to fund a 10% component of a Federal matching grant for base redevelopment. This brings the total capital authorized to be raised by CMB to \$5 million to fund this first phase project.

The Hard Cap development and related road project is critical to the future development and expansion of the airport facility and adjacent commercial/logistics business that has emerged around the airport. In fact, resources such as these are important in our ability to attract airport users as well as commercial and industrial firms such as Stater Bros. to locate their distribution, logistics and executive office complex to the former base.

Phase 2 of the overall project involves some transportation circulation improvements for servicing the Airport Terminal building. These improvements include the preparation of plans, specifications and bid documents for the widening, re-striping, and signal modifications at:

- Del Rosa between 3rd Street and Harry Sheppard Boulevard;
- Harry Sheppard Boulevard from Del Rosa Drive to Leland Norton Way;
- Leland Norton Way from Harry Shepard Boulevard to 3rd Street; and
- Rialto Avenue from Leland Norton Way to Del Rosa Avenue

The IVDA is currently seeking Requests for Qualifications (RFQ's) to retain a civil engineering company to prepare plans, specifications and cost estimates for this work. Also included in this RFQ is a requirement for the engineer to prepare plans and specifications to expand the existing Airport Terminal parking spaces from 250 to 2,400 spaces. This would include surface parking on existing vacant land and the possibility of building a 1 to 3 story parking structure that would accommodate 2,400 parking spaces for future terminal use. It is estimated that the construction costs associated with undertaking this project will be approximately \$12 to \$15 million dollars. This project will be funded in part by a \$4 million grant received from the US Department of Commerce, Economic Development Administration (EDA).

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Thank you for your continued interest in the San Bernardino International Airport. If you have any further questions, please do not hesitate to contact us at (909) 382-4100.

Sincerely,

**INLAND VALLEY DEVELOPMENT AGENCY
SAN BERNARDINO INTERNATIONAL AIRPORT**



Michael Burrows
Assistant Director

Enc

cc: Donald L. Rogers
Mike Burrows
Penny Chua
Martin Romeo

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