

## MEMORANDUM

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Director, Properties & Risk Management  
Lee County Port Authority

Brian McGonagle  
Deputy Executive Director - Administration  
Lee County Port Authority

**FROM:** Stephen McKenna  
RSW Cold Storage, LLC

**CC:** Jake Finley  
Karis Cold, Inc.

**DATE:** June 27, 2023

**RE:** Aeronautical Uses of RSW Cold Storage Facility

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### INTRODUCTION

RSW Cold Storage, LLC (“RSW Cold Storage”), and Karis Cold, Inc. propose to develop a cold storage facility (the “RSWCSF”) adjacent to a runway at Southwest Florida International Airport (“RSW”). To assist in securing the FAA’s letter of approval or consent for the RSWCSF, the Lee County Port Authority requested information demonstrating that the RSWCSF is allowable as a Mixed Use of the airport property under the FAA’s regulations and guidelines<sup>1</sup>.

In brief, the RSWCSF will offer all of the typical cold storage facilities and services (e.g., loading, unloading, sorting, long term storage, and short-term storage) for both air cargo and non-air cargo customers in Southwest Florida. For the purposes of this memo, we assume that the subset of these facilities and services considered FAA Aeronautical Uses include:

- Unloading products directly from cargo planes into the RSWCSF;
- Storing products received from cargo planes in the RSWCSF;
- Storing products in the RSWCSF that arrived by truck for transport by cargo planes;
- Loading products from the RSWCSF directly onto cargo planes; and
- Providing additional services (e.g., processing, sorting, repackaging, etc.) for products directly received from cargo planes or intended for loading directly onto cargo planes

(collectively the “Aeronautical Uses”). Unlike the Non-Aeronautical Uses that will be offered by the RSWCSF (i.e., the same as above but not involving air cargo), the Aeronautical Uses are entirely dependent on the unique location of the RSWCSF on one of RSW’s runways.

Due to its unique, one-of-a-kind nature, the Aeronautical Uses may start slowly. However, we estimate that more than 75% of its Mixed Use will eventually be Aeronautical Uses. Based upon



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<sup>1</sup> For these purposes, we used the definitions of *Aeronautical Use*, *Non-Aeronautical Use*, and *Mixed Use* contained in the FAA’s *Policy Regarding Rates and Charges*, [78 FR 55330](#) (September 10, 2013), reproduced in Exhibit A for reference.

our research and analysis, the RSWCSF will greatly increase the efficiency, profitability, and environmental sustainability of the air cargo portions of the Cold Product logistics chain at RSW. As with the planned 190,000 square foot cold storage and climate-controlled air cargo facility planned for Ted Stevens Anchorage International Airport (the “Alaska Project”), the RSWCSF will also increase competitiveness by providing local cold storage options and will help avoid loss of perishable products.<sup>2</sup>

## **WHY THE ON-RUNWAY LOCATION IS CRITICAL**

Sellers and buyers of cold and frozen products shipped by air cargo, such as vaccines, medicines, flowers, seafood, frozen foods, and many other perishable products (collectively “Cold Products”), would greatly benefit by simplifying one of the most inefficient and costly legs in the Cold Products logistics chain – i.e., the movement of the Cold Products on/off cargo planes and on/off trucks. Additionally, the significant challenges faced by the country during the COVID pandemic in properly transporting and storing vaccines that required cold storage demonstrated the need for more efficient, effective facilities. Finally, we know that a great deal of spoilage, theft and misplacement of Cold Products occurs in the Cold Products logistics chain.

For a simple demonstration of our hypothesis, see Exhibit B, which is a much-simplified diagram of a Cold Products air cargo logistics chain. In the first example, each truck run and accompanying loading/unloading cycle (indicated in Ex. A by “” and “”) represents significant costs and time, as well as opportunities for theft, spoilage, and misplacement at or near the airport. Additionally, inefficient loading/unloading of cargo planes inevitably adds to airport expense, congestion, noise, and pollution.

As Exhibit B’s second example demonstrates, in a simple Cold Products logistics chain that includes the RSWCSF, the *plane-to-RSWCSF-to-plane* capability could eliminate up to 25% of the required truck runs and loading/unloading cycles. This would greatly contribute to the creation of an uninterrupted air cargo portion of the Cold Products logistics chain. Removing truck runs and loading/unloading cycles would also reduce environmental exposure and temperature fluctuations of the Cold Products, as well as the inevitable risk of theft and misplacement present in every load/unload cycle. As additional benefits, the RSWCSF should also increase airport efficiency by lessening truck traffic, benefit food supply sustainability by reducing spoilage, and demonstrate environmental responsibility by reducing carbon emissions.

## **SUPPORT**

Prior to embarking on this Project, we tested our model with research into the costs and benefits of having a cold storage facility on the runway of RSW. This included review of trade periodicals, industry statistics, and comparable airports, as well as discussions with potential customers. We also engaged the Tippmann Group, which is one of the country’s largest cold

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<sup>2</sup> \$21 million federal grant to help build cold-storage cargo facility at Ted Stevens Anchorage International Airport, Anchorage Daily News, Alex DeMarban (September 14, 2020).

storage facility developers and operators, to conduct a feasibility study related to the project. In all cases, the goal was to determine if enough customers would move air cargo directly on/off cargo planes (rather than on/off trucks for temporary storage off-airport) to make it the RSWCSF worthwhile and capable of being approved by RSW and the FAA.

## 1. The Tippmann Feasibility Study

The Tippmann Group has been in the cold storage business for more than 50 years. Made up of two companies – Tippmann Construction and Interstate Warehousing – Tippmann is one of the country’s largest builders, owners, and operators of cold storage facilities, having built or operated more than 100 million square feet of cold storage and food processing facilities in more than 30 states.

In 2021, RSW Cold Storage contracted with Tippmann to complete a feasibility study, site plan concepts, and a business model for the RSWCSF project. The final Tippmann report contained several important conclusions, including:

- a. The RSWCSF was a viable project that filled a demonstrated need in the marketplace for efficient, less costly, cold storage-related Aeronautical Uses;
- b. The demand for this unique service is untapped as no other facility of its kind exists;
- c. RSW’s Foreign Trade Zone status will significantly add to the value of the RSWCSF, as clients will use RSW as a Cold Products waystation for exports to other nations, especially Canada and CALA (Caribbean, Mexico, Latin America)<sup>3</sup>;
- d. Within the state of Florida alone there are more than 500 potential customers for cold storage and a significant number of them would utilize the RSWCSF’s unique air cargo capabilities; and
- e. The higher rent for runway adjacent property will be more than made up for by the demand and higher cold storage-related fees that clients will pay for the unique benefits of direct access Cold Products air cargo storage.

## 2. Karis Cold, LLC

In 2022, RSW Cold Storage contacted Karis Cold, LLC. (“Karis”). Karis is a private investment and development company with expertise in the cold storage industry. Based in Naples, FL with satellite offices in suburban Chicago and Denver, Karis invests in and develops properties across the U.S. with a platform covering the entire spectrum of cold storage development and investment including build-to-suit solutions, sale leaseback financing, and expansions and redevelopment of existing facilities. Karis has completed more than \$640 million in cold storage deals, has more than \$900 million and 6 million square feet in cold storage projects in their development pipeline, and owns/operates more than 550,000 square feet of cold storage.

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<sup>3</sup> The benefits of the Foreign Trade Zone status will be multiplied if we are successful in securing the presence of US Customs operations onsite at the RSWCSF.

Karis is now RSW Cold Storage's partner on the development of the RSWCSF, including investing \$millions of its own capital and that of its investors, largely based on Karis's conclusion that the RSWCSF's unique and valuable air cargo capabilities will be prized by Cold Products clients in the US and abroad. For example, Karis believes that one of its customers, the grocery chain Aldi, will use the RSWCSF for fresh and frozen food products, including flowers and fresh produce via air cargo. Aldi operates 210 stores in Florida. Karis also agrees that while the percentage of the RSWCSF's business dedicated to Aeronautical Uses may start slowly (10-20%), as the unique benefits of on-runway cold storage are proven, the RSWCSF's Aeronautical Uses will dominate.

### 3. Industry Interviews

In researching the demand for Cold Product Aeronautical Uses, we conducted numerous interviews with companies that currently distribute Cold Product cargo by plane. The conclusion of each was that they would gladly pay a premium to move their Cold Product cargo in and out of the RSWCSF.

The most illustrative of those interviews was with the CEO and private equity backer of one of the nation's largest importers of fresh and frozen seafood. This company imports more than 40 million pounds of seafood annually to 7 US ports and airports. Most of its air cargo passes through Miami International Airport, where it experiences significant spoilage and theft it believes could be dramatically reduced by a direct plane-to-cold storage facility chain. This party estimated that up to 20-30% of its air cargo (~10-12 million lbs.) could immediately pass through RSWCSF for further shipment by air or truck elsewhere in North America. Alternatively, this party believed it could combine RSWCSF's on-runway efficiency with RSW's Foreign Trade Zone status to expand the scope and nature of its operations in Canada, Mexico, Latin America, and the Caribbean by sorting, processing, and re-shipping its products in ways that would be impossible without direct runway access.

In addition to the fish importer, we conducted interviews with executives in the food, pharma, flower, and other industries. Their opinions echoed those of the fish importer – i.e., the unique ability to remove an inefficient link in the air cargo chain would make the RSWCSF a valuable and desirable facility to them and their industry.

### 4. Industry Research

Before moving forward with this project, we conducted industry research to determine whether the unique nature of the RSWCSF, especially its location on-runway, would have sufficient market value. Our conclusion is that the RSWCSF would be a valuable, beneficial addition to the air cargo industry and that it would rapidly fill up with clients willing to pay a premium to make their air cargo operations more efficient and effective by making Aeronautical Use of RSWCSF.

Much like the Alaska Project, the RSWCSF is ideal for on-runway cold storage due to its geographic location in fast-growing Southwest Florida. While Ted Stevens airport's location on the west coast makes it an ideal transit point for millions of pounds of seafood, RSW's location

close by Miami International Airport (MIA) makes it an excellent alternative transit point for Cold Products that currently transit MIA air cargo operations. With 2020 air cargo volume of approximately 10 billion lbs., MIA is the country's fifth busiest cargo airport. By contrast, RSW's 2020 cargo business was approximately 175 million lbs. or less than .25% of MIA's load. After discussions with RSW staff, the Lee County Development Authority, and current users of MIA about the costs and benefits of transiting Cold Product air cargo through MIA, we believe the RSWCSF could quickly capture up to 10% of MIA's Cold Products air cargo business in the first 2 years of operation. That alone would make Aeronautical Uses of the RSWCSF predominate over Non-Aeronautical Uses.

## **CONCLUSION**

The RSWCSF provides a unique opportunity for RSW and RSW Cold storage to leverage RSW's location in the fastest growing area of the country, RSW's available space, infrastructure, and status as a Foreign Trade Zone, and RSW Cold Storage's experience and financial resources to provide a very valuable service to many clients in the food, medical, flower, and other industries. Although the uniqueness of the project may result in slow initial adoption of Aeronautical Uses, we project that within 5 years RSWCSF will be used at least 75-80% for Aeronautical Uses.

## EXHIBIT A

### *Policy Regarding Rates and Charges* United States Federal Aviation Administration 78 FR 55330 (September 10, 2013)

*Aeronautical Use* —The FAA considers the aeronautical use of an airport to be any activity that involves, makes possible, is required for the safety of, or is otherwise directly related to, the operation of aircraft. Aeronautical use includes services provided by air carriers related directly and substantially to the movement of passengers, baggage, mail and cargo on the airport..

Examples of aeronautical use include:

1. operational uses such as aerial approaches, nav aids, runways, taxiways, aprons, or other aircraft movement areas;
2. future developmental uses to reserve property interests for foreseeable aeronautical development ( *e.g.*, a planned runway extension or a planned terminal building development); and
3. essential services that directly support flight operations ( *e.g.*, aircraft maintenance, fueling, and servicing; mail, passenger and cargo processing facilities; communications and air traffic control; crash rescue, firefighting, and airport maintenance).

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*Non-Aeronautical Use:* All other uses that are not considered aeronautical. Non-aeronautical uses commonly occur on airports, but these uses do not have the priority or protection of the grant assurances. There is no federal requirement that obligated airport sponsors accommodate non-aeronautical uses. This differentiation between aeronautical and non-aeronautical is intended to protect the Federal investment in aviation and ensure that non-aeronautical uses cannot easily displace aeronautical uses and thereby diminish the safety, efficiency, and utility of the airport.<sup>[6]</sup>

Examples of these include:

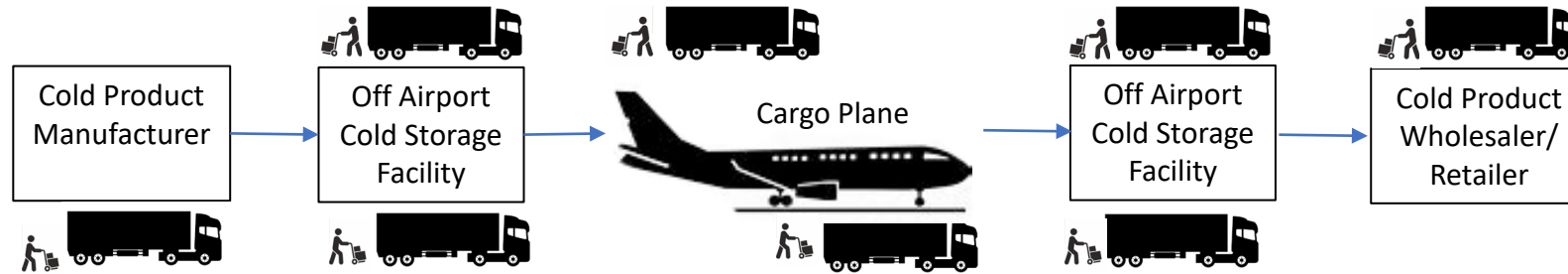
1. Car rental facility (stand-alone). All components will be considered a non-aeronautical use.
2. Hotel and associated parking lot.
3. Warehouse and distribution center.

*Mixed Uses* —A mixed-use facility contains both aeronautical and non-aeronautical uses, but the non-aeronautical use is significant and could be located off airport property. Examples of mixed uses are:

1. Mail distribution centers that are connected to an air cargo operation.
2. Cargo operations containing non-aeronautical elements such as office building complexes, sorting facilities, long-term storage (warehousing), freight forwarders and third-party logistics providers, certain access infrastructure, or certain truck parking/trailer facilities (stalls). Most of these are related to other transportation modes or aspects of the cargo business, but not directly and substantially to its “aeronautical activity”.
3. Aircraft manufacturing facility that includes final assembly, but also significant non-aeronautical uses such as engineering facilities, research and development facilities, parts manufacturing and storage, employee parking, or office buildings.

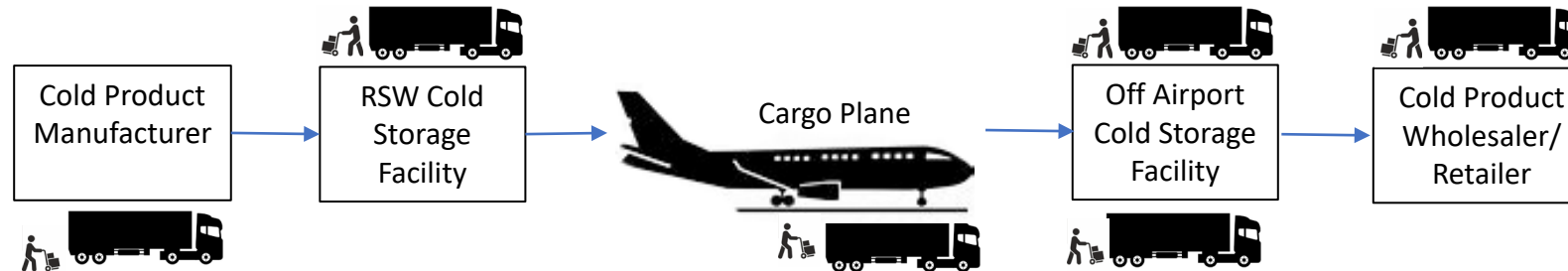
# EXHIBIT B

## TYPICAL COLD STORAGE LOGISTICS CHAIN (TRUCK-PLANE-TRUCK)



- Cold Products loaded at off-airport cold storage facility (“OACSF”) for transport to cargo plane
- Costs incurred and time wasted traveling from OACSF to airport
- Cold Products offloaded from the truck and loaded back onto the cargo plane
- Plane access and loading / offloading often delayed up to 12-24 hours which often results in spoilage

## RSW COLD STORAGE LOGISTICS CHAIN (TRUCK-PLANE-TRUCK)



- At least 25% less load/unload processes save time and money
- Cold Products come directly from manufacturer to RSWCSF
- No costs incurred or time wasted traveling from OACSF to airport
- Cold Products loaded directly from RSWCSF onto the cargo plane
- Cold Products can be loaded onto cargo plane “just in time” to avoid spoilage, theft, etc.