The Rise of the Aerotropolis

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First there were cities, then there were suburbs—and now we have “airport cities.” From Memphis to Paris to Guangzhou, the world’s major airports are forming the core of a burgeoning economic development strategy known as the Aerotropolis. Take our in-depth look at the phenomenon of building macro-developments around bustling air hubs and find out whether your city is on the runway.

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• Furlough days caused CA state workers to picket Gov. Arnold Schwarzenegger’s movie premiere?
• Columbus, OH is looking for a new city slogan?
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Voice Your Opinion!
Is the major airport in your state planning to develop into an Aerotropolis?
Take our online poll and let us know.

Breaking News
• Whirlpool Corp. is investing $120 million and will hire 130 workers for a Cleveland, TN cooking appliances factory.
• The U.S. Economic Development Administration has awarded more than $2.2 million for a second small business innovation center in Wilkes-Barre, PA.
• CGS Tyre will invest $43 million in a new agricultural tire plant in Charles City, IA.
• TPI Composites, Inc. will open a 69,000 square foot wind blade innovation center in Fall River, MA to support its manufacturing facilities around the world.

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This month, we take a close look at a phenomenon that may be coming soon to a major airport near you: the rise of the Aerotropolis.

Some of the highest-volume air hubs, including Memphis, Paris, Guangzhou and Hong Kong, already have established a very high standard for Aerotropolis wannabes. These global “airport cities” have parleyed their busy runways into macro-economic development engines that are transforming their regions.

Our Aerotropolis tour also took us to Detroit and Indianapolis, both of which have ambitious development strategies centered on their airports, and even to the dunes of Dubai. One look at Indianapolis International Airport’s spectacular new $1-billion terminal, pictured on our cover, should be enough to convince anyone that our Hoosier friends are determined to move to the top of the airport cities list.

Speaking of rising giants, our Governor’s Report throws the spotlight on a state that registered the most significant across-the-board gains in this year’s annual Rankings Report. Utah Gov. Gary Herbert details a common-sense approach that has been rewarded with remarkable growth in the Beehive State.

Gov. Herbert also notes with delight that Disney just finished filming an Edgar Rice Burroughs epic about Mars in the state’s starkest red-rocked landscape. We’ll take that as confirmation that Utah’s potential is positively galactic.
Once a place strictly for airplanes to take off and land, the modern airport has become something much more significant for any company, or region, contemplating its economic future. As air cargo and passenger traffic have grown—along with the need to move them around the world more rapidly—so has the importance of the airport, making it more and more of a magnet for commercial and industrial development.

Around the globe, airport authorities, politicians, business leaders and corporate executives are recognizing the airport as a job and revenue generator. The runway is now the central point of vital economic systems, with industrial and logistics parks, office complexes, hotels, entertainment centers, shopping malls and even upscale residential development all extending out from the terminal. What was once the city airport is now the airport city, or in the most ideal cases, the aerotropolis. The term, new in the 21st century and coined by John Kasarda, director of the Kenan Institute of Private Enterprise at the University of North Carolina, reflects the world economy’s ever-growing demand for connectivity, speed and agility. The aerotropolis is a new type of metropolis, one that fans out from an airport for up to 20 miles, with layers of aviation-linked business clusters and residences, all further linked by wide highways and express trains to facilitate fast movement and seamless connectivity to the runway and the rest of the world.

“The rapid expansion of airport-linked commercial facilities is making today’s air gateways anchors of 21st-century metropolitan development, where distant travelers and locals alike can conduct business, exchange knowledge, shop, eat, sleep and be entertained without going more than 15 minutes from the airport,” Kasarda says.

While the aerotropolis idea is gaining steam in the U.S., many airport regions in Europe and Asia already lay claim to these developments. Hong Kong, Dubai, Guangzhou (China), South Korea and Malaysia’s Kuala Lumpur are all home to carefully designed airport cities, while Paris and Amsterdam also claim aerotropolis status.

“U.S. airports are considerably behind many in Asia, Europe and the Middle East when it comes to understanding and implementing the airport city and aerotropolis models,” Kasarda tells Business Facilities.

“Most U.S. airport heads and their senior staff are just becoming knowledgeable of these models where airports are operated as much for commercial facility development as aeronautical infrastructure.”

Many American airports are planning to try to replicate the aerotropolis concept, but those that are already the center of multimodal transportation networks and thriving economies are leading the way.
AMERICA’S AEROTROPOLIS™

Memphis, TN is generally considered North America’s premiere, perhaps its only, aerotropolis. The world headquarters of FedEx, Memphis International Airport has the distinction of being the busiest cargo airport in the world and also a major passenger airline hub. The airport pumps more than $28 billion into the region’s economy, and airport-related companies are responsible for 220,000 jobs, or one in every three in Memphis, according to a recent University of Memphis study.

While the airport is the heart of the aerotropolis, it is just one part of the robust transportation system that is crucial to Memphis’ success. Equally vital to the city’s strength as a logistics hub are its superior road and rail networks and its port on the Mississippi River. All play integral roles in the economy of a city that is forecasted to see increased activity in both freight and passenger traffic in the years ahead. A recent study by IHS Global Insight Inc. noted that as the global economy rebounds from the Recession, the U.S. will see an increased demand for imports from South America, Eastern Europe and parts of Asia, the regions expected to bounce back first. Those goods will go to market through container traffic, making Memphis, with its lower-cost water and rail options, an attractive distribution point.

Memphis has been nurturing its assets and preparing for an even brighter future. The airport itself has been modernized and expanded over the past 15 years with nearly $1 billion in improvements. One recent accomplishment was a recent land exchange that saw the Tennessee Air National Guard’s base moved from a 103-acre airport site that was surrounded by FedEx to another part of the air field where it built a state-of-the-art base. Years in the making, the exchange allowed FedEx to accomplish a critical expansion onto the former base.

“That was a win-win-win all around,” says Arnold Perl, an attorney with Ford & Harrison LLP and chairman of the Memphis Shelby County Airport Authority. “And it illustrates, I think, the culture that exists within the Memphis airport...
community to expand the horizons of this airport and aerotropolis.”

It’s been a common theme in Memphis: Business and government leaders joining forces to pave the way for future success. Regional leaders including the Greater Memphis Chamber have been focused on planning and accomplishing broad improvements to the area surrounding the airport, with numerous projects designed to strengthen the area’s position as a logistics center.

Memphis’ five Class I railroads have in recent years invested more than $500 million in new or expanded rail systems, which already bring more than 200 trains through Memphis each day. The city’s port will also get busier as river traffic increases with the planned expansion of the Panama Canal, so more rail connections to the water are in the works. The highway network is also growing. Memphis is located at the intersection of interstates 40 and 55, which both cross the Mississippi River, and the city will be a central location on I-69, nicknamed the NAFTA Superhighway since it will run from Mexico to Canada. Also, the construction of I-22 from Memphis to Birmingham is nearly complete, providing yet another direct connection to major East Coast markets. Meanwhile, plans call for the city to gain a third bridge across the Mississippi, accommodating road and rail.

Perl says Memphis is unified and determined to continue to develop the aerotropolis. And he says the hard work has paid off, noting that FedEx recently won the Institute of Transport Management’s “Best Global Cargo Hub” award for its Memphis World Hub. The judging panel cited the company’s achievement in successfully uniting the disparate capabilities of the city of Memphis—road, rail, river and air—to create a lynchpin of trade within the U.S.

“FedEx’ award as the best cargo hub highlights that Memphis continues to earn the accolade or reputation as America’s Aerotropolis™,” Perl says. “And Memphis International Airport still has availability, still has further capacity to enable FedEx to further expand on that airfield. Very few airports would have that. We do.”

**Evolving Aerotropolis in the Lone Star State**

To see the economic value of an airport, look no further than Dallas Fort Worth International (DFW), which generates more than $16 billion in annual economic activity, supports more than 300,000 full-time jobs and stands as the greatest catalyst in the North Texas economy. Of its $619 million in annual revenue, only about a third comes from the airlines. The majority is generated by commercial development, land leases, golf courses and hotels such as the terminal-linked Grand Hyatt Hotel, “a fly-in virtual corporate headquarters for many U.S. businesses,” Kasarda notes. The airport continues to pursue new revenue-generating development within its sprawling 18,000 acres.

But DFW’s impact is felt far beyond its perimeter. Since opening in 1973 in a largely farmed region, the airport, the third busiest in the world, has done wonders for the growth and economic vitality of the entire North Texas region, now home to 24 Fortune 500 companies and 6.5 million people. The airport has been a magnet for corporate relocations and has resulted in pockets of wealthy bedroom communities for corporate executives with travel-intensive jobs. Many firms, Exxon Mobil among them, have taken root in the planned, 12,000-acre community of Las Colinas, located between Dallas and Forth Worth. This airport-edge city is home to more than 22 million square feet of office space, 8.5 million square feet of light industrial, 1.3 million square feet of retail, more than 14,000 residences, 3,800 luxury and business-class hotel rooms and two championship golf courses.

Kasarda also points to the Dallas Market Center as an illustration of the extended commercial reach of airports. The market complex, off I-35 about 17 miles from DFW, comprises 5 million square feet of display space for home furnishings, clothing.
and other goods. It is the world’s largest wholesale merchandise mart, attracting buyers from all 50 states and 84 countries, with an estimated $8 billion in annual transactions.

“I don’t know if you could say all of it is the result of the airport, but it’s obviously played a significant role in the growth of North Texas,” says Mabrie Jackson, president and CEO of the North Texas Commission, which focuses its efforts on economic vitality and other quality of life issues in the region. “While the airport has been a huge factor in our growth, there are a lot of other factors that impact that growth—low cost of doing business; a very pro-business legislative policy across the board in the state; no state income tax; great quality of life; good schools; great access to everything you need to prosper in your life. But the airport has obviously played a tremendously significant role.”

Jackson sees DFW as a model for economic success.

“I think you could see this just from inside the airport—you look at where you can eat, you can shop, you can do a lot of things at a terminal, that’s tremendous,” Jackson says. “And you’re going to see a great impact as the older terminals get revamped over the next several years. But the airport, the strategic location between Dallas and Forth Worth and its proximity to the network of all the highways and shops provide developers with numerous advantages, and the airport does a great job in promoting a productive business environment for office, retail and distribution areas.”

AIRPORTS SEEN AS KEY TO DETROIT METRO ECONOMY

Detroit is uniquely positioned to become an aerotropolis, and many there are poised to make that vision a reality. The region aims to leverage its two airports, Detroit Metropolitan and Willow Run, which sit seven miles apart with thousands of undeveloped land in between, to drive an economic transformation throughout Southeast Michigan.

Working in Detroit’s favor are airport capacity and connectivity, with Detroit Metro offering nonstop service to 160 destinations around the globe, and Willow Run being a major air cargo and general aviation facility. Another positive is its open international border, and the fact that 80 percent of Canada’s trade goes through Detroit. Also, a mature rail and highway system linking Southeast Michigan with the rest of the U.S. is already in place, thanks to the auto industry.

“The other big advantage is we
have a lot of land,” Wayne County Executive Robert Ficano, who has made the Detroit Region Aerotropolis a central focus of his administration, tells Business Facilities. “Most major airports are landlocked, we are not. We have thousands of acres that are available around Detroit Metro and Willow Run, and extending out I-94 towards Ann Arbor as well as towards Detroit.”

The aerotropolis vision for Motown encompasses about 60,000 acres of land and involves the clustering of air commerce-linked businesses, office space, hotels, retail malls and recreation, around the two airports. A study completed by Jones Lang Lasalle estimated that the new development could create 64,000 jobs, more than $10 billion in economic activity and $171 million in tax revenue.

Last year, officials from two counties and seven municipalities signed an agreement to create the Aerotropolis Development Corp., which will serve as the conduit to brand and market the concept as a unified region and create a one-stop shop for entitlements, incentives and regulatory assistance. Ficano, having visited the world’s largest aerotropolis, Dubai International, where businesses can get their approvals and start building in a month’s time, saw firsthand the importance of providing ease of access. The interlocal agreement creates uniform zoning and enables prospective investors to get permits and zoning approvals in 60 days.

Another key has been General Electric, which recently opened a $100 million R&D center in Wayne County, just a few miles from Detroit Metro. The development is likely to draw related businesses to the area and is in itself a springboard for the desired aerotropolis.

“The whole premise at this point is not only to turn it into an economic engine, but to brand the area as well,” Ficano says. “And we’re fortunate that right smack dab in the middle of it is GE [which has hired] up to 1,400 people. General Electric, to the aerotropolis in Detroit Metro, is the same as what Hewlett Packard was to Silicon Valley when they first started. You need an anchor and then you can go out and start marketing and show how it works.”

However, there have been political obstacles—the state Legislature has stalled a package of bills that are crucial to the success of the aerotropolis. The Next Michigan Development Act, which would create a variety of tax credits and other incentives to stimulate economic development near the airports, was passed in the Michigan House last year but awaits action in the state Senate. Ficano is hopeful the measure will be enacted this fall. It’s a matter of time before Southeast Michigan has its aerotropolis, Ficano says, pointing out that upwards of 20 companies have recently set up shop around the airport.

“We want it to happen quicker,” he says. “The incentives would help us with that as well.”

**INDIANAPOLIS SEEKS TO CAPITALIZE ON AIRPORT AREA**

The aerotropolis concept is being considered as part of a newly launched effort to plan for the future of Indianapolis International Airport and its surroundings. The airport, which opened a new $1.1 billion terminal in 2008, is setting out to establish a broad master plan that includes maximizing the use of its 8,000 acres and redeveloping its vast former terminal area.

“Now that the new Indianapolis International Airport has been open for nearly two years, we’re focusing on achieving operational efficiency, growth of the airport system, and looking for new ways to diversify and maximize our revenue while supporting economic development efforts throughout central Indiana,” John D. Clark III, executive director and CEO of the Indianapolis Airport
Authority, tells Business Facilities.

The airport board is evaluating all of its land and facilities to determine the highest and best uses, assessing properties for short- and long-term aviation needs and for non-aviation uses.

“We’ll look at aviation forecasts over a 20-year horizon, analyze development patterns at airports similar to Indianapolis, and conduct a complete market assessment, among other things,” Clark says.

Earlier this year, the airport authority awarded a $1.3 million contract to a team of consultants led by Cincinnati-based Landrum & Brown to study the airport area and make recommendations for future land use. The team is expected to issue a report by year’s end.

“We want to ensure aviation development in central Indiana is well-planned and that we are prepared to meet both current and future aviation needs,” Clark says.

Indianapolis airport officials and

Indianapolis International Airport is home to FedEx’s second-largest U.S. hub and major distribution centers.

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other stakeholders have also met with Kasarda to discuss ways of growing business intelligently in the region. Clark believes Indianapolis can support and benefit from an aerotropolis model, with businesses of all types—time-sensitive manufacturing and distribution companies, light industrial operations, hotels, entertainment complexes, retail shops, restaurants, convention centers and office parks—extending outward from the airport.

The airport has several advantages, with ample open land, a good road network and large commercial facilities already at the airport, which is FedEx’s second-largest U.S. hub and home to several large distribution centers.

“One major advantage is that we have the physical capacity for additional growth, unlike [many] major U.S. airports that are landlocked. We have undeveloped land with great potential for generating new business and commerce,” Clark says, also noting the rail system, interstate access at “the crossroads of America” and a relatively low cost of doing business.

“The challenges we face are primarily economic. The continued turbulence of the global economy makes our goals more challenging, but they are still achievable.”

Also on the U.S. aerotropolis
radar is Denver International Airport (DIA), which opened in 1995 and spans an immense 34,000 acres. Its planners’ objective was to have DIA drive economic development throughout the surrounding airport area and play a role in revitalizing downtown Denver, 24 miles to the southwest. Now home to more than 300,000 residents and 184,000 workers, the 300-square-mile DIA area is forecasted to grow at a rate at least double that of the overall metropolitan area, with a forecasted population of 558,000 in 2025 and a total employment base of 427,000.

In Atlanta, where more than 90 million passengers fly in and out of Hartsfield-Jackson International Airport, a developer has plans to build a project being called Aerotropolis Atlanta. Jacoby Development Inc.’s proposal for a former Ford Motor Co. site includes office space, hotels, retail, restaurants, a light industrial business park and 4,000 parking spaces, all with a direct connection to the airport’s new terminal across the street.

**FEDEX GIVES RISE TO AEROTROPOLISES IN EUROPE, ASIA**

Paris-Charles de Gaulle, one of two international airports in the Paris region, is the world’s sixth-largest airport for passengers and the top European airport for freight. But economic developers say it also has the greatest development potential in Western Europe, an opportunity that French players have decided to seize in order to stimulate the creation of business activities and jobs in France.

The airport, which accounts for 150,000 jobs, has experienced 30 percent growth in the past 12 years, according to the Paris Chamber of Commerce and Industry. While airport manager Aéroports de Paris (ADP) has made many investments in the past five years to increase capacity, and has further plans to modernize terminals and improve the appeal and competitiveness of CDG and two other area airports, there are broader plans in the works.

FedEx, which has the second-largest operation at CDG, behind Air France, has plans to expand its Parisian base by the end of 2015. In fact, the company has launched a new business association, Aerotropolis Europe™, to kick-start the economic potential of the airport area. Created last December and involving a team of 11 private and institutional investors from various sectors, Aerotropolis Europe currently involves the development of nine projects—including the Aeroville mall, a golf park, the Les Grand Champs Euro-Chinese trade center, the Parc Mail office development, the Paris Nord 2 international business park and Planet France, a complex of offices, luxury hotels, boutiques and restaurants—a total investment of nearly $4 billion. The developments are expected to create close to 15,000 jobs upon completion.

“With the largest GDP in Europe, Paris is an attractive destination for foreign companies seeking to invest and develop their business in Europe and access over 500 million consumers,” says Alain Chaille, vice president of operations for FedEx Express Southern Europe and president of Aerotropolis Europe™. “As the largest parcel market in the world, Europe has tremendous growth potential. With the recent expansion around Roissy-CDG, the Aerotropolis Europe™ association, with the support of all of its members, has the ability to propel this area onto the international stage.”

Chaille has attributed the inspiration for the Paris initiative to the success of Memphis, and the goal is to make CDG a global distribution powerhouse on the scale of its American counterpart.

Working with the Aerotropolis Europe™ group is an effort that is led by the Paris Region Economic Development Agency (PREDA) and involves nearly two dozen public and
private economic players in the Paris region. PREDA is using the brand Hubstart Paris to reinforce the international reputation and economic appeal of the CDG airport area. The strategy focuses on further developing a dozen key markets, including airport services, business aviation, eco-activities, professional meetings and events, and language training centers.

“The development of airport areas is no longer limited to land takes managed by players in the airport industry,” says Denis Tersen, PREDA’s chief executive officer. “The academic works on airport cities, airport corridors or the aerotropolis concept all show that economic areas within a rather large perimeter around airports are becoming these strategic sites where global activities with a high need for mobility are concentrated.”

Tersen made note of major enterprise plans near the airport including the WTC Airapolis, which calls for a World Trade Center complex with an international convention center, four luxury hotels, exhibition halls and office space. The project is expected to be completed in late 2011.

With a new rail line soon to begin providing rapid access from Charles de Gaulle to the center of Paris in 20 minutes, and highway access to the airport also being improved, the airport region is poised to become one of the most dynamic business centers of the greater Paris area.

In Southern China, Guangzhou Baiyun International Airport is making gains as an economic and shipping juggernaut. The main hub of China Southern Airlines and a focus city for Shenzhen Airlines, the airport is at the gateway to the Pearl River Delta, a manufacturing region that takes up 30 to 40 percent of China’s foreign trade. A recent $2.4 billion reconstruction project brought the airport’s capacity from 31 million to 80 million passengers per year, and its cargo capacity is 2.5 million tons.

Propelling the airport into the global spotlight for cargo was FedEx’ choice of Guangzhou for its largest investment outside the U.S. The carrier opened a $150-million, 900,000-square-foot facility at the airport in 2009, amid forecasts that intra-Asia cargo traffic would expand by 8.1 percent per year and Asia-to-North American traffic would grow by 6.7 percent annually. China accounts for the largest share of the Asia-to-North America air cargo market, reaching 36.7 percent in 2007, and China’s economic growth and demand from North America and Europe economies should help bolster air trade prospects for the region. FedEx, referring to Guangzhou as Asia’s Aerotropolis, expects that its new Asia Pacific hub will be the center point of its operations in the region for the next 30 years.

The airport, which is also home to the new 460-room Pullman Baiyun Airport Hotel, will nurture the city’s status as a magnet for foreign investment and economic development. Guangzhou serves the historic Guangdong Province of China, known as the “factory of the world.” More than a third of China’s exports come from this province.

THE MODEL AEROTROPOLIS

A few examples of airport cities that have blossomed into full-blown aerotropolises, according to Kasarda, are Hong Kong, Incheon and Dubai.

Hong Kong International Airport, located on 2,700-acre site created by leveling two small islands, opened in 1998 at a cost of $20 billion. It includes a 26-mile, multi-lane expressway and express trains to Kowloon and Hong Kong Island. The airport is connected by high-speed turbo-jet ferries to the Pearl River Delta. The airport area includes a 70-acre commercial district for logistics, a 52-acre district for offices; and SkyCity, a 125-acre
commercial development adjacent to the passenger terminal.

In South Korea, Incheon International Airport opened in 2001 on 15,000 acres 42 miles south of Seoul. Yeongjong Island houses Air City, with aviation-related office functions, hotel, trade and exhibition spaces, logistics, and tourism and leisure activities. The 1,500-acre New Songdo City is being developed on nearby Songdo Island as a $20-plus billion global business and trade center. Plans call for 15 million square feet of office and commercial space, more than 9,000 residences, a convention center, a cultural center, a central park greenway, an 18-hole
Amsterdam’s Schiphol Airport, which employs 62,000 people, has incorporated modern retail plaza design elements and expansive shopping and entertainment arcades for travelers and nontravelers within its passenger terminal. A 4 million-square-foot World Trade Center with meeting facilities and office space is connected to the terminal, and space for cargo distribution, office parks, and time-sensitive light industry is located along the outer edges of the airport. The nearby city of Zuidas contains more than 10 million square feet of office and retail space, and close to 9,000 multifamily residences are planned.

Dubai has been a major aerotropolis pioneer, according to Kasarda. Dubai International Airport is among the world’s leaders in duty free sales and the Dubai Airport Free Zone provides 13 million square feet of offices, logistics and distribution facilities, and light manufacturing for over 300 companies. Further, Dubai World Central, being built around the soon-to-open Al Maktoum International Airport, is a $33-billion complex with a number of mini-cities featuring logistics, finance, high technology, retail, office buildings, hospitality, education, recreational and residential development. Kasarda has written that Dubai World Central “sets an extraordinarily high bar for its airport city and aerotropolis development.”

As more and more international airports line up on the global runway and vie for aerotropolis status, a major international trade gathering has emerged as a showcase for these efforts. Held in Beijing this year, the 2011 Airport Cities World Conference & Exhibition will take place in Memphis, TN on April 11-13 at the world-famous Peabody Hotel in downtown Memphis.

The Airport Cities World Conference & Exhibition is the annual event for airport and airline CEO’s, economic development agencies, real estate developers, architects and planners and all other businesses taking citizenship in the emerging aerotropolis. Held each year for more than a decade, ACE has grown into a must-attend conference for the aviation world.

This year’s conference in Beijing featured a comprehensive overview of the fundamentals of Airport City planning and development by Prof. Kasarda and two of his colleagues. Attendees learned about strategic guidelines for planning, designing, financing and developing a successful Airport City.

Topics covered at the ACE conference included: understanding the Airport City business model; best cases worldwide; critical success factors; physical and spatial layouts; key commercial components; basic planning principles; architecture and facility design; financing commercial developments; attracting tenants and users; maximising non-aeronautical revenues; marketing and branding; governance and local community relations; and meeting sustainability challenges.