

October 8, 2008

William Murphie  
U.S. Department of Energy  
Portsmouth Paducah Project Office  
1017 Majestic Drive, Suite 200  
Lexington, KY 40513

Subject: Transmittal letter – Proposal for the Title Transfer of Parcel at the Portsmouth Gaseous Diffusion Plant.

Mr. Murphie:

Please find enclosed a proposal by the Southern Ohio Diversification Initiative (“SODI”) to transfer title to a 340+/- acre portion of the Portsmouth Gaseous Diffusion Plant (“PORTS”) property. SODI is proposing that the property be transferred for economic development purposes under *10 CFR Part 770, Transfer of Real Property at Defense Nuclear Facilities for Economic Development*. The 340 acre parcel will be used to further economic reuse of the PORTS Site and is planned to accommodate light to medium manufacturing, freight trans-loading operations, and office space.

I believe this proposal contains all the necessary information for your office to initiate the process of undertaking said transfer. The Region urgently needs the transfer of this parcel to facilitate the creation of much needed jobs and to mitigate the jobs lost during this decade at the PORTS Site. This transfer is also consistent with and fully in support of DOE’s missions at the PORTS Site.

Thank you in advance for your positive consideration of this proposal. Should you have any questions or if you require additional information, please contact me.

Sincerely,



Randy Runyon  
SODI Board Chairperson

Attachment: Transfer Proposal  
340 +/- Parcel Drawing

Cc: David Kozlowski, DOE  
Kristi Wiehle, DOE  
Ronda Kinnamon, Ohio Governor's Regional Office  
Ken Dewey, OEPA  
Wray Jordan, USEC  
Larry Cutlip, USEC  
SODI Files

***Southern Ohio Diversification Initiative Proposal to Transfer Real Property for Economic Development at the US DOE Portsmouth Reservation***

The purpose of this document is to comply with the applicable guidance and rules for Transfer of Real Property at Defense Nuclear Facilities for Economic Development. The Southern Ohio Diversification Initiative ("SODI") proposes that the US Department of Energy ("DOE") transfer ownership of the subject parcel for economic development due to significant DOE mission changes.

DOE uranium enrichment operations at the Portsmouth Site began in the early 1950's and continued for nearly 50 years. In 1998, the operations were privatized through an initial public offering of stock in the newly created United States Enrichment Corporation ("USEC"), operator and lessee of the site. Contrary to the intentions contained in the privatization agreement between the US Government and USEC, uranium enrichment operations were ceased in June, 2001. The decision to shutdown Portsmouth enrichment operations came at least 5 years before the privatization agreement allowed. Consequently, more than 50% of the site workforce was displaced.

In 2001 the sudden and severe displacement of site workers created a negative impact on the entire region. SODI contracted with the Ohio State University Research Foundation ("OSURF") to develop a Regional Impact Analysis ("RIA") to determine the effects of changing DOE missions. Based on the OSURF projections, the DOE mission changes have led to the loss of nearly 3,000 jobs in the region. According to the OSURF projections, this level of job displacement equates to an annual loss of more than \$90 million in personal income for the region's residents. Also, it is projected that local governments realize a loss of more than \$2.1 million annually because of the associated reductions in the collection of sales taxes and income taxes.

As a central focus of its economic diversification mission, SODI undertook a study to ascertain the potential of the unused DOE assets for economic development. The study, prepared by RKG Associates, Black and Veach Special Projects Corp., and DRI/Standard and Poor's, determined the concept of reindustrialization of select portions of the DOE Portsmouth Site was feasible and warranted. The parcel being requested for transfer is part of a larger strategy for reusing the lands, buildings, and facilities at the Portsmouth Site for job creation and economic development. The land use strategy was developed to reflect a desire to capitalize on the assets which are available, taking into consideration existing rail, roadways, and where possible, utility service.

**770.7(a)-Proposal**

**770(a)(1)-A proposal must include (but is not limited to):**

**1. 770.7(a)(1)(i)-Property description.**

Approximately 340 acres on the northern boundary of the site. See map, provided earlier.

**2. 770.7(1)(a)(ii)-Intended use and duration of real property.**

Our proposal entails the transfer of subject real property from the DOE to SODI, the DOE recognized Community Reuse Organization for the Portsmouth Site, for economic reuse. Once title is transferred to SODI, the property is expected to be used indefinitely for economic development purposes. This area has been identified as an area to support industrial/rail-industrial projects.

The intended use of the subject parcel will focus on light manufacturing, adding value to existing products by deploying processing facilities. Also, trans-loading freight and support of new energy projects would be justifiable on the site. By combining the manufacturing, transportation and advanced energy concepts we will be positioned to capitalize on the renewed focus on these important industrial sectors. The State of Ohio is in the process of enacting a new investment strategy to support growth in these sectors as well.

Currently, SODI is partnering with the State of Ohio, the Edison Center and the corporate members of the Edison Center to identify gaps and develop the domestic capacity to ensure successful implementation of advanced energy projects. Most notably, we are focusing on the growth of advanced energy, the required infrastructure to support the current expansion of advanced energy projects, and development of enhanced environmental remediation techniques. SODI is in discussions with potential private sector partners to develop an advanced energy and environmental campus on a portion of the subject parcel.

All potential projects will require demonstrated site control by SODI that will only be accomplished through the transfer of the real property. As noted in the RKG Associates Analysis, the ability to obtain project financing and attract long term investment is critical for successful reuse of the DOE property and can only be accomplished after the real property is transferred to SODI. Also, it is unlikely that SODI can effectively market the property with the uncertainty of timely access to the property. By transferring the property to SODI we will maximize the marketability and ensure the site remains an asset for the region, the State of Ohio and the nation. Without the transfer, economic reuse of the DOE Portsmouth Site will simply not take place.

**3. 770.7(a)(1)(iii)-Description of the economic development furthered by the transfer.**

As noted in the RKG Associates Analysis, ease of access is a positive attribute of the DOE Portsmouth Site since the subject parcel is located outside of the DOE security zone. The parcel's proximity to Routes 23 and 32 provide adequate service to the region's highway system and do not require the traffic to access the interior portions of the DOE Portsmouth Site. The parcel also has very good road frontage. The presence of the rail system on this parcel affords access to the Norfolk and Southern Rail System and could support multi-modal linkages.

The RKG Associates Analysis further defines sectors that represent our best chance for successful deployment. Advanced manufacturing clusters include metal working, wood and paper products, non-metallic minerals, plastics, energy and transportation equipment. The analysis also concluded that the subject parcel could support more than 5 million square feet of new building space.

**4. 770.7(1)(a)(iv)-Demonstrate economic viability of the proposed development.**

The aforementioned analysis by RKG Associates provides the basis for appreciating the potential for the development of this subject parcel. There is already significant interest demonstrated by inquiries from well respected companies and site selectors, real estate professionals, and the Office of the Ohio Governor. The focus of Ohio's new targeted industry investment and jobs program include manufacturing and support of advanced energy projects. SODI's existing partnerships with the State of Ohio and the Edison Center have positioned the site to be integral to new developments.

**Labor Force**

The region draws from a labor force of approximately 100,000. The region has a strategic marketing advantage because of labor availability. Contributing to this advantage are the relative high rates of unemployment when compared with all other areas of the State of Ohio. Given this situation, SODI is directing its marketing efforts toward medium sized firms/projects (1 to 500 FTE). The majority of expansions occurring in economic development are in this category.

**Taxes**

Taxes and tax rates have become increasingly visible factors in the site selection process. While most companies downplay their significance, the potential for tax relief through abatements or credits has become a major incentive in attempting to entice employers to locate/relocate to a specific region. Additionally, Ohio has eliminated the tax on personal property, inventory, and equipment.

The SODI region, and Pike County in particular, have the lowest real property tax burden in the State of Ohio. The RKG Analysis estimates that locating in the SODI region would reduce the property tax burden by 30% when compared with Ohio's major metropolitan areas. Both Pike County and affected township officials also utilize property tax abatements as an incentive to secure new expansions. By combining the elements of the elimination of personal property/inventory/equipment taxes with Ohio's lowest real estate tax burden and the use of real property tax abatements the SODI region enjoys a favorable position in regards to taxes with Kentucky, Indiana, West Virginia as well as the remainder of the State.

**Transportation**

Transportation services are typically driving forces in the industrial and corporate site selection process for new and expanding facilities. Whether getting employees to and from work or shipping products to markets are most important, location and access typically drive the decision-making process in site selection.

The subject parcel has excellent roadway access as it is located on Shyville Road (4 lane DOE Portsmouth Site access road) within 1 mile of SR 32, the major divided east/west 4-lane highway traversing southern Ohio. US 23, the major north/south 4-lane federal highway through Ohio, is less than 2 miles from the Shyville Road-SR32 Intersection. Because of the frontage on Shyville Road, only one internal roadway would most likely need constructed and only in future phases of development.

Access to the rail system offers a strategic marketing advantage. Rail service is provided by Norfolk Southern, one of the major rail haulers east of the Mississippi River. Approximately 250 acres of the subject parcel have existing rail frontage. Future construction of spur extensions would enable the rail to service the entire parcel. Currently, SODI has a tenant utilizing the rail system (Gladfelter, fdba Mead Paper) on a regular basis on a small tract (included in this transfer request) currently leased from DOE. Track condition is considered excellent.

### Utilities

Utility availability, cost and reliability are critical factors in the site selection process as companies look to operate in a cost effective and efficient manner. The RKG Analysis indicates that there appears to be adequate supply of utility resources serving the area. There remains, however, a concern for sanitary sewer capacity. Access to the DOE infrastructure systems needs to be explored with the goal of reaching an agreement as implemented at other DOE installations-between reuse efforts and the DOE for services at prevailing regional rates.

If an agreement for sanitary sewer service between SODI and DOE is not realized, service would need to be extended from the Village of Piketon. The Piketon sanitary sewer service lines are located adjacent to the DOE Portsmouth Site. Similarly, if agreement is not reached on potable water between SODI and DOE, Pike Water Company has existing service lines adjacent to the DOE Portsmouth Site.

While Ohio's cost of electric power is higher than most Midwestern states, the southern Ohio region enjoys rates less than the balance of the state. Southern Ohio electric power rates are very comparable to contiguous states' rates. Also, available electric power to the subject parcel is more than adequate and is considered highly reliable.

There exists an ample supply of natural gas to the subject parcel. The cost of natural gas in the region is within 10% of all contiguous states' rates.

### Regulatory

The State of Ohio is seen as an attractive place to do business, from a regulatory perspective. The State consistently ranks in the top 10% in surveys of economic development and site selection professionals. Further, local regulations (zoning, land planning, code enforcement) in Pike County are less severe than in most areas of Ohio. In fact, there exists no local zoning on the subject parcel.

### Marketing

While SODI is actively working with the Ohio Governor's Office, Ohio Department of Development, and the Ohio Edison Centers on new advanced energy prospects, other marketing efforts are ongoing. In addition to the work commissioned from RKG Associates, SODI has enlisted the assistance of Whittaker Associates in developing and implementing a regional marketing effort. As a key element of the scope of work, Whittaker worked with regional leaders to determine a strategic, targeted marketing program.

Whittaker Associates utilized their proprietary process to develop a profile of industrial sectors most likely to locate in southern Ohio. Whittaker identified area advantages, assets, existing firms, and other attributes in their determination of the targeted industrial sectors. Finally, Whittaker completed research on the universe of companies in each identified sector, researched multiple databases to determine companies in expansion mode, and ranked the companies accordingly. SODI owns the listing and is in communication with the identified firms.

In addition to the work on advanced energy prospects, the Whittaker process identified the following sectors as key targets for our marketing efforts: Transportation & Logistics; Food Processing; Wood Manufacturing; Automotive; Metal Manufacturing; Plastics Manufacturing.

### Demographics

The SODI region's population (Pike, Ross, Scioto, and Jackson Counties) is approximately 220,000. Nearly one-quarter of all jobs in the region are in the manufacturing sector, several points higher than the State of Ohio's average.

The per capita income of the SODI region is nearly 30% below the State average. Data also show that household income in the region is similarly below State averages, a fact reflected in the region having .97 workers per household as compared to the state average of 1.27 per household.

### Quality of Life

The wildcard in many site selections is the quality of life ranking of a particular area. Quality of life generally refers to factors such as the quality of educational opportunities, available and affordable housing, local climatic conditions, recreational conditions, crime rates, and cultural activities.

The SODI region offers an excellent quality of life with a low cost of living, low crime rates, abundant and varied outdoor recreational opportunities, affordable housing, and no congestion. With good local school systems and a higher education system, the educational quality of life in the region considered excellent.

**5. 770.7(1)(a)(v)-The consideration offered.**

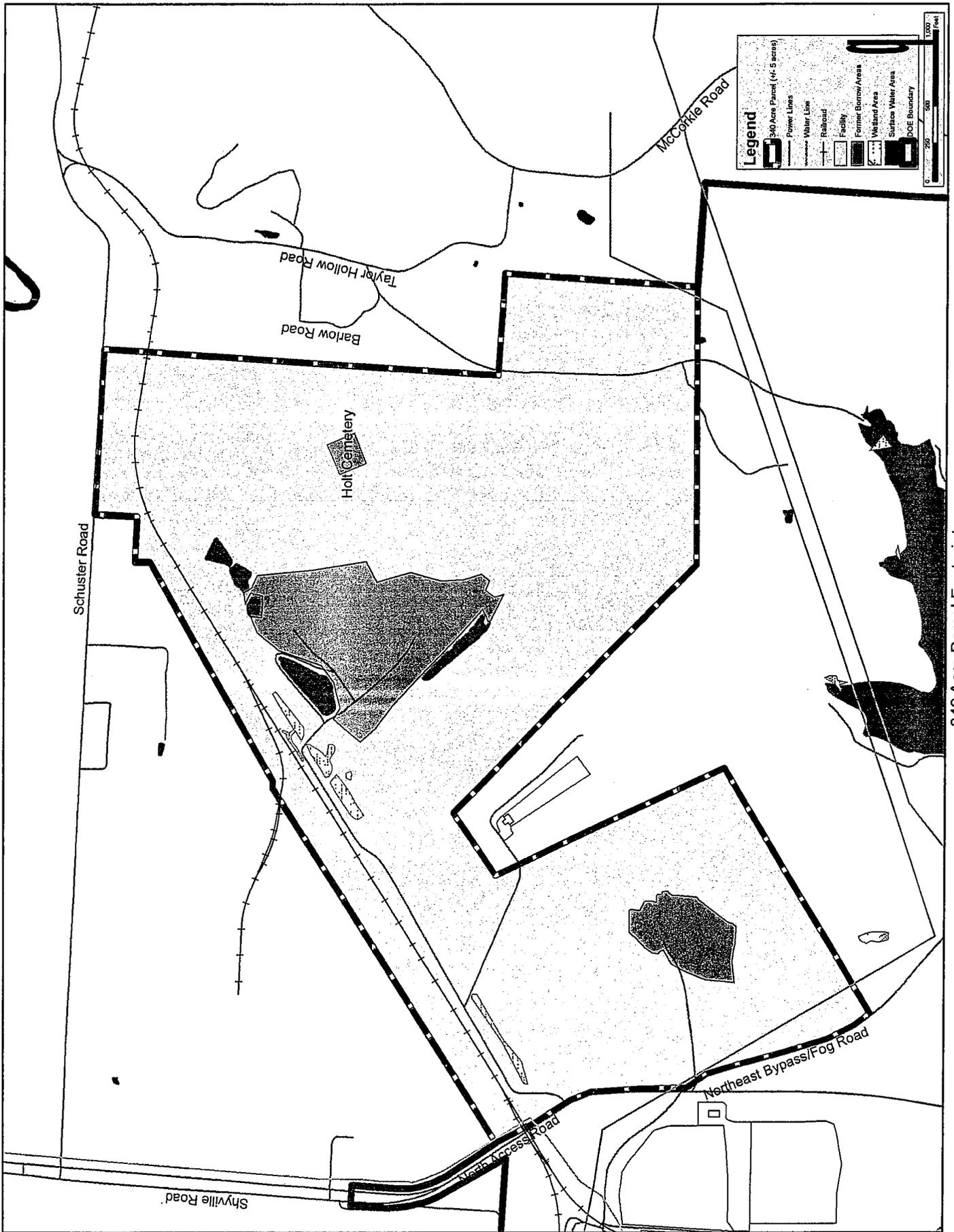
SODI is requesting the transfer of the subject property at no cost. The DOE has the authority to transfer the property without consideration to the designated Community Reuse Organization (SODI) by utilizing Section 770.8 (Transfer for Less Than Fair Market Value). Section 770.8 is intended to assist local communities recover from the negative effects of downsizing. As stated above, the region has lost nearly 3,000 jobs in this decade and more than \$92 million annually because of the change in DOE missions.

Further, the requested property is not being leased by USEC and the transfer should not affect the use of other DOE property by USEC. However, SODI has and will continue to coordinate with USEC to ensure the transfer does not affect any property used or anticipated for use by USEC. SODI is requesting that all necessary surveys, testing, deed preparation and indemnification documents be provided by DOE. SODI will be responsible for the expense of any legal review of the documents prepared by DOE.

Finally, approval of this transfer request will provide regional benefits to both the public and private sectors. Most years, local taxing jurisdictions (e.g. schools, fire, EMS, senior citizens, MRDD, county, townships, hospital, vocational education, roadways, cemeteries, etc.) receive no real property taxes or PILT from the DOE site. The USEC privatization agreement allowed the enrichment operations to privatize through a lease of lands and buildings-effectively providing \$0 in real property taxes to the local taxing jurisdictions as Ohio has no "lease hold" real estate tax provisions. This situation has rendered Pike County with the largest tax exempt duplicate in the State of Ohio. Transferring the parcel will subject the real estate to full taxation, an obligation SODI will be required to meet with its own funds. As development increases on the parcel, the tax valuation will rise proportionally to the value of improvements. Consequently, as SODI realizes the economic benefits from new development, the public sector will likewise be positively impacted.

**6. 770.7(a)(2)Indemnification.**

Due to the previous DOE uranium enrichment operations and the proximity of the subject parcel to the gaseous diffusion plant, we further request indemnification against claims based on the release or threatened release of a hazardous substance or pollutant or contaminant resulting from DOE activities.



**Legend**

- 340 Acre Parcel (4.5 acres)
- Power Lines
- Water Line
- Railroad
- Facility
- Former Burrow Area
- Water Area
- Surface Water Area
- DOE Boundary

0 250 500 1000 Feet

340 Acre Parcel Footprint