Airport Advisory Committee Memorandum & Recommendations

TO:	Port of Astoria Commission President
CC:	Port of Astoria Commission
	Executive Director Jim Knight
	Airport Manager Gary Kobes
FROM:	Henry Balensifer, on behalf of the Airport Advisory Committee
SUBJECT:	Report and Recommendations of the Airport Advisory Committee
DATE:	May 28, 2019

Purpose:

This memo is to reply to a request by the Port of Astoria Commission for reviewing the financial health and sustainability of the Astoria-Warrenton Airport (KAST) located in Warrenton, OR, as well as provide recommendations for developing new revenues with a short turnaround. This request was generated by a recommendation from the Airport Advisory Committee in late 2018, to authorize a "Governance and Sustainable Revenue Generation Task Force."

Preface:

The Astoria-Warrenton Regional Airport supports a great deal of regional commercial and military activity. Beyond the well-known US Coast Guard, and Department of Defense use, it also supports the primary boarding method by the Columbia River Bar Pilots, overnight shipping by FedEx and UPS, business jet traffic, sardine spotters for the fishing industry, and a multitude of tourists who fly in. The airport is the base of operations for three publicly traded tenants, UPS, JBT LEKTRO, and Mammoth Energy Services, as well as non-profit tenants that provide critical air ambulance services—Life Flight Network.

Department of Defense traffic has increased steadily, as Camp Rilea remains a premier disaster response training site for the NW region.

Overall economic impacts of the airport are shown in appendix A per the Oregon Aviation Plan. FAA statistics for airports of comparable size show that the Astoria-Warrenton Regional Airport receives the largest FAA investment within the state, largely due to its strategic importance and location.

On another note, the airport currently has all executive and T-hangars leased out, a marked improvement from when over a dozen hangars were vacant, and others were being used to store hay and junk equipment. All port-owned T-hangars are now required to be used for aviation uses. This was a policy recommendation by the Airport Advisory Committee several years ago, to better align airport operations with federal rules.

Actions by the Committee:

Division of Work

To accomplish the task the Port Commission requested the subcommittee work on, it divided into 3 subcommittees (SubCte): Financial SubCte, led by CAPT (ret) Dan Travers, which reviewed existing and past financial performance of the airport as well determine if any fee or lease increases (within the Port's power to do so under existing leases) would result in noticeable revenue increases; Grants & Strategic Partnerships SubCte, led by John Raichl, which would reach out to other governmental entities to see if funds, grants or partnerships could be formed to help further economic development goals at the airport; and Economic Development SubCte, led by COL (ret) Todd Farmer. These subcommittees met separately from the Airport Advisory Committee, and also added advisory members to their ranks to bring in expertise or perspectives helpful to their tasks.

Subcommittees:

Financial Subcommittee

Conclusion: *Immediate fee and lease increases (where applicable) would not substantially affect the airport's bottom line but will be addressed.*

Previous reports from this committee dating to December of 2018 show that the airport was "approaching break even from airport operations." Additional review of fuel sales, leases and other agreements, and adding the payroll expense of an assistant based at the airport showed that the airport is turning a modest profit, but at the expense of about $100,000 in deferred maintenance each year. The Financial SubCte created a 5 year model of revenue and expenses that broke down revenues and expenses past, present and future. The details of this model are rather technical, but for the purposes of illustrating areas of revenue generation for the business model of the airport and how debt service (which is temporary) and rebilled utilities (which aren't a true source a revenue) affect them, the table in Appendix C shows that the business model for the airport is relatively sound.

Reasonable increases to hangar leases would not provide enough revenues to make up for the deferred maintenance or FAA grant matches, however, adding new businesses in the business park or airside could drive new revenues. Additionally, the full Airport Committee has recommended staff pursue more government fuel sales, as that could provide an easy "quick win" of revenue that could have a meaningful revenue impact. As of this date, the airport director is in the process of growing that business.

While the FAA offers grants to keep the infrastructure of the airport surfaces in good order, the Port has broader maintenance obligations such as tenant roofs, hangar doors, and other issues that it is failing to keep up with or will become problematic in the future without intervention. This is not a new issue. Modeling the airport as a business unit over 5 years has been of great assistance to the airport committee in evaluating challenges and prioritizing investments. With respect to the great challenges the Port faces, the Airport Committee's job is to provide advice. As such it is worth noting airport improvements outside of major capital projects required of FAA grant matches have gone largely unfunded every year they have been presented for the budget process.

Overall, this subcommittee concluded that without new business generation and development, the airport will continue to have to defer maintenance. If the Port ceased making FAA grant matches, more significant financial issues would occur, as would the financial obligations of the Port.

Grant & Strategic Partnership Subcommittee

Conclusion: *Local and State Partnerships may exist, where previously they did not. There are no conclusive commitments to any resources however, and this SubCte will continue to meet until it has exhausted its search of partners and grant opportunities. A supplementary report will be filed once it has more information.*

The outcome of a meeting between the subcommittee and Clatsop County Commissioner M. Kujala and county staff showed that the potential for assistance exists. The County's support is nuanced in that they see any investment as earmarked for improving infrastructure with the goal to spur industrial or aviation related development. The County made it clear that it was not interested in funding operations or maintenance. It is clear from initial conversations both to County and the City of Warrenton that no local entity is interested in providing what could be perceived as a "bailout" or any sort of O&M assistance.

While the City has not yet formally met with the SubCte, it should be noted that it has been reported by City of Warrenton staff during their City Commission meetings, that the Port has a significant impact on its sewer treatment plant capacity, which is accelerating requirements for plant expansion in order to meet new housing and business development, the costs of which exceed a million dollars. The impacts stem from inflow and infiltration of stormwater into the airport's sewer systems. By 2017 numbers, it was estimated that up to $55,000 worth of effluent a year is being treated that should not be going into the sewer system. The City has offered to partner with the Port in having infrastructure smoke tested professionally to validate and expand on the work done by the Port, as the Port's initial attempts at smoke testing have not identified a conclusive source of infiltration.

The subcommittee has not formally met with the City of Warrenton, Oregon Dept. of Transportation, Oregon Dept. of Aviation, or any federal agencies. It will meet with entities in the future in pursuit of grants and partnership opportunities.

The major takeaway from this SubCte is that partnership opportunities exist that are previously not thought to have been available. It is incumbent upon the Port to approach entities, particularly local ones, thoughtfully, as Port finances remain a political issue and budgets across the county's various jurisdictions are challenged.

Economic Development Subcommittee

Conclusion: *The Port should consider all its Warrenton properties for development. Container mini-storage demand is high and can provide a good return with low setup costs. Additionally, the East Skipanon Peninsula should be returned to recreational zoning and take advantage of existing plans for partnerships with the City of Warrenton to develop a unique surfing and camping area. Finally, the Port should begin to investigate how to take all its Warrenton properties and spin them off into a newly created Airport Authority, that would be a separate governmental entity, independent of the Port of Astoria. This would be a 3-5 year process requiring FAA approval. The Port could and should remain a major stakeholder in the new entity.*

The Economic Development SubCte discussed amenities that would provide low setup costs, be impermanent, and provide a relatively higher ROI for the cost of setup. The purpose of impermanence was to utilize existing land that currently is unbuildable due to high site prep costs and environmental factors. The committee comprised of Col (ret) Todd Farmer, Henry Balensifer, Brandon Kraft, Jenna Travers.

The committee reviewed ideas for developments strategies in the context of regional demand and trends, as well as long term sustainability. Beyond industrial developments such as Hampton Mill, JBT LEKTRO and Warrenton Fiber, two major industries exist in Warrenton that continue to show strong demand now and in the future: storage and camping/recreation. The City of Warrenton has over 1,700 storage units within the city limits, with demand for more. Additionally, Warrenton is the largest camping location regionally, and among the largest in the state, with demand for more.

The Port has publicly committed resources to the Airport, while now publicly suggesting those resources may have been non-existent. Investment in the airport for new business development has not seriously occurred since 2006 and if recent developments at the airport are any indication, it is not expected the Port will be either a) in a financial position to invest in the airport or b) view airport investment and development as do most other airports across the state and country. This is in no way to suggest ill will from the Port, but simple recognizes a difference in opinion on how to run an airport, which is a very different business model from a maritime facility.

The SubCte decided on 4 steps, of which 2 are connected. The SubCte conducted a SWOT analysis to come better define the recommended options as well as evolve those that ended up being too risky or challenged to be worth further discussion.

1. <u>Develop a temporary (5-10 years) container mini storage facility</u> on the 3 mitigated acres at the Airport Business Park in order to develop revenues to pay for making the site shovel ready for a permanent tenant/industrial business or help boost revenues to fix deferred maintenance of airport infrastructure.
    a. Due to federal flood standards, potential soil/geotech issues, and other cost drivers that make immediate development cost prohibitive from an investor standpoint, the Port should grade and gravel the site and either partner with a private entity to develop a mini storage utilizing shipping containers as storage units, (the SubCte identified at least one if not two entities who could provide assistance) or manage the storage facilities on its own. A cost analysis should be done between security costs and private investment/share of profits to determine the highest and best value to the port. The SubCte found that while a private partner who specializes in container storage setup and management would reduce revenues to the Port, it also reduces startup costs and risk.
        i. With about 60 of the 40' containers rented, it was modeled that the facility would pay for itself (assuming no private partner) in under 2 years. Minimum market rate gross revenues would be about $122,400 per year under the 60 unit model.
2. <u>Develop the East Skipanon Peninsula into a watersports camp/village</u>. This would require a close partnership with the City of Warrenton. It addresses an existing plan for the partnership the City of Warrenton and Port of Astoria adopted in the late 1990s and was adopted under the City of Warrenton Waterfront Redevelopment Plan. During the 1990s windsurfing was a large recreational industry, but most of it moved to Hood River after port priorities changed and the project partnership unrealized. Hood River's wind and kite surfing industry is becoming saturated, and outdoor recreation is a huge industry in Warrenton.
    a. Private partnership would be likely necessary—and recommended—to realize this. The SubCte met with Warrenton Public Works and toured the site. There are considerable sections of land not listed as wetlands in the middle of the peninsula. This could be built into a surfers camp. The SubCte recommends keeping amenities relatively limited (tent camping only) in order to both keep the camp attractive and cost-effective to surfers, as well as

discourage RV camping which would require more infrastructure. If private investment was made, more could be realized to capture Yurt or other type camping.

   b. It is recommended the port vacate all government-owned plats on the peninsula, as well as the road. This would make development easier and more flexible. The Port should either partner with DSL, or exercise its claimed rights to the DSL properties in the process of vacating/owning the plats. There is one particular oddball tract in the peninsula that would require either partnership or accommodation, but it is not considered problematic to advancing the concept. The Warrenton Fire Marshall will need to approve what type and width of the road are acceptable, which is a potential cost threat. The existing King St is a previously paved, but seriously degraded road that would need to be redone regardless of what surface the Port puts on it.
      i. Cost threats to this concept are road and water utility development, however, alternatives exist depending on how serious the Port wants to pursue this.
   c. The Port should partner with the City of Warrenton to advocate for aligning Lower Columbia Tourism Committee marketing efforts to help give this effort a boost.
3. <u>Develop a food cart pod on Port Property between King St. and Harbor Ave.</u> This is seen as a positive amenity to the surfers camp, as well as can build a business's name enough to someday build a bricks and mortar restaurant. Baked Alaska started out as a food cart, for example. On the entrance to King, there is a small side road that is not deemed a wetland and could be cleared and used for this. While this is intended to complement the camping concept, it could stand on its own. Bricks and mortar development in that area would likely be unable to develop due to FEMA flood code standards and elevations required to build. As a result, the only type of development that makes sense is mobile food establishments in that area. Existing Warrenton establishments that have sought to expand have run into flood code issues for new construction which has effectively halted their growth in place.
4. <u>Consolidate Port properties within Warrenton and spin them off into a new governmental entity.</u> The Port needs to review its strategic plan and priorities and determine what areas it is going to reasonably be able to invest in. While the Port committed to making its FAA grant matches this year, it has reported to the committee that often it's a matter of choosing pier improvements or the airport grants. In reviewing the record as far back as the 80s, it appears the Port has often had to make this choice. The SubCte feels the Port should not try to hold on to that which it cannot reasonably maintain, as the deferred maintenance—especially if FAA grants are ceased due to lack of match funds from the Port—may reach a point where the airport becomes beyond repair. Airport closure is unacceptable. It would have significant economic impacts to the community, not just because of access to critical overnight shipping services provided by UPS and FedEx, but also due to the US Coast Guard, Columbia River Bar Pilots. It also would preclude eventual commercial air services to the public at large. It is not unreasonable to expect the aviation industry to morph beyond airlines and that some sort of commercialized air transportation would come back to the airport. More and more individuals travel for work, as jobs within the area have not corresponded to the population growth.

   It is important to note that the FAA has ultimate authority on whether this could occur. It is reasonable to expect that a well thought out plan would allow for this. FAA participation is essential.

   a. The Port Commission should set up a workgroup headed by one of their own to comprise of one elected representative from each city in the county, a County Commissioner, and representatives from the FAA, Business Oregon, and Oregon Dept. of Aviation to develop a plan for naming the new entity, how the board would be elected, and transitioning the airport and the Port's other Warrenton operations and tenants to the new entity's ownership. Due to his familiarity with the airport and expertise, it is also encouraged Gary Kobes be part of this workgroup.

b. The Port should either exercise its purported rights to own what it currently leases from the Oregon Dept. of State Lands or ask the legislature to pass a bill to convey that land to Port of Astoria in trust until the new airport authority is stood up.
c. A modest, county-wide bond should be put to the voters to assist with fixing the most critical of infrastructure, and to kick start funds in the new airport authority's accounts for FAA grant matches.
d. This would enable the Port of Astoria to focus on its maritime terminals and better invest in its maritime properties.

Summary

I hope that this memorandum is helpful and provides the necessary insight to the commission in making sound decisions related to the airport, its tenants, its users, and community beneficiaries. While the subcommittees submit their work with the understanding that the Port of Astoria has no current intention of divesting of the airport. The spinning off the airport to create a new entity has been a point of discussion over the past few years, albeit not seriously considered until recently. The committee recognizes that when Gary Kobes retires, the Airport may once again be without an onsite manager for a long time at which point the airport is more than likely to degrade to a level it becomes unsustainable. The Committee asks the Port to ponder the long-term implications of losing an asset by choice and sustaining that asset for the region by spinning it off or the implication of losing the airport through slow decay.

After the completion of the Taxiway A Project and Phase 1 Apron Rehabilitation projects FAA funding will be scaled back as the airport goes through a 4-5 year planning and permitting cycle with no construction funding planned. This will include a two-year master plan update and followed by a two-year environmental assessment and permitting to implement the projects identified in the master plan update. This is a great time to begin working with the FAA and other regional stakeholders on a concept for spinning off the airport.

Subcommittees will continue to work and report on their findings as necessary. It is our hope that those meetings will conclude by the end of Fall. As concepts and ideas are better fleshed out, the Airport Advisory Committee will report on their findings and recommendations.

Respectfully Submitted,

Henry A Balensifer III

Henry A. Balensifer III
For the Airport Advisory Committee
Tenant/Industry Member

Airport Advisory Committee:

Henry Balensifer; Communications Manager, JBT LEKTRO Inc.
Philip Bales, DDS; Lietenant Colonel, Oregon Air National Guard, Ret.
Brandon Craft; Property Manager, Lincoln Properties
Todd Farmer; Oregon Military Department Facility Manager, Camp Rilea; Colonel, US Army, Ret.
John Raichl; Former Port Commissioner; Clatsop County Sheriff, Ret.
Mark Smith; Part 135 Operator; Colonel, US Air Force, Ret.
Dan Travers; Life Flight Network Station Manager; Captain, US Coast Guard Ret.
CDR Todd Troup; Executive Officer, US Coast Guard Sector Columbia River
Andy Whitten; Oregon Pilots Association and Education liaison

Appendix A
Economic Impact Data from Oregon Dept. of Aviation, Aviation Plan 2018

PORT OF ASTORIA REGIONAL AIRPORT

	Direct	Indirect/Induced	Total
Employment			
– **Tenant**	368.0	530.0	898.0
– **GA Visitor**	7.3	3.0	10.3
– **CIP**	15.5	16.3	31.8
Employment Total	***391.8***	***549.3***	***941.1***
Payroll			
– **Tenant**	$22,035,104	$18,061,793	$40,096,897
– **GA Visitor**	$246,551	$193,622	$440,173
– **CIP**	$847,869	$633,291	$1,481,160
Payroll Total	***$23,129,524***	***$18,888,706***	***$42,018,230***
Sales/Output			
– **Tenant**	$73,449,488	$66,429,289	$139,878,777
– **GA Visitor**	$361,379	$251,699	$613,078
– **CIP**	$1,939,667	$1,537,006	$3,476,672
Sales/Output Total	***$75,750,534***	***$68,217,994***	***$143,968,528***

Source: Mead and Hunt, EDR Group, Jviation, IMPLAN econometric package

Appendix B
FAA Operational and Funding Statistics

	Physical Characteristics			Operational Characteristics			Base of Airside Businesses				FAA Funding	
Airport	Primary Runway Length	Secondary Runway Length	Airport Area Acres	Total Daily Operations	Daily Military Operations	Daily Civilian Operations	Transient General Aviation	Local General Avaiation	Air Taxi	# Based Aircraft	2019-2024 NPIAS 5 YR Plan	Required Match
Aurora Stat	5,000	---	144	260	3	257	148	88	21	346	$ 2,800,000	$311,111
Scapoose I	5,100	---	196	164	2	162	91	51	7	132	$ 2,301,111	$255,679
Chehalis	5,000	---	438	131	1	130	55	63	12	63	$ 1,111,110	$123,457
Kelso	4,291	---	110	112	2	110	52	54	4	67	$ 1,777,778	$197,531
Astoria	**5,794**	**4,467**	**870 (640)**	**106**	**38**	**68**	**32**	**31**	**4**	**41**	**$ 4,744,444**	**$527,160**
Newport	5,398	3,001	700	55	11	44	29	11	4	26	$ 4,483,332	$498,148
Tillamook	5,001	2,911	360	70	1	69	52	18	-	18	$ 1,975,555	$219,506

Appendix C
Revenues by Actual and sans Debt Service and Rebilled Utilities

Revenue	Actual	Net Debt Service & Rebilled Utilities
Fuel Sales Gross Margin	21.2%	37.7%
Landside Leases	49.9%	32.7%
Airside Leases	11.6%	20.6%
T Hangars	10.9%	~7.6%
Misc. Fees & Charges	5.8%	1.3%
Rebilled Utilities	~0.7%	0%
Total	**100%**	**100%**