

CARB Board Minutes

Confluence Technology Center - Wenatchee, Executive Board Room
Thursday, December 12, 2019 8:00 am – 5:00 pm

After a delay due to weather and a technology issue, the meeting was called to order by Chair, JC Baldwin, at 8:32 a.m. Present were Board members Rich Mueller, Michael Echanove (alternate), and Dave Chenaur, Program Manager and Secretary to the Board. Richard Bogert, Jill Anderson, and Jennifer Skoglund participated via teleconference. Guests present were Chris Herman (Washington Public Ports Association) and Trent Moyer (Director, Pangborn Airport). Excused was John Dobson (traveling abroad) and David Fleckenstein (family emergency). Board member Andy Hover and Rep. Tom Dent cancelled due to conflicting commitments.

Announcements: JC Baldwin welcomed the group and had everyone introduce themselves. JC asked if there was any announcements. No announcements were provided.

Approval of November Board minutes: The first agenda item was to approve the Board meeting minutes from November 6, 2019. Board members were given time to review the minutes. Richard Bogert moved to approve the minutes and Jennifer Skoglund seconded the motion. No additional discussion was offered. The Board minutes were approved unanimously.

Loan Limits & Partial Awards: Dave C. explained that the Board received several applications that exceeded the initial \$750,000 loan limit and WSDOT had received other stakeholder comments that the loan limit may preclude some airports from applying due to the high construction costs for many capital projects. At the last CARB meeting, Janea Delk, Executive Director & Tribal Liaison for the CERB Board thought that the current loan limit may be a larger obstacle for applicants than the interest rate offered. Based on the actual applications received, Aviation Director, David Fleckenstein and I, both thought the Board may want to re-consider the maximum loan limit and the possibility of a partial award before beginning the selection process. David F. was unable to attend due to an urgent family matter but prepared a statement for the Board members, as follows:

"In regards to loan limits, I believe the board should weigh the merits of raising the limit in the future in order to help address airport sponsors concerns over the costs of purchasing land, construction, etc. and the current limit of \$750,000. The request from Auburn for a land purchase and some of the estimates for hangars exemplifies the higher costs being encountered by the airports. The problem I see in raising the limit is that we already have several requests at the lower limit. Raising the limit now would create an unfair situation for those sponsors having worked to provide a request at the \$750K limit. Hence, I recommend the board refrain from offering loans that exceed \$750K for the December meeting. For Auburn in particular, the board could consider offering the sponsor a loan at the \$750K limit or defer the request until spring 2020 when the board could vote to raise the limit."

JC concurred with David's comment and also asked if land purchases were eligible and reimbursable under FAA funding. Rich Mueller responded the airport would first have to be classified as a NPIAS airport and then land purchases would have to be related to runway approaches and safety areas but land for business/revenue opportunities would not be eligible. JC conceded that revenue-generating projects would not be FAA eligible and added that match would also be required. Dave C. explained the City of Auburn has an unexpected and rare opportunity to purchase some land adjacent to the airport.

The \$13.5M market value of the land far exceeds the current loan limit, however, the agent identified 8 unique parcels that may be sold separately and the applicant identified a minimum loan amount of \$1.3M. Richard Bogert commented that he felt the purpose and focus of the CARB program was to help preserve small, rural airports to keep emergency and other essential services viable. He was not sure the City of Auburn's airport land acquisition fits the vision of CARB. While it may be a good business investment, Auburn Municipal Airport would probably still remain open. JC agreed with Richard's comment. She also inquired who were the legislators for Auburn and asked if we could generate a list of legislative districts and legislators for the Board in relation to the applicants. Action Item: The Loan Program Manager will create a spreadsheet identifying the districts and legislators for the Board by the next meeting. Dave C. responded that the Auburn Municipal Airport is classified as a "community airport" and that it readily met all the CARB program eligibility requirements. He added that the airport is essentially land-locked by development and that it is not ensured viability strictly due to size. Land usage evolves and often facilities that some may consider a nuisance can be forced out by incoming residences that do not appreciate the negative elements of airport operations. Regardless, Dave C also supported David F. remarks to retain the current loan limits. To change the limit after applications were received could be viewed as unfair and not transparent for those who did not apply due to the limit. Dave suggested the Board could provide a partial award and then allow the applicant to re-apply to augment the initial award if they wanted to raise the loan limit.

The Board decided to table the topic of loan limits to the next board meeting with no dissenting votes.

Application Review – Project Selection: Dave C. listed and summarized the applications received. The loans requests included 10 projects totaling \$7,540,000. All applications were reviewed and scored by three WSDOT staff with the scores averaged. Applications also needed to meet minimum loan program requirements represented by a pass/fail review. Whidbey Airpark 2nd floor addition and Sequim Valley Airport re-paving project were the only two projects that reviewer's thought did not meet the minimum requirements. Executive summaries were prepared for all applications and sent to Board members prior to the meeting. The application, attachments, photos, and scoring sheets were also made available for review by Board members.

JC asked what the loan requests totaled if we eliminated the projects that failed to meet the minimum program requirements and limited funding to the pre-determined loan limit of \$750,000. Dave C responded that loans would totaled \$3.19M. JC inquired if those remaining projects met the program standards and Dave C affirmed. Rich asked if anyone had any issues with accepting projects identified with both a passing score and within the funding limits as a whole. The Board could then focus on the other three projects or if they preferred to spend time reviewing and approving each project separately. Before deciding, Dave C. wanted to ensure everyone had an opportunity to review the executive summaries and applications for the projects Rich identified and if Board members had any questions about those projects prior to approving the loans. The City of Chehalis had two projects within that group and JC wanted to know if the City of Chehalis intended to accept both awards. Jill Anderson responded that they had concerns about being able to manage two construction projects simultaneously and that it would be preferable to perform the projects sequentially and not concurrently. She also noted the City did not have time to fully analyze the financial impact/commitment on other city construction projects due to the short application turnaround time that could impact their acceptance if offered loans for both projects. Michael Echanove stated that the Board should consider each project individually and that it would be negligent not to do so. JC agreed

but asked for the three projects outside the program requirements be reserved for review last. Rich concurred.

Jill asked Dave C. to restate the amount of loan funds available. Dave C responded that \$4.74M was available for award after \$260,000 was reserved for administrative costs. He added that if the Board chose not to fund all the projects and one of the City of Chehalis projects was withdrawn, up to \$2.3M would be available for a second round of funding. Chehalis could then re-apply for the withdrawn project. This may resolve Chehalis' issue with performing two projects simultaneously. JC agreed and Jill stated the City would be open to that. JC asked which project Chehalis would prioritize and Jill responded that the fuel storage facility project was preferred due to eminent liability issues.

Port of Port Angeles, William R. Fairchild Airport – Sewer Extension \$325,000: This was the highest ranked project submitted. The Board reviewed the executive summary provided and Dave C. covered the project highlights. JC asked if the applicant had the ability to repay the loan. Dave C. displayed the Financial Intelligence Tool (FIT) report produced by the State Auditor's Office (SAO) and referred to by Janea Delk at the last CARB meeting. The report summarizes the financial position of the Port of Port Angeles. Dave C. added that their application clearly identified the long-term revenues to repay the loan and the commitments to build and lease the associated facilities by third parties. Rich moved to fund the project. Jill seconded the motion. The motion passed unanimously (David F. voted to approve by proxy).

City of Chehalis, Chehalis-Centralia Airport – 12-unit Hangar \$750,000: Jill, representing the City of Chehalis, requested to withdraw the application based on the preceding discussion without prejudice.

Mellenmark, Inc., Floathaven SPB – Dock Replacement \$150,000: The Board reviewed the executive summary provided and inquired where the seaplane base (SPB) was located. Dave C. responded that the SPB is located on Lake Whatcom about halfway up the west side of the lake. It is the only SPB located north of Kenmore on the west side of the Cascades. The Board reviewed pictures of the dock which was deemed unsafe for operations and had exceeded its useful life. Michael noted that the request did not fully fund the project and want to know the source for the remaining \$45K needed for the project. Dave C. replied the owner indicated they would be responsible for the difference. Rich noted it was a privately-owned airport and wanted to confirm the SPB was open to the general public to satisfy the commensurate public benefit requirement of the program. Dave C. confirmed that the SPB is open to the general public and their commitment to remain open to the public for 1 ½ times the length of the loan which was identified as 10 years. Dave C. also cautioned the Board that, while we can offer a loan, the applicant would still have to commit to the loan assurances and pass a credit check before we could execute an agreement. JC emphasized the need to perform our fiduciary due diligence. As Loan Program Manager, Dave C., agreed completely. Jill moved to approve the SPB dock project [funding], Rich seconded. JC asked for additional comment. Richard Bogert commented this project's application fits the purposes and mandate of the CARB program and provide a much need option for a float plane option on the west side of the State. The motion passed unanimously (David F. voted to approve by proxy).

City of Chehalis, Chehalis-Centralia Airport – Above Ground Fueling Facility \$750,000: Dave C. described the project and that it was a 20-year loan request and is shovel-ready. He noted that the economic impact tool indicated a loss of revenue if fueling operation were suspended due to the current underground fuel tanks exceeding their useful life (installed in 1991) and they currently have to pay liability insurance for the underground tanks. \$350k is provided by the applicant. The FIT report shows the Port generated about \$1M in revenue over expenditures in 2018 and have demonstrated the ability

to repay the loan. JC asked if the airport was a Fixed Base Operator (FBO). Rich responded the airport was an owner-operator. Michael asked if the City adopted a resolution. The City Council did adopt a resolution authorizing and supporting the loan applications and committing to provide general, public access for 1 ½ times the length of the loans. Chehalis was one of the only applicants that provided a resolution though it was not a requirement imposed by the Board. Michael asked if there was any ground contamination around the fuel storage tanks. Jill indicated there was no contamination they know of yet, however, the tanks are beginning to fail and they have required recent repairs. Members expressed concerns about additional project costs if contaminated soils are encountered. Rich added that typically hazard insurance could possibly cover the expense. Jill confirmed that the City would cover those costs if incurred. Richard thought it was a reasonable project but was surprised at the cost. Jill concurred with the “sticker shock” with capital projects. Rich moved to accept the project [loan application]. Jennifer seconded the motion. The motion passed unanimously (David F. voted to approve by proxy). Jill recused herself from the vote.

Action Item: It was requested to clearly indicate the airport sponsor separately on the executive summaries.

JC recessed the Board for a 10-minute break. The Board reconvened at 9:43 am.

Quicksilver Properties, LLC, Whidbey Airpark – 12-unit Hangar \$750,000: This project and the next project for Whidbey Airpark are essentially one project for a 2-story hangar building with mixed-use facilities upstairs. The applicant appeared to separate the project into two parts to avoid the loan limit threshold. The applicant was asked if the project could be phased separately but the owner indicated there was an economic benefit to building it simultaneously. The airport is privately-owned and located in the southern part of Whidbey Island near the town of Langley. It currently does not own any hangar facilities. Dave C. described the project and the documents provided. The applicant surveyed the airport users and determined they could charge up to \$550 per month for hangars that could cover the estimated loan payments. Reviewers had some concerns over the applicant employing a related business concern for construction. Rich acknowledged for an airport with no hangars, the applicant appears to have done their due diligence and it would be great way to generate revenue. JC concurred. JC and Jill asked if the project would go forward if it was only partially funded. Dave C responded he was unsure but the applicant appeared to have the resources to proceed with a partial loan. Jill requested additional clarification if the projects were one building or two and if we did not fund the second project would that prevent them from building the hangar. She added if they decided to fund the second floor, would that affect the approved project moving forward? Dave C. stated that it was one building and the hangar application building plans submitted were for a “stand alone” structure. The 2nd-floor application indicates a different structure that can accommodate a two-story building. JC clarified that we could fund the hangar portion but the applicant would have responsibility if they wanted to add-on. The reviewer’s recommendations is to only fund the hangar project. Michael asked what type of organization is the airport and are they sound enough to pay off a 20-year loan? Dave C. responded it is a Limited Liability Company (LLC) but determining financial position has been problematic. Discussion ensued regarding the fiduciary responsibility on verifying the credit worthiness of private entities and remedies for non-compliance including liens. JC emphasized that selected projects would still have to be vetted financially before a loan agreement could be executed and selecting the project was just the beginning of that process. Rich moved to fund the 12-unit T-hangar project. Jennifer seconded the motion. Richard questioned whether the number of planes on a waiting list was accurate and if there was sufficient demand. There appeared to be consensus that Whidbey Island is a growing community

and popular destination for vacationing and tourism. No further discussion was offered and the motion passed unanimously (David F. voted to approve by proxy).

Quicksilver Properties, LLC, Whidbey Airpark – 2nd Floor Mixed-use Addition \$750,000: This application is dependent on the first floor hangar project being funded. Dave C. described the project and the anticipated usage. The project is part of a strategy to build a vibrant aviation community. Reviewers did not believe the revenue portion of the project was sufficiently documented to meet the program requirements, hence the project did not get a passing score. Dave C. described the applicant's revenue projections for the board. Rich agreed the application was deficient in validating revenue sources. Rich moved to reject the application citing they failed to satisfy the revenue requirement and it would exceed the single project loan limit. Jennifer seconded the motion. Richard asked if we need to reject or to table. Rich thought they deserved a determination. JC and Dave C. concurred. The motion to reject the project application passed unanimously (David F. voted to not approve by proxy).

Port of Othello, Othello Municipal Airport – 10-unit Hangar \$450,000: The project was described as identified in the executive summary. Dave C. displayed the estimated amortization schedule for loan payments. The revenue projections support the ability to repay the loan. Rich confirmed there is a need for hangars on the eastside of the mountains, as well. Due to weather conditions, it is very desirable to store a plane inside. Othello is a local NPIAS airport that was established in 1966. Project plans have been prepared and the project is ready to proceed immediately. Members reviewed the FIT financial summary for the Port. Dave C. noted this was the only application received from the eastside of the State though we had interest from several other eastside airports. Michael commented that this project supports the intent of the program. Jill moved to accept the application. Rich seconded the application. JC asked for any further comments. Richard felt that the project was perfect [for the program]. JC asked why the project only scored 60 points. Dave C. thought that was because their application responses was not as thorough as other applications. The motion to fund the project application passed unanimously (David F. voted to approve by proxy).

Sequim Valley Airport, Inc., Sequim Valley Airport – UST Avgas Tank Removal \$15,000: The project was described as identified in the executive summary. The airport has to pay \$3200/year for liability insurance to the Dept. of Ecology for the obsolete underground storage tank that is no longer in use. The airport has built an operational above-ground fueling facility already. The costs savings can easily repay the small loan amount. The airport recently completed a grant-funded Airport Layout Plan (ALP) in 2019. Richard moved to accept the project. Jill seconded the motion. JC asked for additional comments. Richard viewed pictures of the airports and commented on the beauty of the facility. Dave C. commented the airport supplied a long list of benefits to the community and even though the project may not have scored very high, the project was still justifiable under the program. The motion was put to a vote and it passed unanimously (David F. voted to approve by proxy).

Sequim Valley Airport, Inc., Sequim Valley Airport – Access Road/Fueling area Re-paving \$70,000: The project was described as identified in the executive summary. Dave C. displayed several pictures that showed the condition of the access road and fueling area payment. The project received a letter of support from an engineering consultant. The project is ready to proceed immediately. The applicant suggested the condition of the pavement makes it difficult to attract investment in the airport for revenue-generating operations. The application received a failing score and received the lowest average score of 44.3 mainly due to the lack of identifying and documenting how it would generate revenue (a program requirement). The Board acknowledged the importance of the project and discussed re-paving requirements and possible funding options including partial funding. The Board indicated they would

like to be able to fund the project but realized they failed to adequately identify revenue. Several members suggested they re-apply with no prejudice. Richard commented that while the project may not meet the program criteria for revenue it does provide essential public services to the community such as emergency services. JC added that maybe future program funding could incorporate some funds for essential projects like this. Some discussion ensued as to their eligibility for public funds and the need for private airports to partner with a public entity, such as the county. Rich reluctantly moved to not fund the project application. Jill seconded the motion. The motion to not approve the project application passed unanimously (David F. voted to not approve by proxy).

JC asked how much funds was remaining. Dave C. responded that we have \$2.3M in remaining funds to award.

City of Auburn, Auburn Municipal Airport – Land Acquisition \$3,530,000: Dave C. described the project as identified in the executive summary. The Board was shown aerial pictures of the airport. The airport is completely surrounded by industrial and commercial properties. Jennifer asked if the airport only had one runway. Rich confirmed. The property identified represents a rare opportunity to secure property adjacent to the airport with the intent on building more hangars to decrease their waiting list of 60 pilots. Rich acknowledged the “once in a lifetime” opportunity but questioned the amount of hangar revenue that could be created since the cost of the land appears relatively high. Rich also noted the airport generates significant revenue through operations. Dave C. confirmed that the City of Auburn generated over \$26M in revenue over expenditures in 2018. The board reviewed the application documents including the property brochure. Discussion proceeded on funding options and the possibility of re-applying if the loan limit is increased. Jill supported partially funding the project. Richard motioned to offer \$750,000 to the City of Auburn for airport expansion. Jennifer seconded the motion. No further discussion ensued. The motion to fund the project application with \$750,000 passed with 5 yeas and 1 nay (David F. voted to not approve by proxy).

The Board recessed for a short lunch and reconvened at 12:30 pm.

Comments/Next Board Meeting: Dave C. recapped the awards and the funds remaining; \$1.55M is still available to award. Discussion ensued about offering another round of funding including the announcement, timing, and logistics of such an offer. If time allows, the application should be modified to clearly indicate the requirement to include a repayment plan which was initially absent in several applications and required staff to make additional requests for information. In order to allow applicants time to submit projects, an announcement would have to be generated in the beginning of January with a submission date at the end of February. Members discussed dates to review submissions for funding and March 5th was tentatively identified. A meeting request notice will be sent after the details are finalized. JC thanked the Board for their participation.

With more snow forecasted and deteriorating pass conditions, the meeting was adjourned at 1:05 pm to allow travelers a safe return home.

David Chenaur, Acting CARB Secretary

Date: _____