

Aviation Review Committee Report to Mayor and Council

Honorable Mayor Dobernecker and City Council Members:

After several meetings over the past few months, the Aviation Review Committee has arrived at a consensus that the City of Pella should pursue a Category C airport. Our current airport is a Category B airport which cannot be feasibly upgraded to a Category C airport because of significant site constraints. This conclusion was arrived at by a feasibility study in April 2000 and an ad hoc committee in 2005, as well as our airport engineer.

In response to the various issues that we have been asked to address, we submit the following:

1. ***The present municipal airport cannot and will not fully satisfy the aviation demands of our community, our industries and businesses, today, and particularly, into the future.***
 - A. Our largest employer, taxpayer and utility customer operates a Category C aircraft. The current airport has authorization for a Category C approach, but the City is required to have the ground based infrastructure to support this approach which is not economically feasible at this site. In addition, various vendors and customers of local businesses use both Category C and Category B aircraft.
 - B. In order for our community to maintain a home for world-class companies, they need safe, convenient access to appropriate airports.
 - C. According to a recent email from the FAA Airport Division (Todd Madison), the authorization which allows Category C aircraft to use our current airport under certain weather conditions may be rescinded at any time. Both the regional and federal offices of the FAA have made it clear that the Category C aircraft approach is not permanent.
 - D. The FAA has indicated that in the future, they may no longer provide enhancement or maintenance funding for airports that have approaches that do not match the physical facilities. For example: a Category C approach at a Category B airport.

1. *The present municipal airport cannot and will not fully satisfy the aviation demands of our community, our industries and businesses, today, and particularly, into the future (continued).*

While Pella's existing airport meets the operational needs of a majority of its current users, there are at least three problems or uncertainties which future plans and facilities enhancements need to overcome to enable Pella to meet the aviation service needs of its own businesses and citizens:

- Flight safety issues resulting from wildlife entering airport
- Better night and inclement weather landing support aids
- The FAA has indicated that Pella should plan on the loss of Category C approved approaches at the current site.

In addition, due to recent changes in FAA policy, all Category C night instrument approaches at our airport are in jeopardy now.

The wildlife safety problems can be addressed reasonably by an investment of \$1.3 million in the current airport. To raise Pella's airport classification to Category C would require a prohibitive investment, i.e., greater than the cost to build an entirely new Category C airport at an alternate site.

Since the most frequent and largest user of Pella's airport (Pella Corp) has business requirements for its own use as well as that of its business partners for a Category C airport, securing Category C airport service for the future becomes an imperative. Thus, there is a real need to move forward with plans for a local airport to provide this support.

2. *A combination of our present airport and the Des Moines and Newton airports cannot satisfy our aviation needs.*

Local industry, particularly our largest employer, is located in Pella, not in Des Moines or Newton. Operating efficiency demands that local employees as well as customers and vendors have direct access to a local airport facility.

Operating out of Newton or Des Moines adds significant hangar, fuel and transportation cost. Operating out of Newton increases operating cost by approximately 25%. Operating out of Des Moines increases operating cost by 38% (see appendix #1).

In addition, travel to and from those locations adds time that can be spent at destination sites working on projects. These costs grow to 34% and 60% respectively if one adds the productivity that is lost due to people having to travel to those locations (see appendix #1).

3. *Benefits that a new Category C airport would provide that our current airport cannot.*

Our current airport handles Pella Corp's Category C aircraft and other Category C aircraft as a result of regional FAA officials having designed and approved a Category C approach. FAA officials in Washington have indicated to us that we can not count on this situation. Our engineer and other FAA observers have told us to anticipate that our current airport will be restricted to service only Category B or smaller, slower aircraft. In addition, due to recent changes in FAA policy, all Category C night instrument approaches at our airport are in jeopardy now.

A new airport that fully satisfies FAA requirements for a Category C designation can be expected to support Category C operations indefinitely, assuming runways, landing aids, and facilities are maintained to FAA standards.

4. *Possible location.*

The committee assumed that suitable sites could be identified but deferred discussion as being premature depending on City Council action.

5. *Partnering with neighboring cities*

From the perspective of the FAA and Iowa aviation authorities, any initiative that reduces the number of active airports and improves the safety of air operations is desirable. Thus, these authorities are likely to be more favorably disposed to support a regional airport that provides a wider range of services to two or more communities than to support a new airport that supports essentially one community, unless the number of landings and take-offs in a year justifies the expense associated with a new airport.

After pulling out of earlier regional airport discussions, Knoxville has indicated a willingness to consider sharing aviation facilities. In view of travel time from downtown Pella to the Knoxville airport, this does not offer Pella airport users any advantage over using the Newton airport, which is already Category C, unless a number of ground services were added.

While the Oskaloosa City Council has for now taken Oskaloosa officially out of the regional airport discussion, the Mahaska Community Development Group has indicated a strong desire in keeping the recently selected regional site as a preferred option. In light of its location, it may also be the best site for Pella. That the feasibility study has been completed for this site is a distinct advantage when compared to possible new sites that have not been so thoroughly studied.

6. *Support for condemnation*

While no committee member likes the idea of utilizing condemnation, a majority of members would support condemnation if it is needed to construct a new airport.

7. *Economic implications for the communities and industries.*

Industry retention is the primary consideration. Growth will occur in our community only if obstacles to growth are minimized. Our largest employer has a need for precision approach and our second largest employer has a desire for it as well. However, precision approaches can not be provided at our current airport. If we limit access to our community to Category B aircraft, we will never be able to reasonably anticipate the growth of a world-class company in our town.

In addition, a Category C airport will help attract larger businesses and visitors to the area for reasons such as the new Point at Red Rock project, Cordova on the Rock, racing (Knoxville and Newton), as well as other potential opportunities.

8. *Minimizing the risk to taxpayers of Pella and Marion County, both in initial construction and on-going operating costs.*

The FAA will fund 95% of eligible construction costs. The local match will be provided by the sale of the existing facility (see appendix #2). This sale would place 245 acres back on the tax roll (see appendix #3). During construction of the new facility and prior to the sale of the existing airport, the City will need to borrow the local share of the construction costs.

After completion of the new airport and sale of the current airport, the sale proceeds will be applied to satisfy the debt which the City incurred for the local share of the construction costs. Over the next several years, development will occur on the current airport property, further adding to the tax base of our community.

The current airport operates at a net operating loss of \$55,000 per year (see appendix #4). This subsidy should be expected to continue for the operation of a new facility. However, over time, it is probable the benefits to the City will far outweigh the costs.

9. *Selling the Project.*

Selected committee members need to visit business and opinion leaders to brief them on committee findings and recommendations. In other words, help these leaders understand the situation through the eyes of the committee. Similarly, committee members need to conduct educational forums for employees of the larger businesses in town.

- In particular, Pella Corp needs to have its employees better understand Pella Corp's use and requirements for aircraft operations.

9. *Selling the Project (continued).*

Following the above sessions, the committee needs to hold one or two open public forums to educate and respond to concerns.

City Council can then make the decisions it needs to make.

10. *Recommendations*

The City of Pella should pursue a Category C airport. Accordingly, Pella's Mayor and City Council should immediately launch a two pronged initiative aimed at securing airport services for Pella that meet the current and projected needs of all users and probable users of Pella airport.

- A. Immediately charter a task force to study alternative locations for a new Pella Municipal Airport which could be built to Category C standards including a cross wind alternative runway. A view of a recommended site should be made within four months.
- B. Pick up conversations with the mayors of Oskaloosa and Knoxville to gauge the realistic probability of continuing to pursue a regional airport serving all three cities or one of them in addition to Pella. In this regard, it should be noted that a feasibility study for a regional airport serving both Oskaloosa and Pella has already been completed. Also, funding has been offered by both the Pella Area Development Corporation and the Mahaska Community Development Group sufficient to underwrite the FAA required environmental study on this site.

APPENDIX

1. These are cost estimates for basing Pella Corporation's jet operations out of Newton or Des Moines. They do not include the cost of relocating at least two of their pilots to those communities, which would likely occur because of the hours of operation (early morning and evening). Pella Corporation would also lose considerable flexibility since their pilots fly both aircraft. Most likely, they would have to base both planes at the same site which would increase costs even more.
2. The current airport sits on 245 acres. If the property is not utilized for aviation purposes, it could be sold for private development. Based on the master plan developed for the Red Rock Regional Airport, the expected local match for a Category C airport is around \$5 million. Therefore, the City would have to net \$20,408 per acre to cover the local match ($\$5 \text{ million} / 245 \text{ acres} = \$20,408 \text{ per acre}$). Recent sales in the area have been in the range of \$30,000 per acre.
3. In analyzing subdivision layouts, it may be possible to construct twelve commercial lots and ninety residential lots on the current airport property. In projecting property tax revenues from this property, we utilized the following assumptions:
 - A) For the commercial values, we used the typical value of a convenience store/fast food restaurant, which is \$600,000.
 - B) For the residential lots, we used a value of \$200,000 for new homes, which is between the average assessed value of homes in Pella of \$141,000 and the cost of higher end new homes of \$250,000.
 - C) We utilized the current residential rollback percentage of 47.97%. Even though this taxable percentage is likely to decrease in future years, we felt future increases in the cost of constructing new homes would offset these declines.
 - D) We utilized current tax rates of the respective authorities (i.e. City of Pella, Marion County, Pella School District).
 - E) Even though the development could take a number of years to build out, for projection purposes, we assumed a fully developed project.

Utilizing the above assumptions, the City's taxable valuations would increase by \$16.4 million. This would equal roughly \$525,000 of additional property taxes. The City's share of this would be around \$167,000 annually.

APPENDIX (continued)

4. The current airport receives a \$55,000 annual subsidy from property taxes. Listed below is a summary of operating revenues and expenses:

Operating Revenues:	
Hanger/Building Rental	\$16,000
Operating Expenses:	
FBO Contract	\$31,000
Utilities	14,700
Other Expenses	<u>10,300</u>
Total Operating Expenses	<u>\$56,000</u>
Net Operating Deficit	\$40,000
Annual CIP	<u>\$15,000</u>
Total Subsidy	<u>\$55,000</u>