

**TACOMA NARROWS AIRPORT ADVISORY COMMISSION
SPECIAL MEETING SUMMARY**

October 2, 2017

A special meeting of the Pierce County Tacoma Narrows Airport Advisory Commission (TNAAC) was held on Monday, October 2, 2017 at 6:30 p.m. at Tacoma Narrows Aviation hangar, 1302 – 26th Ave. NW, Gig Harbor, WA 98335.

I. Call to Order & Welcome

Chair Bob Felker called the meeting to order at 6:36 PM.

TNAAC VOTING MEMBERS	
Present:	Bob Felker, Chair Brad Pattison, Vice Chair Michael Murphy Kurt Grimmer Larry Fickel Wiley Moore Hal Cline
Excused:	Terry Lee, Brian Durham, Laura Fox
TNAAC NON-VOTING MEMBERS	
Present:	
Excused:	Michael Perrow, City of Gig Harbor; Derek Young, Council District 7
Present:	Jay Simons, Operations & Maintenance Supervisor Lauren Behm, Interim Administrator Cindy Willis, Office Assistant
VISITORS	
Present:	Nine members of the public signed the attendance sheet.

II. Discussion & Recommendation on Hangar Rate Study

Lauren Behm noted that the Commission had recommended back in 2016 to reduce hangar rates by 25% and 10% for t-hangars and quads, respectively. Public Works had no participation in the report other than when Jay provided a tour around the airport to the consultant. The last rate increase was in 2011. Occupancy rate for our t-hangars is 82%; that includes five units that are currently unavailable (doors to be repaired, a support beam needs repair, and one is used for County storage). Occupancy for the quads is 75% - two are

vacant. Bremerton is often used as comp for this conversation/study; she toured their hangars and they're nice; however, she learned from their airport manager that the airport operates in the red; it's the business park that provides revenue for the airport. Based on the Commission's previous recommendation, it would reduce revenue by \$30,000 annually based on last fall's occupancy rates.

Wiley Moore asked if the consultant was given the current rates; he was. We currently have no waiting list due to our vacant units.

Brad Pattison asked if Valbridge was aware that Public Works was concerned about a possible deficit if rates were reduced. Lauren said we did not convey that information to the consultant.

Michael Transue introduced Murray Brackett from Valbridge. Murray said he was asked to do a market rent study on individual units, not an airport operations analysis. On the question of what information they were given or how they were directed, he said we don't take direction on value from our clients. We didn't know anything about the TNAAC recommendation for reduction or Public Works' concerns. We toured the various buildings, and were asked to provide feedback as to what would render a building likely for higher or lower rent. Rental rates assume functional buildings—that the roof leaks are fixed and that hangars are in good repair by the landlord. There's been lots of discussion about how to increase occupancy with lowered rates—that was not part of the study. This is a fairly closed market, so location is an important factor. He's had 25 years of experience appraising airports. Those airports with the highest occupancy are closest to I-5. He didn't include Sanderson/Shelton because it's too far out and has a slightly different demographic. It compares poorly to the 1-3 mile radius around TIW.

Michael Murphy asked what he meant by Sanderson comparing poorly to TIW. Murray said there are several ways to compare market size. TIW is closer to a major employment center (6 miles/bridge from Tacoma). He has no number for a rate differential for how the bridge toll impacts usage. Sanderson is full with a waiting list of two. Michael disagreed with the results of his analysis. Murray considered proximity to I-5, density, and household income; if he runs the calculations, TIW is at the mid-range of other airports with an individual purchasing power of \$250,000; Shelton is \$40,000. Michael asked if he studied where our tenants live and why they're here as opposed to another airport; he did not. Michael asked how warehouse rates in Fife provide any comparison to TIW airport hangars; it doesn't translate to this specific use. Murray said the reason to include industrial information in an airport analysis is because the closest use to airport zoning is almost always industrial land and the intensity of use is similar. It's a relevant factor for determining ground rent. Supply and demand don't necessarily correspond. You can use land value and cost of construction similar to industrial markets as a barometer for health. A residential market might also be indicative of the airport market. Michael said Thun Field airport operation numbers went to 100,000 and stayed consistent; those numbers came from WSDOT Aviation. Wiley Moore said the Thun Field operations chart includes bogus numbers; it's poor data and he hopes Murray didn't use those numbers as solid. Murray said we don't put a lot of stock in it; it was single source information. This airport from 2013-current had a substantial increase in operations--higher than other airports. Michael said page 25 of the report discussed the cap rate; it seemed to go up and down with no particular trend that he saw. Murray said the

cap rate is just part of the overall market analysis—a lower cap rate shows a strengthening market. It corroborates other parts of the market and includes interest and home prices. Michael said he toured hangars today with Jay; he hasn't seen other properties, so has to rely on other commissioners' opinions. There's been considerable angst when our hangars were called average compared to others.

Wiley Moore said our hangars require some maintenance, are dated, and the consultant calls the rates fair and says they should be up 1-2%. That's for hangars in good shape; ours aren't. Do we have a capital improvement plan? He also toured with Jay and said the airport is greatly understaffed. Murray said these were issues they noted. These recommended rents reflect functioning buildings with no roof leaks, and doors that work. Wiley said a 75% - 82% occupancy with no wait list doesn't match other airports—they all have waitlists except for Hillsboro and TIW. Murray said operations were not part of the study, but the Narrows Bridge toll could impact occupancy; that's a question to be asked. Wiley asked about his definition of a strong rate. Murray said there's no guarantee that lower rates would increase occupancy. Brad Pattison said if you raise rates, you won't fill them. Michael asked if Murray had already made a presentation to Council recommending a raise in rates; yes. Murray said the rates reflect a modest increase (\$6-8) —he's not recommending a large increase. Michael asked if any other facilities are using incentives to fill their hangars; Murray didn't know about t-hangars; some airports have tried incentives in the past. The FAA says we must charge market rent, so he wondered why the TNAAC is recommending it be lowered. As an example, Skagit/Bayview struggled compared to Paine Field or Arlington; they reduced land rents, but he doesn't know if it was successful or not in filling hangars. Michael asked how many hangars would be the right number for our airport. Murray said new hangars are expensive; wait until you're full to build more. Michael said if you can't fill the existing hangars, they must be maintained or a determination made about whether to take them down. Murray said overall operations on the airport was not part of their work, so he can't answer it. Michael said Bremerton is subsidized, so they can afford to charge less for hangars; we're competing with that subsidy. Murray said airports that far away from major economic centers always struggle; lower rates probably do help occupancy, but don't pay a return on a new hangar. Michael said Bremerton is close enough to draw tenants from TIW, although he didn't know how many we've lost. We can't raise rates when we're competing with a subsidy. Murray said occupancy has increased a bit; it's busier than a few years ago, so it's difficult to recommend a reduction.

Brad Pattison thanked Murray for attending and provided a history of the hangar rate discussion which started in June 2016. The TNAAC voted to recommend keeping rates the same, but Brad was not present at that meeting; he brought up the issue again at a later meeting. He toured other airports and called a special meeting to look at this issue of rates; he proposed a 25% reduction for t-hangars and a 10% reduction for quads; that's still significantly higher than Bremerton and the surrounding area for lesser hangars. A hangar in fair condition lacks the prestige/amenities of higher quality hangars. A designation of 'fair' seems like a stretch. We did a lot of footwork regarding surrounding airports. Those numbers for reduction made sense. He asked how much was spent on this study; Murray said \$20,000. Brad said that money could have been used for other things. Many of the study's facts have questionable relevance. You can end up with any conclusion you want. This study overlooks the obvious—occupancy and condition. Murray said current market rent is a relevant figure—that's what folks are willing to pay, so you have to consider that.

Brad said it must be fair. Murray said if the goal is to maximize airport revenue, lowering hangar rates doesn't keep with FAA requirements to treat airport tenants the same. There's evidence that the rate is being accepted. Brad said many people complain about rents for the conditions; Murray said those issues need to be fixed. Brad said even though the hangars are not average, there's a purpose for these hangars for those who need lower rates; rents should be commensurate with the quality of the hangars. Planes in Bremerton and Shelton should be here because the owners live close to TIW. Our 25% reduction is based on finding a rate that's higher than surrounding airports for hangars of lesser quality without beating up on airport revenue. Murray said his study didn't address policy, just appraisal.

Larry Fickel asked why Boeing and Renton were in the study; it's not an apples to apples comparison. Murray said Boeing doesn't compare directly or carry any weight compared to TIW. Renton sets the high end. Boeing may be included for finding comps like the Tacoma Narrows Aviation hangar. Renton's t-hangars are pretty high.

Brad said the number of airport operations has been inflated by flight training, overflights, and military approaches. That overestimates what is happening; hangar demand hasn't doubled.

Michael Murphy said everything in the report shows general aviation remaining static; that questions hangar usage. Murray doesn't think the level of increase reflects much increase in general aviation operations. The mass market is static. Increases are less than in other market sectors. Property value is increasing region-wide—both land and the cost of improvements. If you see a decline in rent, the concern is that maintenance will decline as well because the owner isn't getting the return needed to keep up the property. He's seen that at other airports. Murray said if an airport wants to increase occupancy by decreasing rents, it is free to do that.

Hal Cline said airport usage has increased substantially over the last few years; that must indicate more demand. Inflation has been at work in all sectors.

Brad Pattison said hangars were even more overpriced previously. When you have empty hangars in their condition, it makes no sense. Not too many people get free land or site prep like the FAA provided at the airport.

Lauren Behm noted that the study was not paid for with airport funds; it came from the Performance Audit Committee budget, so wouldn't have been available for other projects. The Capital Facilities Plan does not include money for major repairs (doors will be done soon and beam repair in 2018). We're required to install water meters and do major roof repair/replacement for the Hub. In 2018, we don't have significant funds for hangar maintenance.

Bob Felker said you can always find someone to tell you what you want to hear. He asked if someone else equally qualified came to a different conclusion, would that be unreasonable; Murray said we have a margin of error and it's a judgment call; the short answer is no.

Public Comment

1. Bruce Hinds has been a tenant in Quad 1 for 17 years, not because the rates are great, but there aren't a lot of options. There's been no study of tenants at this airport and where they live; small airplane people don't like to travel a long ways to an airport. Bremerton, Olympia, and Thun Field might be good comparisons. He listed small airports and private airports in the County. An airport serves a certain community; TIW doesn't compare with Arlington, Bellingham, etc. – the study is flawed. There hasn't been a rate increase for several years. For the first 10 years, it was \$275/month; when the County took over, it went to \$380, and then \$432 in just a few years. His hangar roof has leaked for 10 of the 17 years, and the doors are difficult for his wife to open.
2. Dennis Cunneen is manager of RFTS Flying Club with four hangars; he's been here more than 10 years. You guys are arguing about the wrong things with the wrong people. When Tacoma had the airport, the hangars were terrible and rates high. Mike Esher determined rates by what they needed to operate. The County wants the airport to pay for itself, not subsidize it. If you want more money to fix hangars, you've got to get the Council to increase the Airport & Ferry budget, not take money away from it. Reducing hangar rates takes operations money away from the operations budget. You can disagree with the study, but that's not the issue. The Council paid for a study in response for the push to reduce rates; they don't know anything about airplanes; why should they non-pilots subsidize us? You've got to make a case to the Council that the airport benefits them and get them to increase the budget to make it better. You don't make it better by taking away money. Yes, Shelton has better hangars, but I'm not going there to fly; it's not worth my time and money to drive 40 miles to get my plane.
3. Wally Donion rents a County hangar; he expected the doors to close and locks to work, but they don't. When he talks to maintenance, he expects results; it took 3 months to get a bolt. He learned his hangar had been broken into, but the County won't cover his losses. The airport hasn't filed a police report; the deputy told him that three seconds with an electric saw and he'll be broken into again. Water comes under his door, a light was broken, and there's glass on the ground. He's frustrated that the evaluation had nothing to do with operations, just the buildings.

Motion (Moore/Pattison) passed unanimously that we recommend lowering hangar rates (25% for t-hangars and 10% for quads).

III. Adjournment

The meeting was adjourned at 7:52 pm.

TO CONTACT THE TACOMA NARROWS AIRPORT ADVISORY COMMISSION

Regarding any items on this agenda, or any other issues:

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