

Port of Kennewick



Vista Field

Economic Impact Analysis of Existing Operations and Private Industry Development Commitments

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Introduction

The Port of Kennewick (Port) owns the Vista Field Airport in Kennewick. For a number of years, the community has been involved in a debate over the possible closure of Vista Field Airport and the subsequent development of Vista Field for other uses. The Port has contracted with HDR Engineering, Inc. to conduct an economic impact analysis of 1) existing airport operations, including businesses that would be lost to Kennewick and Benton County should the airport close, and 2) economic impacts from private sector development commitments should the airport remain open. The Port will use this and other information to make a decision about the future of Vista Field.

The scope of this analysis does not intend to address the economic impact of increased aviation activity that may result from private sector development commitments. Nor does it intend to address the impact of future private sector development for which the Port has not yet received a commitment, including businesses that may locate at or near the airport if it remained open on a long-term basis.

Additionally the document does not consider the sales tax generated from the retail space within the contemplated mixed uses building[s] which would be above and beyond the impacts identified in this report.

For the economic impact assessment, estimates of employment and business revenues were evaluated using IMPLAN. The IMPLAN input-output model is a widely-used tool for economic impact analysis.¹ The model generates regional multipliers based on direct impacts to output (business revenues) which measure the “indirect” and “induced” effects. The multipliers are affected by size of the study area, the time period of the datasets being used in the model, and the level of economic activity being evaluated. Direct impacts are the initial increases in economic output and employment. Indirect impacts represent the secondary rounds of economic activity created when the suppliers spend their dollars in the economy generating additional rounds of spending which cycle through the economy (the multiplier effect). The induced impacts account for employees and households within the economy spending their additional dollars from wages and salaries, which generates additional impacts.

Determining Economic Impacts

In order to gather the necessary data to determine the economic impacts associated with Vista Field operations, HDR held a meeting in early January 2010 with representatives of the Port, the private sector, and the Washington State Department of Transportation (WSDOT). Representatives from the Port included Larry Peterson (Director of Planning and Development) and Daniel Cryer (Airport Manager). Representatives from the private sector included Carl Cadwell, owner of Cadwell Laboratories and Board Member of Advanced Medical Isotopes Corporation (AMIC) and Marjy Leggett, a member of the Aircraft Owners and Pilots Association. John Siebold, Director of WSDOT’s Aviation Division, also participated.

¹ IMPLAN was originally developed by the Forest Service of the U.S. Department of Agriculture in cooperation with the Federal Emergency Management Agency and the Bureau of Land Management. Subsequent development and distribution of the model has been managed by the Minnesota IMPLAN Group, Inc (MIG). This model is widely accepted for economic impact assessment. For studies similar to this, IMPLAN represents an industry standard tool for gauging economic output, earnings, and employment impacts. The appropriate IMPLAN sectors were selected by relating the expenditure to an appropriate NAICS category. The NAICS category was then linked to its associated IMPLAN sector.

One of the key items discussed in the meeting was: Which businesses in the City of Kennewick use the airport, and which of these businesses are airport related or airport dependent? The definition of airport dependent is that they could not function without the presence of the airport. Of those businesses, only three were determined to be airport dependent: AMIC, Alpine Air, and Angel Flight. All are small businesses which need the airport to survive in their current location. There are, however, a number of airport-related businesses that use Vista Field frequently. These include Cadwell Labs, Infinia, JLS Construction, Pacific Cataract and Laser Institute and Sun River Electric, among others. A more complete list of businesses that use Vista Field is provided in Appendix 1.

The key topic of the economic impact discussion of this meeting was the statement by Carl Cadwell that if the field closes he will relocate both Cadwell Laboratories and AMIC outside of the Tri-Cities metro area. If this were to occur, the loss of these businesses would have a negative economic impact. Cadwell Laboratories currently has 115 employees, according to Mr. Cadwell (Source: Carl Cadwell, personal communication on 1/7/2010), and annual revenues of between \$20 and \$50 million according to the Washington Employment Department. For the purpose of this study, HDR assumed annual revenue of \$40 million. In addition, Cadwell Laboratories' annual average wage is \$50,000 per employee. With 115 employees, this results in an annual payroll of approximately \$5.75 million.

AMIC, one of the three airport-dependent businesses, has six employees currently and revenues of approximately \$1 million. AMIC also pays an average annual wage of \$50,000, which would be an additional \$300,000 in wages lost if Vista Field were to close.

In addition to the loss of the existing jobs described above, Carl Cadwell informed HDR at the meeting of two significant expansions he plans to undertake if Vista Field remains open.

The first is a 16,000 square foot expansion to Cadwell Laboratories, which represents a \$2.1 million investment. This investment will allow Cadwell to expand operations by 50 employees. This expansion is planned within the next two years, assuming Vista Field remains open (Source: Carl Cadwell, presentation made to Port of Kennewick and others June 2009). That would bring an additional annual payroll of \$2.5 million to the community, resulting in a total payroll of \$8.25 million for the company. Cadwell also indicated that his company is experiencing annual growth of around five percent (conservatively), so over a 10-year period, assuming current annual revenue of \$40 million, company revenues would grow to over \$65 million.

The second major investment is a two-part expansion at AMIC. The first, which should happen in April 2010, would result in the hiring of 22 people (at the average wage of \$50,000 annually) to develop a Brachy Therapy Seed. In addition to the new hires, the company will invest \$20 million to develop the business, with \$8 million of that coming in the form of new equipment and the rest for product development. The second part of the AMIC investment would include a 3,200 square foot facility to develop a molybdenum 90 isotope business line. This expansion would not happen at Vista Field but would likely occur in Benton County. It would include 40 new jobs and \$100 million in new investment, assuming Vista Field remains open (Source: Carl Cadwell, presentation made to Port of Kennewick and others June 2009).

Outside of the specifically planned expansions at Cadwell Laboratories and AMIC, Mr. Cadwell also has made a commitment to the Port that he will invest at a minimum an additional \$7.8 million to help implement the vision of Port's 2006 Master Plan, including the following:

- \$2.72 million for the construction of 34 T-hangers
- \$360,000 for the construction of a new fixed base operation facility
- \$600,000 for the construction of a new maintenance hanger
- \$4.1 million for the construction of executive hangers

In addition to the direct airport investment, Mr. Cadwell has made a commitment to the Port to invest \$10 million over the next decade in mixed-use development on land adjacent to the airport. His vision is to develop mixed use properties with retail on the ground and residential above. Assuming an equal split of retail with residential, and a \$150 per square foot development price, Mr. Cadwell could develop up to 33,000 square feet of new commercial/retail in the area of Vista Field (Source: Carl Cadwell, presentation made to Port of Kennewick and others June 2009).

In addition to this information, HDR used data provided by the Pacific Cataract Laser Institute (PCLI) in construction of the model. PCLI employs just over 40 people at its Kennewick facilities with an average wage of \$75,000 annually. PCLI is planning an approximate 4,000 square foot expansion (\$600,000 investment) that would create an additional 7 to 10 jobs if Vista Field is left operational. According to Kathy Robinson of PCLI, the company will not expand if the field is closed and may choose to relocate its Kennewick business to Pasco to be closer to another airport (Source: Kathy Robinson, PCLI personal communication on 1/19/10).

Economic Inputs Summary

It was this information that HDR used to develop its economic impact study. The HDR study uses IMPLAN to measure the overall economic impact to the community based on both the current levels of employment and the economic impacts based on the investments described above. HDR conducted the analysis based upon the following economic effect summary inputs:

- Cadwell Laboratories and AMIC would leave Benton County if Vista Field closes resulting in a loss of the existing 121 jobs with associated \$6 million in annual payroll plus the loss of a future investment of \$10.1 million in the facility and 72 new future jobs.
- Pacific Cataract Laser Institute (PCLI) would not expand existing operations in Kennewick, resulting in an investment loss of \$600,000 and additional 7 to 10 new future jobs with \$75,000 per year average salaries.
- Returning Vista Field to full operations would support the re-opening of a Fixed-Base Operator (FBO), which would provide 5 full time equivalent (FTE) jobs at an average annual wage of \$35,000 per year and revenues approaching \$300,000 annually.
- Private sector commitments to invest in airport related businesses and facilities will be \$10 million over ten years if the airport remains open.
- Private sector commitment for additional mixed use commercial development will be \$10 million if the airport remains open.
- All other businesses that utilize Vista Field would remain in operation regardless of whether Vista and while there may inconvenience impacts, no significant positive or negative economic impacts were identified.
- Economic impact area is Benton County.

Current Economic Contributions

For the purposes of this assessment, the existing businesses at the airfield are the baseline economic contribution of Vista Field to the local economy. Should these businesses shut down or relocate outside Benton County due to Vista Field closure, there would be a negative impact to the County economy. HDR researched several businesses (see Attachment 1) to determine their reliance on Vista Field. Of the businesses researched, three businesses were identified that would relocate if the airport closed.² HDR included in the jobs and economic impacts the return of an operational FBO, which would be necessary to operate Vista Field at historical service levels. Data for the FBO operations were obtained by Port of Kennewick staff from Tuttle Aviation, which is the former FBO operator at Vista Field. Collectively, these businesses generate \$41 million in annual output and stimulate an additional annual economic output of \$12 million, based on indirect and induced effects. A summary of these economic contributions are shown below in Table 1. These businesses support 217 total jobs (direct+indirect+induced), with average per worker annual employee compensations of nearly \$46,000.

Table 1: Economic Contribution of Existing Businesses

	Direct	Indirect	Induced	Total
Output	\$41,300,000	\$8,35,227	\$3,911,440	\$53,846,667
Employment	126	54	38	217
Employee Compensation	\$6,226,800	\$2,508,897	\$1,161,503	\$9,897,200

Economic Contributions from Private Sector Development Commitments

If Vista Field remains open, planned expansion of these facilities would present positive impacts (gains) for the regional economy both through short term construction expenditures and equipment purchases and then through continued operation of these facilities at higher operational levels. There is also planned mixed-use development around the airfield which would generate future economic output, jobs, and wages.

Construction Impacts

Below, Tables 2 and 3 show the total short-term impacts and the projected yearly totals which may result from construction investment in businesses/facilities at the airfield. The planned investment expenditures of Caldwell Labs, AMIC, private investment in airport facilities, and Pacific Cataract are \$18.5 million, to be spread over three years. For each dollar invested in construction an additional \$0.40 of economic output would be generated. Total economic output would be \$25.7 million. The construction would support 198 total jobs (100 in year 1, 49 in year 2, and 49 in year 3) with average wages of \$46,000.

² Both Cadwell Laboratories and AMIC indicated they would move if Vista Field were closed. Tuttle Aviation already closed based upon Vista Field future uncertainty. A fourth business, Pacific Cataract Laser Institute (PCLI), indicated it might move if the airport were closed. Because of the uncertainty of PCLI's response it is not included in the baseline economic impacts analysis.

Table 2: Total Short-term Construction Impacts of Expansion of Existing Businesses (2010-2012)

	Direct	Indirect	Induced	Total
Output	\$18,500,000	\$2,718,111	\$4,505,234	\$25,732,345
Employment	134	21	43	198
Employee Compensation	\$6,574,958	\$1,124,224	\$1,335,832	\$9,035,014

Note: 2009 \$'s

Table 3: Annual Impacts from Construction

	2010	2011	2012
Output	\$12,861,673	\$6,430,836	\$6,430,836
Employment	100	49	49
Employee Compensation	\$4,517,507	\$2,258,754	\$2,258,754

Note: 2009 \$'s

Impacts from Existing Business Expansions

While the construction impacts would be short-term boosts for the regional economy, more permanent impacts would result from the increased operational levels. These increases could create \$23 million in new annual economic output. This output would support 134 future jobs from direct, indirect and induced, and a total economic output of \$29.9 million. Average salaries for these future jobs would be \$48,000 (shown in Table 4).

Table 4: Potential Impacts from Expanded Operations of Existing Businesses at Vista Field

	Direct	Indirect	Induced	Total
Output	\$23,009,190	\$4,286,189	\$2,600,060	\$29,895,439
Employment	82	27	25	134
Employee Compensation	\$4,350,000	\$1,266,098	\$772,108	\$6,388,206

Note: 2009 \$'s

Impacts from Mixed Use Developments

Furthermore, planned investment in mixed use facilities would create opportunities for retail, offices, and other commercial businesses to develop over the next 10 years. Development of this commercial space would create annual construction impacts (shown in Table 5) and then ongoing impacts from operations of retail and other commercial businesses (shown in Table 6). As shown in Table 5, \$10 million in investment has been committed by Cadwell over 10 years to develop the mixed use developments. The total impact over 10 years would be \$13 million.³ This investment would support 71 jobs from construction and an additional 36 jobs from other sectors with total wages of nearly \$5 million. Assuming that the ten million is equally divided over 10 years, the average total impact would be 11 jobs with \$41,000 in annual wages.

Table 5: Impacts of Construction Investment in Retail Developments

	Direct	Indirect	Induced	Total	Average Annual Total Impact
Output	\$9,300,829	\$1,544,598	\$2,355,034	\$13,200,461	\$1,320,046
Employment	71	12	24	107	11
Employee Compensation	\$3,260,570	\$655,730	\$688,830	\$4,605,130	\$460,513

Once the mixed-use developments are constructed, the regional economy would benefit from the opening of new businesses supporting additional employment, wages, and economic output. These impacts were estimated using a conservative estimate whereby all the commercial development would be retail, and employment could increase if area assumed as residential develops as other commercial uses.⁴ At full build out (2019) the mixed use development could create \$4.85 million in total economic output for the region. Retail development would generate 70 jobs with annual average wages of \$29,000.

³ Does not include inflation.

⁴ Using an assumption of retail would provide an estimate which is lower than other commercial businesses. Non-retail commercial business tends to have higher average salaries and generate more local economic activity. Meanwhile, retail businesses typically have lower average employee incomes per unit of economic output. Thus using retail business solely provides a low and conservative multiplier for this study with the understanding that since other business non-retail based activity would likely be created with an average multiplier higher than the one used in this study.

Table 6: Retail Development Impacts

	Direct	Indirect	Induced	Total
Output	\$3,482,726	\$539,831	\$828,959	\$4,851,516
Employment	58 ⁵	4	8	70
Employee Compensation	\$1,604,793	\$162,174	\$246,163	\$2,013,130

Note: 2009 \$'s

Economic Impacts Summary

The airfield at current helps to generate \$53.4 million in business output within Benton County. This output supports 217 jobs and nearly \$10 million in annual wages. IMPLAN estimates total county employment at 89,000 jobs. Two businesses would move from the area if the airfield were to close, and one business (the FBO) would not return. The net result would be a loss of 0.2% of the current County employment.

If the airfield were to remain open, Mr. Cadwell has committed to development, which, if implemented as described, would provide for 198 jobs over three years and stimulate \$26 million in business output during that period. Within three years, the new operational levels would add 134 jobs with \$6 million in annual total wages to the economy.

In addition, Mr. Cadwell has plans to construct a facility which would produce Molybdenum 90 for medical treatments. This facility would not likely be located at Vista Field. Mr. Cadwell indicated that this facility would house an additional 40 jobs in a 3,200 square foot facility, and would probably be located in Benton County. It represents an additional approximate \$100 million in total investment. That information, while important, is not included in this economic analysis because it isn't necessarily tied directly to the future of Vista Field.

Finally, within 10 years, new mixed use development would create additional economic benefits. Construction activities on the planned mixed-use development would support 107 jobs over 10 years with \$41,000 in average annual wage. These construction activities would boost economic output between 2010 and 2019 by a little more than \$1 million annually. Once completed, retail developments would support 70 jobs annually with annual total wages of \$2 million. Taken together, the total economic impacts of keeping the airfield open could create or retain up to 415 permanent annual jobs plus 157 temporary jobs from construction and investment activities. Doing so would increase employment from 2009 levels by 0.5% over the next 10 years.

⁵ For the purpose of this study HDR used an average of 565 square feet per employee in order to determine the number of total direct jobs that could be created within the 33,000 square feet of retail that would be developed as part of the \$10 million of retail investment (USDOE 1995).

References

Cadwell, Carl. Owner, Cadwell Laboratories. January 7, 2010. Personal communication with Ben Floyd and Jim Hagar, HDR Engineering, regarding potential expansion of Cadwell Laboratories.

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(www.qualityinfo.org/olmisj/employers).

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Robinson, Kathy. ASC Manager, Pacific Cataract Laser Institute (PCLI), January 19, 2010. Personal communication with Jim Hagar, HDR Engineering regarding the potential expansion of (PCLI) in Kennewick near Vista Field.

U.S. Department of Energy, Energy Information Administration, 1995 Commercial Building Energy Consumption Survey. Located at:
<http://www.eia.doe.gov/emeu/consumptionbriefs/cbecs/pbaweb site/summarytable.htm>

“Vista Field, A Premier Airport” – Powerpoint presentation by Carl Cadwell to Community Organizations, June 2009.

Attachment 1 – Vista Field Business Users

Company	Employees	Annual Revenue (Range)
Advance Medical Isotopes	6	\$500K-\$1M
Ameriflight	NA	NA
Angel Flight	NA	NA
Berkey Engineering	7 to 13	\$500K to \$1M
Cadwell Laboratories	115	\$20 to \$50M
Childrens Hospital	NA	NA
Dutch Brothers Coffee	10 to 19	Less than \$500K
Infinia	20 to 49	\$10 to \$20M
JLS Construction	NA	NA
Med Star	NA	NA
Northwest MediScript	27	\$500K to \$1M
Pacific Cataract & Laser Institute	20 to 49	\$5 to \$10M
Peninsula Insurance	NA	NA
Ricks Fencing	20 to 49	\$2.5 to \$5M
Shannon Dental	20 to 49	\$2.5 to \$5M
Sun River Electric	20 to 49	\$5 to \$10M
The Buckle	10 to 19	\$2.5 to \$5M
UPS	125	\$10 to \$20M
Totals	400 to 569	\$59.25 to \$128.25M

(1) Employee and Revenue data from Washington Dept. of Labor or company information

(2) NA indicates data not available from sources listed above

(3) Angel Flight is a non-profit which flies children in need to hospitals as necessary