

VISTA FIELD ALTERNATIVES
IDENTIFICATION OF RISKS
Initially Presented 3/16/09

Following are some of the more readily-identifiable risks associated with a potential airport closure. While all other Port actions recently undertaken have posed risks, the risks associated with Vista Field Airport appear to be substantial, commensurate with the size and value of the property. It also should be noted that few port districts in this state have dealt with the unique complexities of an airport closure. Those complexities include:

- Direction of Assets;
- Environmental Exposure;
- Legal Exposure;
- Market Risk;
- Job Loss; and
- Missed Opportunities.

A. Direction of Assets (financial resources, staff time, Port project ranking.)

Perhaps one of the biggest concerns is whether the Port, as a nine-employee organization, serving five political jurisdictions, has the ability to allocate funding and staff time to properly carry out immediate airport closure. It should be noted that a closure/redevelopment process, or even an expansion process, could take five to ten (or more) years to complete. Will the public find it acceptable if, in pursuing either option the Port redirects Port funding and staff time away from the more recently-established goals of revitalizing Columbia Drive? The Port may want to clearly establish funding and staffing priority, recognizing that there likely isn't enough of either to implement all of its previously-identified development objectives.

In particular, staff is concerned with the funding scenario. Until a detailed master plan for airport redevelopment is produced, staff cannot home in on closure/redevelopment costs with certainty. Of the closure/redevelopment costs, will any other entities partner with the Port to pay a portion? If so, how much will they contribute?

JUB has indicated a range of multi-million dollar closure/redevelopment costs. Are those costs accurate? A financial analysis should become a component of the Comp Scheme update the Port will likely authorize. However, that analysis, at best will only be an estimate. How comfortable will the Port be with an estimate, and will it be willing to bear the risks of a miscalculation, especially in tumultuous economic times? The Port Director of Finance has produced a brief memorandum, which is attached hereto.

It may be unlikely that a bond underwriter would issue the Port bonds and be comfortable with a repayment scenario that has the Port injecting much of the land sale profits back into the property (in the form of redevelopment costs). Simply put, there would likely be limited revenues from land sales over and above closure and redevelopment costs, with which to repay the bonds. The same analysis would apply to the Port seeking to take out a loan for such costs. The Port could take a pay-as-you-go approach, but until this is better defined, one cannot offer a solid opinion on that.

B. Environmental Exposure (primarily cleanup liability from 60+ years of aircraft operations).

What is the Port's level of environmental exposure? Vista Field Airport was a WWII air base, with potential fuel spills. Many of the unknowns can only be discovered as a redevelopment process gets under way. For example, a property can test "clean", yet still be polluted with the contamination being discovered in unanticipated locations and only after the redevelopment process is underway. An example is the Prosser Airport, where the Port of Benton discovered a cleanup liability of over \$1,000,000. Will insurance cover cleanup costs and related legal fees?

C. Legal Exposure.

The Washington State Pilot's Association indicated that it will file suit against the Port should it vote to close the airport (primarily a suit regarding closing an essential public facility). A lawsuit could cost hundreds of thousands of dollars in defense costs. Furthermore, if the Port suffered a judgment, that too, could cost several hundred thousand dollars or more. It is unclear whether the Port's insurance would cover these risks.

D. Market Risk.

Is now the time to close/redevelop Vista Field Airport? Will immediate closure negatively impact the Southridge development? What will adding more acreage in the Vista Field area do to the remaining acreage already there but unsold, such as that owned by KID, the City and private parties? Will the Vista Field property be marketable by the Port in this economy or will it sit vacant? What if development costs rise and land values sink?

E. Loss of Existing, Aviation-Related Jobs.

Statements have indicated that Cadwell Labs' business is airport-related. And, if the airport closed, his business would be required to relocate, perhaps outside of Tri-Cities. Cadwell's business is responsible for over 100 jobs. Its business grosses about \$60,000,000 annually. There are likely other businesses which will need to relocate if the airport closes. Total job losses from airport closure could reach 300 medium to high-wage jobs.

Historically, this community has been very involved in retaining jobs. Several years ago the City, the Port and TRIDEC provided incentives to keep Infinia from relocating to the Spokane area. This community also provided incentives for J. Lieb Foods to reopen the former Welch's plant in Kennewick, preserving blue collar jobs. Is it reasonable to do the same for business that are displaced in the event of an airport closure?

F. Missed Opportunities (VLJs).

The Belt-Collins Study commissioned by the City of Kennewick, highlights the positive attributes of Very Light Jets (VLJs) and indicates that many factors favor their success. If VLJs are the future of air travel, a city with a centrally located airport may have a substantial marketing advantage over those that do not. Should the community wait to see if the shift to VLJs occurs and bears positive impacts before a decision on Vista Field is made? What are the consequences of closing Vista Field only to realize VLJs have revolutionized air travel?