

ATTACHMENT #3



May 7, 2018

Patricia A. Wahto
CBJ Airport Manager
1873 Shell Simmons Drive, Suite 200
Juneau, AK 99801

Re: CBJ Airport North Terminal Replacement Plan

Dear Patty:

While we support and understand the need to replace the North Wing of the CBJ Airport Terminal as expeditiously as possible, we strongly oppose the proposed plan currently being considered. The reason for opposition to the current proposal is that it requires private operators and businesses to enter into ground leases in the north wing demolition footprint and requires operators and businesses to design and build their own facilities. If the current plan proposed by the CBJ moves forward, it will:

1. **Make the cost of entry into the Juneau 135 scheduled commuter and on-demand market prohibitive** for carriers whose business plans rely on proximity to the 121 terminal gates. These costs, estimated from \$400,000 to \$600,000 just to enter the market, will inhibit competition if not outright prohibit smaller startup operations which could create a non-competitive market;
2. **Limit the ability of smaller 135 operators to expand their presence** in the terminal as they grow if affordable lease space is unavailable;
3. **Would cede CBJ's control and ownership** of a significant portion of Alaska's Capital City Airport's terminal to private sector companies;
4. **Complicate the transition of terminal space to other carriers** should current carriers go out of business, go bankrupt or sell their business to a less viable entity;
5. **Forfeit significant and critical revenue necessary for airport operations**, likely shifting the cost of airport operations to non-terminal tenants;
6. **Create a process inconsistent with State DOTPF policy** regarding ownership of International Airport Terminals; and
7. **Possibly subject the CBJ Airport to a legal challenge** relative to the FAA Grant Assurances provisions under which the CBJ airport must operate.

Notwithstanding the reasons listed above as why this approach is poor public policy, there also exist a number of problematic issues in implementing this approach. Specifically, the CBJ Airport:

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- A. Has not included all existing and potential operators in all of the discussion of the exact proposal with adequate advance notice of such meetings and discussions;
- B. Has not made sufficient effort to address the needs all carriers by contacting and interviewing all present and potential future 135 operators to verify support for the north terminal demolition/reconstruction master plan;
- C. Has moved ahead without adequate operational plans to demolish the existing facility as soon as the 1st or 2nd quarter of 2019, limiting all current operators adequate time to plan for a relocation;
- D. Has not provided operators with a specific plan to displace all current 135 operators to another temporary location, including how that is to be accomplished, where they are to be relocated, when that is to occur and who will be paying for the relocation;
- E. Has yet to provide 135 operators requirements for architectural design and construction standards as well as provided direction to the type of structures that can be built as part of the terminal, such as only counter space or a full hangar;
- F. Has yet to provide sufficient direction or time for operators to accomplish design plans for their own proposed property construction before moving ahead with demolition of the existing structure;
- G. Has not made it clear if tenants will be under any labor restrictions in constructing their facilities or whether they are free to contract with any contractor qualified to do business on the airport; and, most importantly
- H. Has yet to make available a pro-forma short term and long term financial analysis, disclosing the economics of the proposed approach.

We have attached "Exhibit A" with a more complete list of specific questions that need to be answered well before moving ahead with any proposed demolition of the existing facility.

When testifying last fall in favor of moving forward with the north wing re-build, Ward Air did not anticipate or offer support for turning over the north wing to private operators. Its intention was for the Airport to either scale back the scope of the master plan to meet currently available funding, as the Airport did when designing the Snow Removal Equipment Building, or work to secure additional funding. Ward Air envisioned the Airport or the CBJ obtaining any needed additional financial support via the 1% sales tax proposal that was pending voter approval last fall or other CBJ funds or revenue bonds.

All of the signatories to this letter still believe that to be the best approach consistent with good public policy. Consequently, to proceed with the rebuild of the North Wing, we recommend and heartily support one of the following two options that leaves ownership and control of the CBJ Airport terminal with the CBJ.

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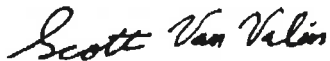
Option #1: CBJ Assembly should fund the rebuild and expansion of the north terminal through direct appropriations, supplemented as necessary through airport revenue bonds or a loan from the CBJ general fund balance to be re-paid by terminal tenant revenues.

Option #2: Explore a Public Private Partnership (PPP) whereby a private entity would provide the capital to build a new north wing, designed in consultation with all existing tenants with an eye to the future and operated by the Airport. Tenant revenues would be used to make payments to the private entity to repay their capital investment with a negotiated return for a specific time period. At the end of the negotiated time period, the CBJ Airport would be entitled to purchase the terminal improvements for a predetermined minimal amount. If the CBJ Assembly is unwilling to make the necessary capital investment in the Southeast commuter portion of Alaska's Capital City's Airport Terminal, then a PPP is a reasonable option to ensure long term CBJ control over its terminal.

Even though the undersigned oppose the current proposed plan for developing the north wing re-build, we strongly support and would like to work with CBJ with either Option #1 or Option #2. By doing so, we believe one of these plans will ensure that the CBJ ultimately retains ownership and control of the CBJ airport terminal, including the north wing facilities. Additionally, it will avoid the appearance of giving preferential treatment or operational advantage to any one or group of private operators.

We look forward to our meeting Tuesday May 8, 2018 to further discuss our concerns.

Sincerely,



Scott Van Valin, President
Island Air



Scott Harris, President
Harris Air



Edward K. Kiesel, President
Ward Air, Inc.



cc: Juneau Airport Board Members,
Kent Craford, Alaska Seaplanes

Attachment: Exhibit A

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EXHIBIT A
CBJ AIRPORT NORTH WING PASSENGER TERMINAL LETTER
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1. Building a New Facility

- A) Why is the current north wing of the passenger terminal considered as unrepairable or unusable in total?
- B) Who decided this based on what data?
- C) Could the existing superstructure be utilized? If the existing superstructure was utilized, it would allow for a staged reconstruction, starting at the far end of the existing north wing of the passenger terminal. Once the far end was rebuilt, operators could move into the reconstructed portion while the portion in between the reconstructed portion and the main terminal was refurbished. If more space was needed it would allow if more space to be added on to the north end of the terminal.
- D) Are we building a passenger terminal or a passenger/cargo terminal?
- E) If we are trying to build a cargo terminal, why should that be part of the Airport passenger terminal when all other operators have historically had a separate cargo office for good operational reasons?
- F) Making the passenger terminal a cargo facility complicates the logistics, the cost and compliance with TSA requirements.
- G) Why would we drive up the cost of this project simply in order accommodate a carrier that wants a consolidated passenger/cargo facility when the carrier could have a separate cargo facility across the 135 ramp?

2. Funding and Financial Analysis

- A) We request a summary of the source of funds, how much has been spent, for what it was expended, and the balance of funding remaining for the north wing of the passenger terminal reconstruction plan.
- B) Where did the idea come from to have the 135 operators build passenger terminal facilities at their own expense? Was this a proposal from an operator or operators? Airport staff? CBJ staff? CBJ Assembly?
- C) Who at CBJ City staff told the Airport to not request 1% sales tax for additional funding for the north wing of the passenger terminal?
- D) Has the CBJ done a financial analysis weighing ground leases with tenants making improvements versus fully developed terminal leases constructed by the CBJ? Plugging in a number of financial considerations, a preliminary cost analysis suggests the CBJ would be much better off building the terminal and leasing space back to operators than simple ground lease space at \$0.57/sf/year. Even if the Airport had to finance construction, terminal rents will continue to generate revenue for the Airport once construction financing is repaid since the Airport would own the terminal building.

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- E) Will these prime location lots be leased at a substantially higher rate than the current \$0.57/sf/year rate?

3. Communication

- A) What efforts have been made to contact and interview part 135 operators (present and future potential operators) to verify support for the north wing of the passenger terminal demolition/reconstruction plan?
- B) If contacted, were those 135 operators advised that future terminal space would be dependent upon them leasing a lot and bearing the cost of building their own passenger terminal facility?
- C) Has the public signed off on this "build your own" idea for their airport improvement?
- D) Was there a straw poll or any other method used to ask how many potential 135 operators would move to JNU airport if they were required to fund their own terminal construction?

4. Transparency:

- A) Has complete transparency been maintained with the airport passenger terminal plan?
- B) Have any special interest groups been working with any entities involved in decision making process for the reconstruction of the north wing of the passenger terminal?
- C) Would the CBJ consider open meeting workshops, as opposed to the informational meeting held by the Airport's consultant in early April, to determine the highest value at lowest cost and present the collective results rather than independent undocumented meetings?
- D) Is the airport and the community it serves comfortable with this "build your own place" concept that it is basically saying to any future carriers that want to serve the Juneau market will need to pony up \$400k - \$600k to build your own facility or don't bother participating in the Juneau market?

5. If we are forced to build our own facility:

- A) Will we be evicted if we decide not to lease a lot and build our own facility? The proposed 1st or 2nd quarter of 2019 demolition of the north wing of the passenger terminal is not enough time for 135 operators to responsibly consider business options both financial and logistically.
- B) How does the Airport plan to displace 135 operators to another temporary location? How, where, when, at what cost, and who is paying for the temporary relocation?

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- C) What are the stipulations describing what type of structure can be built at the CBJ Airport? What will be an allowed building height and building materials? Will ATCO buildings be approved?
- D) What is plan for the empty lot between main terminal and lot 1?
- E) How is it possible for the leaseholders of lot 1 & 2 to build separate facilities yet have a common shared door to the ramp?
- F) How far out on the ramp will of each lease lots extend? Will operators' be given priority for their aircraft parking in front of their leased lots?
- G) Are there any CBJ low interest loans being offered to assist operators with the burden of building own facility?
- H) What is the incentive to an operator to self-fund their own passenger terminal building?
- I) Who must approve the design of the new buildings and where are the building specifications? Currently, the 135 operators are being asked to submit specific a design that fits their needs. Cost of design by trial and error is significant prior to having any specific criteria or specifications.
- J) Who can be hired to build each operator's facility? Any contractor licensed in the State of Alaska? Or a list of "airport approved" contractors only? Will there be any PLA type requirements?
- K) What utilities will be provided to each lot? Water to where? Sewer to where? Electricity/phone/internet to where? Is providing that at the operator's cost or the CBJ Airports' cost?
- L) How long is the entire demolition process expected to take? Will there be penalties in place for the contractor doing the demolition for every day the demolition project goes over deadline? What do you anticipate will be the penalties?
- M) How long does each operator have from the date the entire demolition project is done until a new facility must be built?
- N) When and where are we going until the demolition project is done?
- O) Will the temporary 135 counters will be available to each operator until each operator's facility is 100% complete?
- P) How will operators get bags to and from temporary terminal and where will aircraft be located?
- Q) How long will this temp counter area be available? Clearly not every company will have new building completed on same dates.
- R) Can these operator constructed buildings accommodate inside storage of an aircraft with passenger check-in facility in the front portion? Can they be a multi-use facility? Can they be an aircraft maintenance hangar?
- S) Can we build across lot boundary lines if we lease multiple lots?
- T) Can we choose a lot structure different than what is depicted? Larger or smaller?

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- U) What is the Airport's plan to ensure operators are not displaced for too long of period causing a major impact on revenue for each operator, especially during the busy summer of 2019.
- V) How will the lots be assigned? By lottery? If another process is used, how does the Airport ensure fairness and not bias the selection process?
- W) How does the current proposal ensure the space for loading and unloading in front of the 12-space parking lot does not become overly congested?
- X) Does the Airport have a plan to ensure that the concourse B in front of Lots 5, 6, and 7 will have a covered connection to the other terminal facility to minimize passenger safety risks during the winter?