

## CARB Board Minutes

WSDOT-Aviation HQ, Conference Room  
Thursday, November 6, 2019 8:00 am - Noon

After a slight delay, the meeting was called to order by Chair, JC Baldwin, at 8:12 a.m. Present were Board members Jill Anderson, John Dobson, David Fleckenstein, Erik Martin (alternate), Michael Echanove (alternate), and Dave Chenaur, Program Manager and Acting Secretary to the Board. Richard Bogert, Andy Hover, Rich Mueller, and Jennifer Skoglund participated via teleconference. Guests present were Janea Delk and Gary Stamper. Chris Herman participated via teleconference.

**Announcements:** JC Baldwin welcomed the group and had everyone identify themselves. JC asked if there any other announcements. Board Secretary, Dave Chenaur, announced that the Graphic's Division has finalized the Board's Logo that was selected at the last Board meeting and distributed new binder covers displaying the new logo. Erik Martin announced that Lewis County Commissioner, Gary Stamper, was planning on joining the meeting as an interested party.

**Agenda/Schedule:** After announcements, the first order of business was to approve the draft agenda sent to Board members prior to the meeting. JC Baldwin asked if there were any additions, deletions or edits to the agenda. David F. requested that Loan "Interest Rate – Revisited" to be added to the agenda. No additional revisions were offered. John Dobson moved to approve the agenda and David Fleckenstein seconded the motion. The agenda was approved unanimously.

**Approval of August Board minutes:** The next agenda item was to approve the Board meeting minutes from September 26, 2019. Board members were given time to review the minutes. David F. moved to approve the minutes and John seconded the motion. The Board minutes were approved unanimously.

**Program Materials - Project Scoring Sheet Draft:** Dave C. described that the application scoring sheet was revised per recommendations provided from Board members at the last Board meeting and a draft was distributed to the members four weeks ago for comment. To date, no additional comments were received. Revisions included moving a scored question to the pass/fail section, revising the wording and point distribution on multiple questions, and adding an additional scored question regarding the applicant's loan repayment period plan.

John had a question regarding scored question #5, *"Does the loan project result in the creation of jobs or private sector capital investment."* John wanted to know how we are defining jobs and whether it includes construction jobs created by the project or only permanent long-term jobs. David F. believed the legislative intent was the latter. JC added that the Port normally includes both construction and permanent long-term jobs and asked whether the Board could consider all jobs. Dave C. confirmed that the legislation is silent on the definition of jobs but leaves it to the discretion of the Board. David F. concurred. John shared his experience at an airport with a utility project and that it required a lot of manpower to build but did not guarantee permanent long-term jobs and how that would be scored. JC stated since the legislation is silent, the Board may consider that a "job is a job" and include both. Erik Martin added that we could ask for details and have the applicant separate [the job creation data] between short term and long term. Jill Anderson asked if it was appropriate to ask them to separate temporary construction jobs and long-term jobs. Dave C reminded the group that the approved and released application does not specifically request the applicant to breakout job information. ***[If the applicant uses the optional WSDOT's Aviation Economic Impact Calculator, the tool will break out job***

**creation and other economic data.]** JC believed that the assumption was to create jobs on the airport. She continued to describe how counties typically consider all construction on airport properties as economic development and beneficial to the county including subsequent revenue generated from the property. She also acknowledged that it may depend on the type of applicant. David F. added that a selling point for investments on airports, in part, includes the “upfront jobs and tax dollars generated from the construction work.” Erik agreed there is sales tax and property taxes on new construction which is a huge revenue source. John conceded that it is only 10 points and as long as we are consistent throughout the application [scoring] it may only become relevant if the supply of funding becomes limited and we have to choose between projects. JC thought it was still a good question; not so much for applicants but more for legislators. Dave C. added that the question was reduced from 15 points to 10 points based on recommendations from the Board. Jill recollected that the program target was small airports and we anticipated many projects would be hangars and fuel pumps that do not necessarily create long-term jobs. If so, these projects should be comparable. She also added that the question was required in the legislation. Richard Bogert spoke about his experience with CERB and to the economic benefits to the community if there is a viable and active airport besides revenue generation. He provided some examples how essential professions, such as a medical doctor or dentist, may decide to locate in a rural community only because of the presence of an airport and these indirect community benefits should also be considered. JC confirmed that Richard would like the Board “to consider the impact on the community, as well”. No formal action was taken on question #5.

John next asked the intent of scored question #7, “*How long does the sponsor plan to take to repay the loan?*” John wanted to know if the applicant would get a higher score for repaying the loan earlier. David F. confirmed it was beneficial to the program to have the loan repaid sooner so more projects could be funded. JC asked “What is the loan duration typically?” Dave C. responded that the applicants are allowed up to a 20-year loan period. To date we have only received two applications for relatively small amounts that would indicate a shorter repayment period. JC responded that her assumption was applicants could get up to 10 points with a preference given for shorter repayment periods. She wondered what would happen if an applicant failed to repay the loan in the anticipated time frame. Would they get an automatic extension or penalty? She expressed a concern that an applicant could be given a priority by indicating a shorter repayment period over another applicant but then may not repay as intended. JC suggested the question may be too subjective and should be eliminated. John suggested all loans should be initially 20 years regardless of the loan amount and allow applicants to pay the loan off early. This would give applicants the lowest monthly payments. JC added there is an innate incentive to pay off the loan early. Andy Hover agreed that question #7 should be removed because it is subjective. If they can’t pay when they say they can pay, it is burdensome to both parties. It was suggested the question could be asked but not scored in the application to ask when they foresee repaying the loan or when they will start repaying the loan. David F. asked if that was already in the application. Dave C. responded the application asks for spending and repayment plans. JC suggested like home mortgages, we could offer fixed repayment periods such as 10, 15, and 20 year loans. Discussion ensued about the merits of various repayment schedules, cash flows, the ability to fund projects in the future and subsequent legislation. Richard noted another aspect beyond financing is to guarantee smaller airports remain open to the public for a longer period of time. David F. agreed and added “the longer the loan, the greater the benefit to the [aviation] system.” John reminded the group that the grant [loan] assurances remain in effect for the life of the asset. Dave C. confirmed that the assurances are based on the useful life of the asset. JC suggested dropping the point value to 5 points, eliminating the question, or moving it to the non-scored section. Dave C. explained that the non-scored section is “pass/fail” that does not address question #7. It was also noted that Question #7 was not part

of the original score sheet but was added based upon a suggestion from the last Board meeting. John moved to remove the question #7. Andy seconded the motion. The motion passed unanimously.

Discussion ensued to redistribute the points. Jill and Michael Echanove suggested adding the points to question #4. JC moved to make question #4, *"Does the project improve opportunities for successful maintenance, operations, or expansion of the airport or adjacent business park"* from 10 points to 20 points. The motion was seconded and passed unanimously.

The next topic was whether the applications need to have a minimum passing score. Dave C. provided a brief recap of the prospective scoring process. The first part of the evaluation being pass/fail to meet minimum program requirements and then a scored section to rank the projects. No minimum passing score was recommended by staff, at this time. Richard thought there should be a minimum score and proposed 70 points as a starting point and conceded it may need to be adjusted. Dave C. restated comments from the previous Board meeting that many of the legislatively mandated criteria may not apply to submitted projects and the average score may be relatively low for many small applicants. Andy pointed out that the pass/fail section already establishes program minimum requirements. Having a minimum point score may be counter to our intent for giving out loans especially since we do not know the number and quality of the applications we will receive. Discussion continued with the general consensus that a minimum score was redundant and it may limit the Board's ability to award loans to small airports with inexperienced applicants [with respect to grants/loans]. No action was taken.

Andy also recognized the Board has not decided whether we can partially fund projects based on the quality of the project. Richard recognized that partially funding projects may be difficult and provided examples that one cannot build half of a fueling station or hangar. Hence, many projects would require full funding. David F. shared his experience with their grant program that requests often exceed available funds and they ask the applicant if they can still accomplish the project if partially awarded. Several comments suggested we include a question on partial funding in the application or afterwards. Specifically, Andy asked if the Program Manager (Dave C.) could develop a question about how the project would be affected if the application only received partial funding. Dave C. confirmed he could create a series of follow-up questions. There were additional comments about the importance of an objective selection process, inherent subjective elements, and the perception and need to be fair. The group concurred with the emphasis on objectivity and fairness and acknowledged this is a learning process. JC recommended we complete the first round of loans and re-evaluate the program for improvements in future rounds.

The agenda topic was diverted to providing technical support to applicants lacking experience with submitting loans. John mentioned that the SBA (Small Business Administration) loans provide counselors to furnish guidance. He was concerned about small airports who have never applied for funds and knew of a half-dozen places where there was demand or needs at an airport that the sponsor was not aware of. JC added that the PWB has a tech team and that CERB probably also has technical support. Guest Janea Delk, Executive Director and Tribal Liaison of CERB, confirmed. John added that of the approximately 135 public-use airports in the state, less the 16 state-owned airports, the market share for this program is limited to 119 airports. John expressed concern there is only so many fueling systems and hangars that can be built [hence, the need for guidance to expand the types of revenue generating projects?]. JC acknowledged there may be an opportunity to perform outreach or seminars. David F. shared that we just came back from the WSCAA conference in Leavenworth with small airports to promote the program but acknowledged our outreach may not be at the level you are expecting. There were additional comments about providing expanded technical support, ensuring inclusiveness, and that

inexperienced airport sponsors engage engineering consultants to assist with their projects. John continued to express concerns about the limited and delayed financial return on hangars and that developing business parks would be a more effective economic development project. Janea stipulated that consultants can charge up to \$10,000 to develop an application and CERB provides technical assistance to discourage having others submit the application. Dave C. acknowledged the need for technical assistance but admitted we are currently limited in resources and budget. He pondered whether a website could be created where technical assistance could be provided by peers similar to a FAQ site.

JC refocused the group back to the evaluation form and selection process. Dave C. summarized the evaluation process. Staff would provide an executive summary and scoring sheet along with the electronic copies of the applications. Staff would provide a ranked list based upon their score with any relevant comments. Dave C. wanted to know if we should include some type of credit report or score similar to CERB and PWB. Janea informed the Board that they both use a Debt Service Coverage Ratio (DSCR). She explained that the DSCR is a tool available online through the State Auditor's Office called the Financial Intelligence Tool (FIT) and she conveyed that it was relatively simple and quick to use. Based upon Janea's comments, Dave C. recommended the Board to include the financial report to the executive summary.

JC recessed the Board for a 10-minute break. The Board reconvened at 9:30 am.

**WAC 468-260 Revision Update:** Dave C. provided a brief update on the process for revising WAC 468-260 on grant assurances to include the aviation loan program. The intent of the Board was to include the loan assurances as part of the loan agreement process. Dave C summarized what is referred to as the "Permanent Process" for revising the WAC beginning with completing form CR101 which needs to be published for 30 days, followed by form CR102, holding a public meeting, and then completing and filing form CR103p with a concise explanatory statement. The revision will become effective 31 days after the filing date. Janea commented that the process usually takes about 6 months.

**Application Received Review:** Dave C. listed and summarized the applications received to date and applicants who confirmed their intent to submit an application. The estimated amount of loans requested to date totaled approximately \$2.2 million. During initial review, applications that were missing documentation or failed to respond to questions were requested to provide additional information. David F. added that the Chehalis-Centralia Airport submitted two projects and confirmed with the airport that the fuel project was the first priority, if only one project could be funded. Additional discussion ensued regarding two potential utility projects and whether they would be eligible under CERB and PWB, as well. JC asked if the applications identified who owned the airport. Dave C. confirmed that approximately half the applications are from private entities and half from counties and municipalities.

**Interest Rate Re-visited:** Based on comments from stakeholders about the initial interest rate, we were asked to reconsider the interest rate proposed. In preparation on the agenda topic, Dave C. contacted airports who had inquired about the loan program to get their opinions on the interest rate offered and if it impacted their decision to apply for a loan. The majority stated they thought the 3% rate was reasonable. One person thought the rate should be lower. The Board was shown a slide with current tax-free, municipal bond rates for AAA, AA, and A-rated bonds. Rates offered were between 1.85% and 2.25%, respectively. Also presented were tables that showed the interest rates charged by CERB and PWB. Janea explained how CERB has a variable rate between 1.0% to 3.0% dependent whether the

applicant is from an economically distressed county, the length of the loan, and their DSCR score. Contrary to a traditional bank loan, the lower their credit rating (DSCR score) the lower the interest rate offered. She explained at one time CERB had a static rate of 3% (2.5% for distressed counties) that evolved into the rate structure they use today. She also explained that CERB has more flexibility in their program than private lenders including partial grants, extended grace periods, and loan forgiveness that makes their loan program more attractive besides just the low interest rate. Janea also confirmed that CERB does not partially fund loan requests and only provide loans to fully-funded projects. Both CERB and PWB select projects based on their ranking until available funding is exhausted. They do not skip a ranked project to accommodate a lesser ranked project due to the lack of remaining funds. The PWB loan rates were even lower at 0.79% and 1.58%. They were also dependent on DSCR, an affordability index, length of loan, and whether it was an economically-distressed community. PWB takes 3% of the appropriation for administrative costs. Janea added they also have an operating budget for administrative costs for the program. Dave C. indicated that the allowable loan amounts are significantly larger than the \$750k limit adopted by CARB. To date, CERB has financed 9 airport-related projects (1 – Pierce County Airport, 4 – Snohomish County Airport, and 4 – Spokane International Airport) and PWB none. JC inquired whether CERB projects were GMA qualified. Janea responded that all their projects were GMA compliant as a threshold for eligibility. She added that Health, Ecology, PWB, and CERB have aligned their underwriting as much as possible subject to differing RCWs. JC commented that the PWB was tasked with creating SYNC [a Department of Commerce, PWB webpage] a singular location where one can look for financing as part of a “streamlining” process.

The Board had initially set the interest rate 3% based partly on the legislation that stated *“The interest rate must not exceed the amount needed to cover the administrative costs of the Board and the loan program.”* We had determined those costs to be \$266k over the biennium and that 3% annually would generate \$150k per year after an initial delay. After announcing the interest rate, we received some comments that the rate may be prohibitive compared to other loan programs. Jill Anderson asked what happens if the interest proceeds do not cover the administrative costs of the program. David F. responded that the Aviation Division would have to absorb the cost initially. He shared a recommendation to lower the interest rate to 2% while acknowledging the rate will not cover the administrative costs. The Aeronautics Account would have to cover future costs if no additional funding is provided. Applicants and other airport sponsors would then be notified immediately of the lower interest rate. Richard suggested based on his experience, if applicants were in a better financial position and their projects generated more revenue, they could get a loan anywhere; possibly at a lower interest rate. However, they would have to provide a lot more documentation that our loan program does not require. Similar to CERB, the objective is not to make money but to fund economic development to projects that may not otherwise be funded. Therefore, 3% does not seem exorbitant. Whether charging 2% or 3% should not change the circumstances for the lender very much but would affect the ability to cover the costs of the program. Since we are receiving loan applications currently, 3% seems reasonable and may not need to be reduced. John countered that current hangar construction costs are 40% higher than the current rental rates [for cost recovery] so he is seeking ways to reduce the capital costs of the project. He thought that 2.25% appears to be the average interest rate charged by similar programs and charging 3% may be “a little strong” compared to other sources.

Janea explained, from a legislative perspective, how CERB’s budget is determined. CERB gets a \$993k operating budget along with their capital appropriation. When you have an operating budget, the appropriations committee first decides the operating budget with the remainder going to capital. Since CARB’s legislation requires the program to charge interest sufficient to cover expenses and the holdback is limited, she suggested WSDOT may want to request an operating budget in the future. David F.

clarified that the current capital holdback is capped at 3% which is only \$150k. This is insufficient to cover the estimated \$266k in administrative costs and they are requesting additional holdback. JC and David F. agreed that the Aviation Division could absorb the cost only in the near term and a long-term solution was needed. Chris Herman confirmed that Janea, JC, and David F. were accurate and ultimately a corresponding increase in operating budget would be necessary. He explained that often when funding capital transportation programs it's simpler to include a 3% holdback allowance in order to initiate a program.

Discussion continued on the effect of lowering the interest rate on encouraging applications. Several members commented that the emphasis should be on providing loans. Jill commented that the interest can be adjusted in the future as the interest rates and conditions change. Janea thought that the loan limit of \$750K might be a bigger impediment to applicants than the interest rate. She shared that the CERB program received more interest when they raised their loan limit. Dave C. confirmed that a couple of airports commented that the loan limit was insufficient to fund their prospective projects. Discussion ensued about multiple applications from the same airport, project phases and scalability. Michael while focusing on the smaller airports, suggested that a 2.25% rate may be more desirable than a [loan] cap. JC added that if they have a sponsor, a lower interest rate may be more attractive to a port sponsor.

JC asked the group for a motion. John motioned to "lower the interest rate from 3% to 2%". David F. seconded. Jill asked for an addendum to the motion to revisit the interest rate on an annual basis or as needed. John amended his motion "To lower the interest rate from 3% to 2% and to revisit the interest rate annually". David F. seconded and the amended motion passed unanimously.

**Comments/Next Board Meeting:** JC thanked the Board and Janea Delk for their knowledge and participation. The next Board meeting is scheduled for Thursday, December 12<sup>th</sup> at Pangborn Airport in Wenatchee. If the Executive Flight Building's board room is not finished, the meeting will be at the Confluence Training Center (CTC). It will be an all-day meeting with the intent of selecting projects. A meeting request notice will be sent after the details are finalized.

Meeting was adjourned at 10:50 am.

  
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David Chenaur, Acting CARB Secretary

Date: 12/2/19



## Community Aviation Revitalization Board

Wednesday, November 6, 2019, 8:00 am - Noon

### Participation sign-in sheet

Board Member	Mode*	Signature
Jill Anderson	P	<i>Jill Anderson</i>
JC Baldwin	P	<i>JC Baldwin</i>
Richard Bogert	T	<i>(Signature)</i>
John Dobson	P	<i>John Dobson</i>
David Fleckenstein	P	<i>David Fleckenstein</i>
Andy Hover	T	<i>(Signature)</i>
Rich Mueller	T	<i>(Signature) late</i>
Jennifer Skoglund	T	<i>(Signature)</i>
Michael Echanove	P	<i>Michael Echanove - Alternate</i>
Erik Martin	P	<i>Erik Martin</i>

\* In-person (P), teleconference (T), and/or Skype (S)

Notes:

Secretary: David Chenaur

*David Chenaur*

