



July 23, 2020

**Sent Electronically**

Dear Mr. Sheehan,

The Peninsula Airport Commission (PAC) Chairman asked me to reply to your letter addressed to:

Chairman Jay Joseph  
Vice Chairman Rob Coleman  
Commissioner Sharon Scott  
Commissioner Tom Herbert  
Commissioner Lindsey Smith  
Commissioner Brian Kelly

Your letter was received in the PAC office on July 20, 2020 and will be included in the public comment section of the minutes of the Regular July 2020 PAC meeting.

Shortly after taking my position in November 2017 and while still under investigation by the Commonwealth of Virginia and the United States, I began a Bottom Up review of processes, procedures, and, especially, PAC finances; specifically, its facility fee and rent structure. The Commonwealth and Federal investigations were exploring numerous violations of law with regard to the collections and uses of airport revenue. My Bottom Up review began immediately. I reviewed investigation reports, airport audits and other supporting documentation. Near concurrently, in early 2018 the Commission began a Top Down review, directing me to report on financial discrepancies especially related to under-valued lease rates and they directed me to create a "form" lease in order to ensure standardized leasing practices were maintained. These actions resulted in:

1. Airline rates and charges were increased twice (July 2018, July 2019)
2. Creation of a Standard General Aviation (GA) Lease form
3. Institutionalized Mobile Home Park Management
4. Began a process of institutionalizing GA Properties Management
5. Terminated contracts with various vendors, concessions and contractors
6. Retooled staff
7. Reversed unauthorized / unlawful decisions and actions of former Executive Director

With respect to item 4, my initial reaction was that the airport was in clear violation of its Federal Grant Assurances. I then ordered a self-audit of the GA Hangar Management Program which was completed in November 2018. That audit concluded that the GA property leasing program was broken. During this period the airport was already in action to, 1) create a standard "form" lease and, 2) appraise airport property to baseline its fee and rate structure.

While it would have been most advantageous to the PAC that the GA hangar lease rates be increased after that audit, I did not recommend that. Instead I reported my findings to the full Commission along with other known deficiencies and recommended hiring a Business Development Director to oversee this and other neglected programs. After that position was established and funded, we set out to correct those deficiencies.

Correcting the deficiencies was done in plain view of the public. The Daily Press was present at nearly every Regular PAC meeting since my arrival. They reported on the PAC's effort to correct what had been a poorly-run Mobile Home Park management situation. The PAC has welcomed the public and the media into its business since I arrived in 2017 with a mandate from then Secretary of Transportation Aubrey Layne to restore integrity into a damaged organization. I take that mandate very seriously. PAC business is overwhelmingly conducted in open meetings.

With respect to GA lease management, between November 2017 and December 5, 2019, the PAC deliberated GA hangar leases, rates and/or policy for over an hour of real time - all during sessions open to the public and the media. Of course, since then, there has been even more engagement as well as public comment entered into the record.

After correcting deficiencies with Mobile Home Park management, the staff, led by me, did a comprehensive GA hangar rate study using methodology from the Airport Cooperative Research Program (ACRP) research report 213, "Estimating Market Value and Establishing Market Rent at Small Airports." We also conducted national, state and local market surveys and additional qualitative analysis by interviewing airport directors, general aviation users and industry professionals (especially those in Southeast Virginia) to determine the FMV of the PAC's leased GA holdings.

After a year of study and knowing that there had been no across-the-board rate changes in over a decade, establishing a Fair Market Rates (FMR) rate-schedule was long overdue. It had to be done, especially given the previous administration's misdoings. In the shadow of the Spirito trial, should the PAC have been subjected to further financial audit (the Part 139 safety inspection that you referenced in your letter is different from a financial audit) from the US Department of Transportation (USDOT), Federal Aviation Administration (FAA), or the Commonwealth of Virginia, the risk of negative findings and subsequent consequences with respect to long expired leases and far below rental rates was too great. I had been saying that in open meetings for two years.

Equipped with a new lease form, new lease rates and a draft leasing policy our Director of Business Development began a consultation and new lease negotiating process in January 2020 that led us to where we are today.

To date we have executed 15 new GA hangar leases and have one pending.

Finally, in an open Real Estate Committee meeting held on Monday July 20, 2020, staff recommended an undefined period of time be allocated for receiving of additional public comments on this matter. Since February 27, 2020 the PAC has made substantive lease and draft policy revisions. Two additional suggestions that I have presented are: 1) allow for an extended phase-in plan for increased rental rates for any lease holder in good standing as of December 31, 2020; and 2) allow the Executive Director authority to adjust lease rates *downward* based upon a *condition assessment* of any existing PAC-owned hangar (I currently only have authority to adjust rates upward).

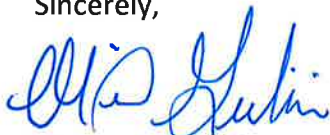
With respect to handling the affairs of the Commission, my staff and I do not engage in “stalling tactic(s).” We only strive to comply with the law. As a Political Subdivision of the Commonwealth of Virginia, the PAC is required to handle all requests for information by the press and the public in accordance with the Virginia Freedom of Information Act (FOIA). Concurrent with the creation of a webpage to act on the PAC’s direction given to me during the June 2020 Regular Meeting, I also received an email from a member of the GA community requesting the same information. I replied to the tenant by informing him that his request was being handled in accordance with FOIA. I never asked the tenant to submit a FOIA request.

The gathering and subsequent posting of certain materials for public viewing did take additional time and certain contractual obligations required some redaction of proprietary information from the Explorer Solutions work product. The action I took in response to the FOIA and the direction from the Commission was reasonable and in accordance with the law.

With respect to ad hoc committees and advisory groups, I leave that to the Commissioners to decide. Personally, I welcome the opportunity to interact with key stakeholders. Our 2.5-hour video “Town Hall” on May 20, 2020 demonstrates my dedication and willingness to engage. I look forward to more events like that, especially when we can do it in person.

My door is always open and my phone is always on. You may contact me at any time for further discussion on this and any other topic.

Sincerely,



Michael Giardino  
Executive Director

Cc: Peninsula Airport Commission  
E. Ballou, Esq.



**Michael A. Giardino, C.M.**  
Executive Director

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