

Peninsula Airport Commission

Board of Commissioners Meeting Minutes

June 23, 2022, 8:00 a.m.

Commissioners in Attendance:

Chair, James "Jay" Joseph
Secretary, Lindsey Smith
Assistant Treasurer, Sharon Scott (arrived 8:03 a.m.)
Assistant Secretary, Brian Kelly
Commissioner, Jennifer Smith (arrived 8:02 a.m.)

Staff Members in Attendance:

Executive Director, Michael Giardino
Deputy Director, John Borden
Business Development Manager, Chris Walton
Executive Assistant, Jamie O'Brien
Counsel, L. Scott Seymour
Facilities Manager, Bill LaManque
Airport One, Steve Romme

Public Officials Present:

Ralph "Bo" Clayton, Newport News Assistant City Manager

Public Attendees:

David Hause, Kiln Creek HOA
Peter Dujardin, Daily Press

Chairman Joseph called the meeting to order at 8:00 a.m. and noted that this meeting is also the Annual Meeting.

Minutes. Commissioner Kelly moved to accept the April 28, 2022; meeting minutes as presented. Commissioner Scott seconded and the minutes were approved unanimously.

Public Comment. None

Committee reports: Three of the committees, Governance, Finance and Audit, and Marketing and Public Relations did not meet. Planning and Development did meet. As we begin a new fiscal year, Commissioner Joseph recommends we take a look at committee structure and assignments. We are not limited to two members on a committee so going forward, we may want to consider increasing the size of the committees. We could have fewer committees that are larger.

At 8:02 a.m., Commissioner Jennifer Smith joined the meeting.

At 8:03 a.m., Commissioner Sharon Scott joined the meeting.

Planning and Development committee report:

- In April 2022, there was discussion about monitoring our leases. Staff is in the process of switching to a new software called "Aero Simple" which will track and monitor leases. We hope

to have all the leases loaded into the software by the end of the Summer. Aero Simple will become the reporting tool that can report vacancies, delinquencies, etc., upon request.

- Aery financing has now closed as of June 22, 2022. We have a letter from their lender confirming all conditions for funding have been met. Construction is expected to be complete sometime in the Fall.
- Land release for the McMurrin parcel is done. It should be scheduled to close in the next couple of weeks. Per Scott Seymour, the deeds have been exchanged and all the documents are being finalized.
- The Habersham land release is still pending with the FAA.
- The Dog Head parcel is expected to close at the end of August. York and the PAC have revised the plat. It is with the county of York now and once the revisions are approved; we will settle the closing for August as scheduled.
- Mr. Giardino has been updating the Board of Commissioners each week with a "Situation Report" on the mobile home park, and how many trailers are resolved each week.
- We continue to work toward a common vision with the Master Planner for executing the Master Plan Agreement. We went through an RFP process to identify a Master Planner; the other bidders have been notified. Before executing the agreement, we need to make sure we have a common vision of where we are headed with that process. Once we determine the common vision, it will be brought back to the full Commission.
- We will have some closed business sessions about proposed real estate transactions.

Staff Reports: Mr. Giardino stated the presentation of the Aero Simple demonstration shown to the Planning and Development committee will be shown to the full Commission in late Summer or early Fall.

We have three resolutions.

1. Budget – presented to the Board in April 2022. There has been a 30-40% reduction in seats this year. Fuel prices and a pilot shortage are affecting regional service the most. Mr. Giardino proposes a mid-year review of the budget.

Commissioner Kelly made motion to accept the budget. Commissioner Scott seconded the motion. Voice vote by roll call: Mr. Joseph – Yes, Ms. L. Smith – Yes, Mr. Kelly – Yes, Ms. Scott – Yes, Ms. J. Smith – Abstained. Motion passed.

2. Rubber removal and repainting – Per the FAA part 139 inspection, the rubber from planes landing needs to be scrubbed from the airfield and markings need to be repainted. The cost for this project is 80% funded by the Commonwealth, 20% funded by Virginia Aviation Board.

Motion was made by Commissioner Kelly and seconded by Commissioner Scott. Voice vote by roll call: Mr. Joseph – Yes, Ms. L. Smith – Yes, Mr. Kelly – Yes, Ms. Scott – Yes, Ms. J. Smith – Yes. Motion passed.

3. Right of First Refusal for 12660 McManus Blvd. property. Recommendation by Mr. Giardino is to waive our right of first refusal on the property. Commissioner L. Smith asked for a point of clarification; based on the executive summary, we are only waiving our right for this specific transaction. PAC right of first refusal continues for 40 years from 1985. This is confirmed by legal counsel Scott Seymour. Chairman Joseph accepted a motion to waive our right of first refusal for this transaction. Commissioner L. Smith made the motion, Commissioner Scott seconded the motion. Voice vote by roll call: Mr. Joseph – Yes, Ms. L. Smith – Yes, Mr. Kelly – Yes, Ms. Scott – Yes, Ms. J. Smith – Abstain. Motion passed.

Chairman Joseph asked Mr. Giardino about the Master Agreement. Mr. Giardino responded that we enter into an agreement with the Commonwealth for use of Commonwealth funding. There has been a revision to the Master Agreement and it is non-negotiable. If PAC wishes to accept the funds, we must adopt the Master Agreement as written. Chairman Joseph asked what the change was and if PAC needs to act on it today. Mr. Giardino responded that we do need to act on it today. Per counsel Scott Seymour, PAC has until July to execute it. Chairman Joseph asked Mr. Seymour to walk the PAC through what the Master Agreement does. Following is Mr. Seymour's explanation:

"The Master Agreement is essentially the general terms and conditions on the acceptance of any Department of Aviation grant funds. It requires the airport to maintain compliance with both FAA Part 139 as well as the State rules related to airports, so we have to maintain, we cannot get release of land without going to the Department of Aviation. We have to comply with all federal FAA rules. We have to maintain easements on our land so that the airport can remain open for public use. There is nothing in it that we would find objectionable from a legal standpoint. To the extent that we do not comply with the terms of the grant agreement and our general grant assurances, we are subject to having to repay the money back to the Department of Aviation. Similar terms apply with all of our federal programs. All airports that receive State funds are required to sign this Master Agreement."

Chairman Joseph called for questions. He asked if we have a resolution we can recommend. Mr. Seymour says a resolution is required.

Resolution: We resolve that the Peninsula Airport Commission approve and adopt the 2022 Master Agreement on Terms and Conditions for Accepting State Aviation Funding, and to authorize Michael Giardino to sign the agreement.

A motion was made by Commissioner Kelly to accept the resolution. The motion was seconded by Commissioner L. Smith. Voice vote by roll call: Mr. Joseph – Yes, Ms. L. Smith – Yes, Mr. Kelly – Yes, Ms. Scott – Yes, Ms. J. Smith – Yes. Motion passed.

Mr. Giardino told the commissioners that he is happy to provide updates to any of them whenever they would like.

Marketing update: Provided by Steve Romme of Airport One (see exhibit one). We have been pretty specific on branding and vision for the organization. Our promise is we get there faster and easier and it's relaxing so people can enjoy the trip. We want our airport to kind of "disappear in the experience." We are local, comfortable but sophisticated enough to handle business travel. Our advertising plays up these aspects as part of our brand.

Growth approach is to fill seats. Our goal is 85% fill rate. Mr. Giardino noted that our airport does not currently have an ultra-low cost carrier which results in "leakage" to Norfolk and Richmond.

Yield = airline profitability. Not only do we fill the seats, but the seats we have are yielding more for the airline. Our airport tends to run above average for the yield. Commissioner Joseph questioned the graph regarding yield. Mr. Romme explained it was \$.25 per seat mile.

2021 was the launch of the new brand. 2022 we have implemented planning and development tools that will help from an advertising development standpoint. We assessed and optimized resources. We've reduced spending while maintaining load factor. The three things we're doing to modify that is: 1. Modifying the digital advertising tactics. In the coming months we will broaden the mix. We've been very digital focused.

2. More billboard and radio activity in the coming months to get a broader message out there.
3. Improve our organic social media presence.

We have a great analytics tool now. We are ready to launch new airlines as soon as we get them. Per Mr. Romme, typically when a new airline launches, they give you three week's notice to launch. You can't implement a marketing plan in three weeks. Airports must fill flights when launching new airlines and must market well in order to fill the flights. We need to be and are ready.

Analytically, this is overall a leisure campaign. We track how much it costs to get a click into the booking engine. For us, it isn't a win until the passenger is clicked through to the booking page for the airline. Our click costs are higher because we measure by how many passengers get to the booking engine, not just clicking on ads. The average cost for our click cost was in the high \$2s to about \$1.50 so we have become dramatically more efficient. We continue to analyze every month.

Programmatic costs are more expensive but requires marketing too. Many people aren't on social media and we need to reach them.

Commissioner J. Smith asked what happened in April. Mr. Romme explained it was between campaigns.

Commissioner Scott asked what impact is of the cost of our flights being so much more than Norfolk and Richmond. She stated it could be as much as \$300-\$400 more to fly from PHF than to fly from Norfolk or Richmond. Mr. Romme responded that on average, our flights are within 10% of our competitor's costs consistently every quarter. The reason for the higher prices is if the flight is highly booked (popular), the price will be higher. It's supply and demand. As the airlines fill seats, they raise the price.

Commissioner Kelly said it's a catch-22. We need to fill seats to get seats. If we fill the seats, the prices start to go up, but no airline is going to add back flights or come to PHF if we don't show that we can fill seats.

Mr. Romme said part of our strategy is to make sure we're looking at advertising routes in which we can win. As an example, a route to Atlanta we wouldn't spend many advertising dollars because the other airports have ultra-low cost carriers that regularly serve that airport. We need to spend our marketing dollars on airports where the playing field is even – airports we (ORF, RIC, PHF) fly through. We spend on the destinations we know we can win.

Commissioner Joseph asks how we target specific audiences. How does the algorithm identify our audience? Are we able to identify that narrow of an audience? Per Mr. Romme, we can geo-fence and other geo-targeting.

Commissioner Scott expressed interest in targeting data to justify a Philadelphia flight. Mr. Romme stated we already have that data down to zip code and where those passengers are traveling. When PHF had the Philadelphia flight, we could not consistently fill that flight. It wasn't convenient. Mr. Giardino stated that losing the Philadelphia flight wasn't related to PHF, but rather the airlines dropping capacity all over the country. Richmond and Norfolk proportionally are losing the same amount of service as PHF. It's a nationwide issue.

Announcement by Commissioner Joseph that we will now enter into the Annual Meeting portion of the meeting and hold election of new officers.

Commissioner L. Smith spoke to each commissioner and has a suggested slate of officers as follows:

Chair: Lindsey Smith

Vice Chair: Brian Kelly

Treasurer: Jay Joseph

Asst. Treasurer: Jennifer Smith

Secretary: Sharon Scott

Asst. Secretary: will remain vacant until a new commissioner is sworn in

Commissioner Joseph called for any discussion or nominations from the floor. There being none, he will accept the slate as a motion. The motion was seconded by Commissioner Scott. Voice vote by roll call: Mr. Joseph – Yes, Ms. L. Smith – Yes, Mr. Kelly – Yes, Ms. Scott – Yes, Ms. J. Smith – Yes. Motion passed. Officers will take their seats on July 1, 2022.

Commissioner Joseph asked if there was any other business for the Annual Meeting portion. Mr. Giardino stated that Hertz is back in house and they brought the Dollar brand with them. We used to have five brands, now we have six.

Mr. Giardino presented a model of Air Force One to outgoing Chair, Jay Joseph. Plaques will be delivered to our outgoing commissioners as well.

Commissioner Joseph asked if there was anything else for open session. Commissioner Scott stated, "Since the trailer park situation has become a Newport News issue in addition to a PAC issue, I just want to know if there are any updates on how we are dealing with the situation. Whether there has been any movement, who's engaged and what's the status of our tenants at the trailer park."

Commissioner Joseph asked Commissioner Scott if she had seen Mr. Giardino's email from yesterday with the latest status report. Commissioner Scott said the last email she saw, "the numbers hadn't changed much so I just want to know how we're dealing with the situation. November will be here before you know it and we need to know what's going to happen and there's still a conversation out there about the decreasing \$2000 to \$1000 to less so we do need to have that conversation."

Commissioner Joseph responded "The staff... there's an old saying, I think John Wooden said it, 'Character is what you do when nobody is looking' so before any of this attention, staff came up with a very compassionate plan in my opinion, to assist these residents. So, there's a free rent component, right? And the cash component was for anybody that wanted to move out early, but if you stay, you're getting equivalent value from free rent. So that free rent is worth if they stay the six months, roughly \$2800. And that's not anything a private landlord would do. The second thing we've done is that, you know, these units are, they belong to the residents of course, and they have three choices I think we've identified. They can move the unit to another park. Some I understand have – we don't know how many, but Bill tells us that some have done or are doing that. There are some businesses out there that buy these units and renovate and move them. To our knowledge no one has taken any offers on that. But the third option is if the unit is obsolete or fragile, at the end of its useful life, it has no value and cannot be moved, the resident, under the lease is responsible for the removal of that trailer. It's costing us about \$4400 per unit when we remove those trailers in bulk. So, we have a contractor who comes on site and they demolish four, six, eight at a time. We believe that if a resident had to arrange themselves, and remember they are responsible in the lease to remove the trailer, it would cost them as a one-off situation, they would have to bring the contractor on site, you know, \$5,000 or more. We don't know because we haven't bid it but call it \$5,000. So, and I don't believe a private landlord would do this, but our staff recommended and we agreed that we would be, any unit that the resident wishes

to leave behind and abandon has to sign the title over to us of course, and we would be responsible for that cost. So, we are essentially saving that resident \$5,000 or more of demolition responsibility. So, the cash incentive was, we gave them notice, it was a six month notice, if they move before the end of May and only took one month of free rent, which is \$400-\$500 approximately, they could get \$2,000 in cash to help them move. But if they stayed and took the free rent, that sort of, that cash goes away but they're getting free rent, so but if you add the numbers up, the airport, it could be worth up to \$8,000, almost \$8,000 to these residents in rent concession and demolition responsibility that we're assuming. So, we are executing that plan. Residents are taking us up. Mike's last email showed over the last week, there were I think two more leases resolved. We are demolishing, we have demolished units this month as well. To our knowledge, roughly 32-33 units are in some state of either signing the title over or arranging to move. And so, each month, we are just simply, the residents are dealing with it. The other thing the staff did, which I did, again, we are a busy organization, we have an airport to run. We could have simply given notice, enforced the lease, collected rent, and enforced the removal obligation. But they also stepped up and said, 'We can provide other services to these residents.' And so, they networked with various social services and housing agencies and they had an onsite, (I don't want to call it a fair because it sounds like it's a happy situation), but they had an onsite networking opportunity where our staff arranged for, and it was mainly organized by the United Way. But they brought, and to our knowledge, 35-40 residents took advantage of that onsite networking opportunity to sign up for services and get information about housing opportunities. So, we are where we are. I mean, we have a failed trailer park. As we've been briefed repeatedly, the water lines have collapsed and are in need of replacement and repair. The storm water system has collapsed and is beyond repair and we have neither the authority nor the money to spend the millions of dollars necessary to bring this park up to code. I mean, I was in the commercial real estate business. So, investors make a fortune on mobile home parks. It's a wonderful asset. I would love to have a profitable mobile home park that supports the airport mission but unfortunately, we don't. We have a failed one and it will close and we're in the process of doing that, and I think, I compliment the staff on coming up with a beyond our contractual obligation, beyond what we're required to do by law, coming up with a compassionate plan to execute that closure. And they are providing both financial and non-financial assistance to these residents. As your budget packet brief reflected, it will cost us roughly \$650,000 to close this park. So, that's what's going on. I know it's not a happy situation. I think some of the media reporting has been, I won't call it inaccurate, I just call it incomplete. And perhaps not balanced."

Peter Dujardin, reporter for the Daily News responded, "That's why you need to talk to us."

Commissioner Joseph stated, "That's my take and if I said anything inaccurate or incorrect, correct me now rather than later. But it reminds me that no good deed goes unpunished, particularly by the media at times. You've lived in this world."

Commissioner Scott replied, "Absolutely. And for the record, I'm not stating opposition to closing it. I am concerned about the way it was handled. Commissioner Kelly and I are PR and Marketing and we didn't get a chance to PR or Market, so we, I believe that we should have been involved in any community events where we would have known before we had incomplete reporting of the citizen's concern and how we move from there, because as I mentioned earlier, not only did it become a PAC problem, it became a City of Newport News problem. And that's, you know, a lot of people are what happens and all of the miscues made it appear as though we are throwing these people on the street, when in essence, I'm sure that's not what we intended to portray, so..."

Commissioner Joseph thanked Commissioner Scott for her question and giving us a chance to address it. He then asked if there were any more comments.

Commissioner Kelly said, "The big thing for me is it just has to be done. The numbers coming down that you've talked about, our budget is set hoping, and there is hope in the budget, that we may have to address in a few months on getting more service and getting more grants, but barring that, we're going to keep losing millions per year pretty soon. And so, we can't spend the money to fix the drainage so to me, that was the clinching thing. And could we have gotten ahead of the media better than we did? Probably, but this is a common problem. Their lawyer hasn't answered us yet, right? Is that correct? As of yesterday. I didn't see that mentioned in your data, Mr. Giardino."

Commissioner L. Smith stated, "I think Mr. Chairman, one point of clarification is, it's not just a financial consideration for the PAC. From an infrastructure standpoint, some of these failed lines actually run under the mobile homes, so they would have to be relocated in order to correct the problem and fix the infrastructure. So, it goes beyond just a budgetary monetary issue, it's almost an impossibility to do it without displacing the residents there regardless. So that for me was a big consideration was, it's not just about money, it's about we just can't do it in a manner that doesn't disrupt their lives."

Commissioner Kelly, "The drain issues, some of those things since this thing started, we've found you can't move some of those trailers because they're in such bad shape. You can't move into another place because of the drainage, you can't move the mobile offsite to another park, so it was a failing enterprise. The speed with which we did it and how we could work with the media could be addressed."

Commissioner Joseph asked if there was anything else for open session. There being none, he asked counsel Scott Seymour to read the language to take us into closed session. Mr. Seymour asked if we would be discussing anything regarding the disposition of real property, lease or otherwise. Commissioner Joseph said yes, real estate and air service. Mr. Giardino clarified we would be closing the session under exemptions A3 and A5.

Mr. Seymour read the following, "At this point the Chair will accept a motion to move the commissioners of the Peninsula Airport Commission convene in closed session meaning pursuant to Virginia code section 2.2.3711 A3 for the discussion of consideration for the disposition of publicly held real property where the discussion in an open meeting would adversely affect the Commission's bargaining position or negotiating strategy, and A5 for the discussion concerning a prospective business or industry or an expansion of an existing business or industry where no previous announcement has been made of the business' or industry's interest in locating or expanding it's facilities in the community regarding the expansion of aviation services." Mr. Seymour asked for a motion. Commissioner Kelly moved; Commissioner Scott seconded the motion. Voice vote by roll call: Mr. Joseph – Yes, Ms. L. Smith – Yes, Mr. Kelly – Yes, Ms. Scott – Yes, Ms. J. Smith – Yes. Motion passed.

Closed session began at 9:03 a.m.

Open session resumed at 9:46 a.m.

Mr. Seymour opened the session by certifying that only such business as identified was discussed in accordance with the Virginia code. A motion to reconvene was made by Commissioner Kelly and seconded by Commissioner Scott. Voice vote by roll call: Mr. Joseph – Yes, Ms. L. Smith – Yes, Mr. Kelly – Yes, Ms. Scott – Yes, Ms. J. Smith – Yes. Motion passed.

Commissioner Joseph asked if there was any other business and welcomed Commissioner Jennifer Smith. He thanked everyone for being present and the meeting was adjourned at 9:48 a.m.