• Roll Call

• Public Comment

• Approval of Meeting Minutes

• Today’s Discussion
  – Stakeholder Values
  – Commissions and Authorities, Advantages and Disadvantages

• Public Comment

• Adjournment
Today’s Discussion

• Stakeholder Values
  – Community
  – NRAC
  – Grand Traverse County
  – Leelanau County

• Commissions and Authorities
  – Advantages
  – Disadvantages

• Open Discussion
Stakeholder Values

Region

Grand Traverse County

NRAC

Leelanau County
Stakeholder Values

PREVIOUSLY

• Strategic Planning Input from Stakeholders
  – Recap on SBA stakeholder input from the beginning of the process

CURRENTLY

• Value Questions Survey with the AGA Committee
  – NRAC
  – Grand Traverse County
  – Leelanau County
PREVIOUSLY

• Strategic Planning Input from Stakeholders (at the Beginning of the Process)

  – Conducted stakeholder interviews re: overall view of TVC and operations, and ideas re: opportunities and constraints for continued growth

• Commission Members
• Executive Staff
• Community and Business Leaders
PREVIOUSLY

Summary of Commission Members Input re: Governance Models and Transferring to an Authority

• There was a wide range of opinions of Commission:
  – enthusiastic support
  – neutral open-mindedness
  – caution and concerns (e.g., regarding taxation, composition of Authority Board, etc.)

• However, all Commission members were in favor of learning more about governance options and exploring the issue, especially what the specific benefits would be

• Those who would like to see the Airport become an Authority believed that the governance transfer would likely help the Airport become *more nimble for business purposes* in the future, especially in terms of land use and development
PREVIOUSLY

- Understood that Authority by definition would have the Airport and its best interests as its *sole focus*
- All Commission members were interested in ways to *extricate the Airport from obstacles to future development*.
- Stakeholders understood that the current operators (i.e., the Counties) would need to support any change in governance models
  - most thought that the operators would be open to change, especially when issues of *liability* were considered
- Commissioners wanted *further education* about the specifics of different models applied to the TVC situation, particularly around funding and taxation
CURRENT SURVEY

• Value Questions
  – Zoning
  – Property
  – Legal Services
  – Issuing Debt
  – Liability
  – Regulatory
  – Other Values
## Stakeholder Values

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<td>Legal Services</td>
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<td>Airport supports costs</td>
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<td>Regulatory</td>
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<td>Education and expertise is part of criteria for Board; greater continuity of Board</td>
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<td>Other Values</td>
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ZONING

- Zoning rights are an important issue — Airport needs the entity best suited for zoning management for property at the Airport

• Basic Background
  - Under MI state law, all *aeronautical* uses are exempt from zoning
    • e.g. building hangars, noise, airport lighting related to aero, etc.
  - Zoning issues arise regarding *non-aeronautical* development
• **Basic Background**

  - Typically, the same entity that owns the airport also controls zoning
    * However, this is not the case with TVC (i.e., City governs zoning, but is not part of the NRAC)

  - As a result, by having the City control non-aero zoning, a non-owner entity controls the economic development options of the Airport
    * This takes rights and powers away from the Counties/NRAC
Examples of Issues

— Removal of obstructions

• Confusion arises between purpose of activity and location of activity
  – While the land the obstructions were on were non-aero land, the removal was for aeronautical purposes (clear vision path, etc.)

• City’s retention of control interferes or creates challenges with complying with Federal regulations as well
  – FAA Grant Assurance 19 – airport operators responsibility to take necessary actions to ensure a safe operating environment
  – FAA Grant Assurance 21 – compatible land use
  – FAR 77 – obstruction free approach zones
  – Advisory Circular – regarding wildlife management / depredation
Examples of Issues

— Costco development
  • Approval of the development was a challenge, with a number of issues
  • Conflict between use and development of Airport property for non-aero revenue and City zoning authority
    — City was initially against the development — using zoning to enhance its position
    — Reversionary clauses were brought up – property should be reverted back to the City (in conflict with Grant Assurances)
    — A non-aero development stance of the City interferes with the strategic goals laid out by the Commission and the Counties
    — Lighting exemption issues
    — Example: repaving Garfield Road violated RPZ FAA requirements
Examples of Issues

— **Equity issues**

- Townships (e.g., East Bay) within the County have control over their own zoning to plan their jurisdictions for the health, safety, and welfare of their constituents
- Civic Center is County property inside City boundary and has exemptions from City zoning
How does this relate to Governance at TVC?

- *Under Commission*
  - Municipal control of zoning is a constraint to Airport development
    - City is no longer a direct operator of the Airport, yet maintains and exerts control over certain Airport actions having a direct impact on Airport operations
    - Challenges were recently highlighted in the Costco development efforts
    - Challenges also highlighted with taxes the City was assessing against aeronautical tenants and the Airport
    - Airport has also had issues with land division act with the City
    - *Under a Commission governance, it is a challenge to address zoning issues with the City and implement development efforts to produce revenue for the operation of the Airport and maintain self-sufficiency*
How does this relate to Governance at TVC?

— **Under Authority**

• Moving to an Authority would present new zoning options
• Most airports control their own fate economically
• *Under the original agreement, the Counties agreed to City zoning; however, this is not compatible with Grant Assurances*
PROPERTY

- U.S. airports face a significant challenge to economic stability, and many are turning to property as a way to bring in non-aero revenue to remain self-sufficient, and to stay in compliance with Grant Assurances

- In order for an airport to be self-sufficient, it needs to raise sufficient revenue to offset operating costs, either through commercial development, an increase in fees (to passengers and/or airlines), or taxation

  • NOTE: Increase in revenues helps to keep costs down for airlines — which in turn allows airlines to keep costs down for passengers and potentially offer new services
Stakeholder Values - PROPERTY

- Property, continued
  
  - Non-aeronautical revenue will continue to grow as the most important source of revenue for the Airport
  
  - The capitalization of assets allows for the long-term expansion and growth that the community demands
  
  - Important issues are related to the Airport’s ability to buy, sell, and lease property for both aeronautical and non-aeronautical purposes
• **Basic Background**

  – FAA does *not* allow the buying of new property for non-aero use
  – FAA does allow leveraging of existing property for both aero and non-aero use
  – Thus, the Airport buying of new property would **only** be for aero use
    • Such as easement or approach changes

  – The buying and selling of property should stay within the Airport’s purview (i.e., not determined by the Counties)
    • This can be benefited by the Authority members become familiar over time to FAA policy and procedures
Stakeholder Values - PROPERTY

• How Property relates to other values (such as increased air service and lower air fares)

  – TVC pursues both aeronautical and non-aeronautical commercial development because it helps bring in air service (such as Allegiant) by keeping airline costs low through rental revenue
  – Costco revenue at $170K per year offsets the cost of safety and security
  – Without Costco, the Airport’s CPE—an important industry measurement—would be in excess of $8; currently it is $5.60 because of Costco revenue
How does this relate to Governance at TVC?
- Issues re: efficiency (process), transparency (Act 95), and public accountability (Act 95)
- Also: Counties must abide by FAA rules or risk Grant Assurance non-compliance

- **Commission process – multiple steps**
  - Approve by Commission
  - Take to both Counties
    - Study session for each County and full board vote for each County
  - This is a minimum of an 8 week process (could easily turn into 12 weeks)

- **Authority process – one-step process**
  - Submit at one meeting
  - Approve at the next
  - Typically a 4 week process
    - Could be less with a special meeting

  - Singularly focused on operation of the Airport
  - Less susceptible to political influence, agenda, conflicts
• How does **eminent domain** relate to Governance at TVC?
  – Eminent domain should stay with the sponsors (i.e., Counties)
    • If the Airport does need that tool, then both Counties need to be involved
  – This is true for either a Commission or an Authority
Stakeholder Values - PROPERTY

- How does deeding the property relate to Governance at TVC?

*Under Authority*

As an Authority, under Act 95, two options regarding property ownership

- **Authority ownership**: Fee simple transfer – deed transfer and Counties relinquish ownership to Authority

- **Counties ownership**: Enter into a long-term lease agreement (no revenue), typically 40 years
  - Special provisions have to be built-in to allow the Authority to efficiently operate and enter into agreements that extend beyond the lease itself
Commission Advantages & Disadvantages

Commission Advantages:
- Liability shared with Counties
- Legal/professional services can be supplied by Counties
- Can more easily rely on Counties for financial support
- Political connections and support
- Provides direct oversight and accountability by Counties

Commission Disadvantages:
- No direct control of Airport zoning
- Can not buy and sell property on its own
- Can not enter leases past term of Operating Agreement
- Political influence
- Less efficient
- Sponsors have other priorities besides Airport’s best interests
- Legislation & Agreements not as clear
- Lack of dispute resolution
Authority Advantages & Disadvantages

Authority Advantages:
- Airport business focus
- Zoning control
- Buy & sell property
- Clear legislation
- Regional requirement
- Efficient & effective actions
- Reduces political influence and conflicts of interest
- Industry best practices
- Criteria of expertise for Board members
- Limitation of 45% of elected officials serving on Board
- More transparent, more public accountability

Authority Disadvantages:
- Liability held by Authority
- Cannot Impose a Millage
- Financial & operational support from Counties is harder to gain
- More transparent, more public accountability
Summary Overview

What an Authority is required to do that a Commission is not

– Appoint Board members from outside local government
– Requirement to appoint executive staff (e.g., CFO)
– Requirement for annual audit
– May sue or be sued
– Procure insurance
– Invest money
– Borrow money and issue municipal securities
– Operate other publicly-owned airports

What a Commission able to do that an Authority can not

– Joint operation
– Have Counties provide aid to Airport
Discussion

• Q & A

• Next Meeting
Thank You