

SPECIAL COUNCIL MEETING

September 12, 2016

Officials in Attendance: Mayor Dorothy Knauss; Councilmen John May, Payton Norvell and John Wight (arrived at 6:25 during workshop); Councilwomen Sharon Ludwig, Dee Henderson, Roberta McMillin and Carra Nupp

Staff Present: City Administrator Mike Frizzell, Clerk/Treasurer Pamela McCart

The Mayor called the meeting to order at 6:00 PM.

- Discussion regarding Airport Purchase

MAYOR KNAUSS: As you know we've been trying to purchase the airport property for 2 1/2 years now and we actually got to the place where they did an appraisal -- but prior to doing an appraisal we had negotiated a condition in our letter of intent that said that if the appraisal came in too high and we couldn't afford the whole piece, we would be able to buy a portion of it. And it's even written in their request for proposal of appraisal -- "*The contractor may be required to amend the appraisal if it is found the City does not have enough funding capacity to purchase the entire parcel. In that case DNR will request a supplemental appraisal under a new contract to divide a portion of the parcel to include as much of the airport and water supply area as possible which is equal to the value determined by the City.*" So last year Mike and I met with DNR, the county office of governor, WSDOT was there by telephone, the funding agency, etc. and we were basically told from WSDOT-Aviation that they had \$250,000 in grant funds that they would give us to buy the airport. So we proceeded all this time thinking that we had that grant. Last Thursday, Mike and I and our engineer had a teleconference with them and they basically told us that they have new business practices and in order for us to qualify for the grant we would have to prove that it was justified/qualified or something like that. And then, prior to getting the grant, we would have to develop a business plan that showed how we were going to make the airport self-sufficient -- and there was no guarantee that we would get the full amount of the grant because they like to grant for improvements and not so much for buying things. So we debated on what to do on the premise that we would still be able to get a portion of the grant. Friday we received correspondence from DNR's assistant division manager: "*Thank you for the communication that the City requires further internal discussion before you can respond to DNR's asking price. Unfortunately there has been a change in DNR's position on this transaction. DNR is unable to sell only a portion of the 89 acres. Retaining a smaller, isolated, remnant parcel is difficult to manage and retains little opportunity for trust beneficiary revenue in the future. Therefore DNR is only interested in the disposition of the entire 89 acres. I realize this is a departure from previous communications and apologize . . . DNR would like to offer two potential solutions for consideration. If the City does not have sufficient funding to accept DNR's standing offer to transfer the property for \$329,000 at this time, perhaps a purchase agreement with additional short term payment contract five years can be negotiated to cover the \$79,000 funding shortfall. If a payment contract is not something the City is able or willing to consider, DNR will entertain counter proposals or other payment strategies that the City is willing to offer in order to achieve a successful transfer of the airport property.*"

So that was a nail in the coffin. One of our County Commissioners, Wes McCart, has suggested that we approach the State legislature and ask for this money from the capital budget. It's a long process and they don't meet again until January 2017. There's no assurance that we will get it but the County has been successful in getting them to buy things. I don't exactly understand it but according to an email from Wes, if it's in their capital budget, the State will take that amount of money put it in the trust fund that DNR has and then we get the property at no cost.

So we thought we'd better lay it out for you tonight and see what you want to do. If we don't buy the property there are some things that we need to take into consideration. There are 19

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years left on our lease. We can go ahead and proceed like we have been, believing that in 19 years the City will be able to renegotiate a lease – that’s uncertain. There may come a time when a change in personnel in the DNR Olympia office will make it easier to purchase again. Every time we receive a grant for improvements from WSDOT-Aviation, we have to sign an assurance that we will operate that property as an airport for twenty more years. So one of the things that Mike and I talked about today -- if we could work with WSDOT and see if there could be any leeway in those grant assurances -- for instance, saying that if we were not able to renegotiate a lease or purchase it in 19 years that they wouldn’t hold us to that – we don’t know if they’d go for that.

C/A: That’s standard form -- this 20 year assurance. They have told us in the past that might be a possibility. If it’s not, we are stuck maintaining that airport for the next 19 years. We already signed the assurance for last years’ grant. If at any time during those 19 years it isn’t an airport, we would have to repay any grant funds received during the twenty years. It’s certainly not our intention and we’re not in any different position than we have been for the last 35 years. . . Had Dorothy not been here, we would not even be looking into it in as much detail as we have been. We have people wanting to invest in the property up there because there’s an airport. It’s important to look at. If we can’t get those 20 year assurances changed so we can continue to get grant funds, we will be in the situation of having to set enough money aside to do the crack sealing/slurry seal/maintenance to keep it running as an airport -- which would be about \$5,000-\$10,000/year and that’s bare bones.

Mayor Knauss: They did tell us last year that this airport is “an integral part of the aviation system in the State of Washington”. Thursday it was “What you really have here is an air park.” Our lease payment to DNR is only \$700/year plus 10% annual revenues so you’d think they’d want to sell it.

C/A: Between the use fees, RTTF agreements, and hangar leases we just about break even on the operating costs. One of the options, and I don’t think it’s a very good one at this time, is to renegotiate the lease – but if we did that it will most likely skyrocket.

Councilwoman Nupp: Could we potentially get grants for putting a fire station up there?

Mayor Knauss: I looked into that the other day – FEMA said we could potentially apply for a Community Development Block Grant but that’s the rock and the hard spot that we’re between. We could make a little money for ourselves if we owned it and could do improvements. But DNR has flat out told us that if we let our lease go in 2035 we have to remove the airport – they have no intention of having an airport up there. So it does not behoove us to put anything more on leased ground.

Motion by Councilwoman Nupp directing Mayor and C/A to proceed with the Trust Land Transfer Program as a means to purchase the airport, seconded by Councilwoman Ludwig. Roll call vote taken with all votes in favor (Councilman Wight not present for vote). Motion carried.

- Discussion regarding the 2017 budget.

The Mayor adjourned the meeting at 8:07 PM.



Mayor Dorothy Knauss



Clerk/Treasurer Pamela McCart