



08/22/22

Mayor & Salem City Council
555 Liberty Street SE
Salem OR 97301

Dear Mayor Bennett, Mayor-Elect Hoy, & Salem City Councilors:

We believe in helping businesses prosper and that smart economic development helps our entire community thrive. Based on that premise, we feel it is vital to provide additional information related to the recent July 28 City Council Work Session regarding efforts to return commercial air service to the Salem Airport.

We would like to offer you the following considerations, based on our experience, addressing the minimum required facility upgrades needed to return commercial air service to the City of Salem.

- 1) **There is stated commitment from 3 carriers for 3 destinations.** Council deliberated on the assumption that there would be only 2 small-aircraft flights per week to Reno. In reality, 3 carriers have expressed intent to establish service to Los Angeles Basin, Bay Area, Las Vegas and Phoenix. Additionally, once commercial air service is returned to Salem, carriers are projecting to expand their destinations within the first year of service.
- 2) **The report is based on a 189-seat aircraft, which far exceeds the size of aircrafts that intend to start service at Salem Airport.** Of the first 3 identified carriers, the largest plane proposed for service is 147 seats – this means that current terminal upgrades are planned for a 22% larger aircraft than an initial rollout would require. When air service launches in Salem, the additional \$850,000 in FAA funds could fund future expansion to accommodate larger aircraft.
- 3) **The reported recommendations were not based on FAA or TSA regulations.** Contrary to the assertion that these are FAA regulations, the recommendations which were provided to Council were based on: a) An industry-driven research program called Airport Cooperative Research Program (ACRP) and, b) IATA Airport Development Reference Manual (ADRM). The report lists no FAA or TSA regulations. Page 2 of the ACRP report refers to the “modeling assumptions” on which the City’s evaluation for readiness is based. The “modeling assumptions” noted are not FAA regulations nor requirements but rather expression on how an airport may be constructed/remodeled to achieve certain desired results.
- 4) **There are alternatives to readying the airport in an affordable and timely manner.** Modular solutions would provide a turnkey and affordable solution for the terminal upgrades, and could be expeditiously completed by early 2023. The airport was originally constructed using modular components, with subsequent upgrades in 2006 and 2010 also executed using modular solutions. The goal is to complete minimum upgrades to satisfy TSA requirements so flights can commence. Future planning efforts can focus on more extensive upgrades and expansion in a few years after the market has successfully launched service and additional Federal funds are available for such upgrades.
- 5) **ADRM recommendations are based on optimum levels rather than required levels.** The ADRM recommendations for check-in area are: The processing and wait times correspond to an optimum level of service, defined in the ADRM as having “sufficient space to accommodate the necessary functions in a comfortable environment” and “acceptable processing and waiting times.” Recommended upgrades should focus on minimum not optimum to facilitate the launch of service.
- 6) **Salem airport currently has sufficient baggage processing equipment.** Salem Airport is not required to have a baggage carousel to serve customers. For one flight at a time, a baggage chute is sufficient and is currently installed at Salem Airport.



- 7) On page 4, the ACRP notes the consultants' inclusion of an additional 20% of holding room space for "amenities" and "circulation." This would not be considered required.

These additional points of clarification are essential to take into consideration as the city evaluates the overall projected cost to return commercial air service to Salem. **Based on projections and the expertise of local contractors, the cost of upgrading the Salem Airport to meet the bare minimum guidelines would be \$2.5 million with a completion time by the end of February 2023. Work would need to begin immediately to meet this timeline.**

Regarding revenue opportunities for the Salem Airport, the following revenues are based on reasonable projections:

- \$25,00-\$45,000/year in fuel flowage fees
- \$319,000-\$592,000/year in additional parking fees (10 flights per week, launching in the next 7-12 months)
- \$850,000/year in automatic FAA funds for Infrastructure improvements
- Increase in terminal rent from TSA - unknown timeline but will start immediately with commercial air service
- Potential increase in terminal rent from a third rental car desk
- Increase in percentage of fees from car rentals on-site
- Increase in landing fees and terminal rent from airline companies (after 24 months when fee waivers expire)
- Potential to raise overall rates (within 2-5- year time frame) for rent, revenue share, landing fees, PFCs
- Eligibility for substantially greater access to FAA grant funds
- Advertising and concession agreements
- Expected increase in TOT revenue, due to increased usage of Salem-based hotels and possible downtown parking revenue (if metered parking is moved forward) as more people travel through SLE versus traveling north to PDX

Lastly, utilizing general fund dollars to return sustainable commercial air service is not absolutely necessary. **Four identified funding strategies include:**

- Business Oregon loan program
- "Loss of Service" FAA grant
- General Fund debt financing, capitalizing on the City's excellent credit rating
- Airport revenue bonds

We ask that City staff leadership in alliance with Salem City Council take into consideration the information shared in this memo.

We request that an updated City staff report be expedited to capture the present opportunity of commercial air service. Salem Airport is poised to have 10 flights per week in the next 12 months, with 2 carriers starting before Memorial Day. It is imperative for the long-term economic planning and sustainability of the entire region that the city act with urgency.

Thank you for your consideration and leadership.

Tom Hoffert
CEO
Salem Chamber

Angie Onyewuchi
President & CEO
Travel Salem

Erik Andersson
President
SEDCOR

Brent DeHart
Chair
Fly Salem