



## Staff Report

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**Version:** 1

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**Item #:** 2.a.

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**TO:** Mayor and City Council

**THROUGH:** Steve Powers, City Manager

**FROM:** Kristin Retherford, Urban Development Director

### **SUBJECT:**

Salem Municipal Airport Economic Development and Infrastructure Improvements

Ward(s): 2

Councilor(s): Andersen

Neighborhood(s): SEMCA

Result Area(s): Safe, Reliable and Efficient Infrastructure; Strong and Diverse Economy

### **ISSUE:**

Development Strategy for the Salem Municipal Airport.

### **RECOMMENDATION:**

Information only.

### **SUMMARY:**

The City of Salem Strategic Plan, adopted by City Council in October 2017, identified a goal and an action item under the Priority Area of Economic Development section to create a strategic business plan (Attachment 1) and development strategy for the Salem Municipal Airport (Airport). The Salem Municipal Airport Strategic Business Plan (Business Plan) was completed in 2019. City Council discussion, followed by direction at future meetings, regarding future Airport infrastructure projects, economic development strategies, and current challenges and opportunities is needed to guide development of an Airport master plan update as early as 2022.

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## **FACTS AND FINDINGS:**

The Business Plan establishes Vision and Mission Statements for the Airport, identifies its core values, and recommends six key focus areas for the coming years:

- Prepare and market vacant land for development.
- Improve Airport infrastructure and amenities, including terminal upgrades.
- Increase awareness of the Airport and the Willamette Valley as a destination for aircraft operators.
- Strengthen the Airport's role as an emergency operations and disaster response hub.
- Pursue partnerships to support STEM and aviation-focused training and education.
- Support the community effort to re-establish commercial air service.

Future property development, along with other goals in the Business Plan, will increase revenue and help ensure Airport financial stability and sustainability. A recent Airport terminal facility assessment identified over \$1.0 million of needed terminal improvements. The Airport's secondary runway is no longer eligible for federal funding. All future maintenance and obstruction mitigation projects for that runway will be solely at the Airport's expense. The planning process will examine trade-offs in maintaining versus eliminating the secondary runway.

Additionally, a portion of the Fairview Urban Renewal Area (URA) overlays the airport. This URA has approximately two-million dollars that must be used within the Fairview URA boundary or released to be returned to all overlapping taxing districts. If the Fairview URA boundary is amended, these funds could be used for Airport infrastructure improvements to strengthen long-term financial stability. If the Fairview URA boundary is amended, a significant amount of acreage could be removed, adding capacity for new URAs in other areas of the community.

## **BACKGROUND:**

The Airport operates as an Enterprise Fund within the City, generating its own revenue to fund expenses for airport administration, operations, maintenance, and development. General Fund money is not used to support the Airport, although on occasion the General Fund has provided grant match assistance when the Airport fund lacked adequate resources. More than 90% of all Airport revenue is derived from land and other property leases.

Daily Airport operations, maintenance, and other capital improvement are not eligible for federal funding and come directly out of the Airport fund, currently insufficient to cover current and upcoming deferred maintenance expenses.

As a recipient of federal grant funds from the Airport Improvement Program, the City binds itself to several grant assurances for twenty years each time it accepts a federal grant. Included in those grant assurances are the requirement for the Airport to be as financially self-sufficient as possible, to operate and maintain the Airport in a safe and serviceable condition, and to maintain, repair and/or reconstruct its pavements to ensure useful life is maximized. Failure to meet the requirements of federal grant assurances places the City in a position of possibly paying back all or some of the several grants the City has secured in the past twenty years. Since 2000, grant awards total approximately \$15.0 million. Federal grants require a 10% local match, funded out of the Airport fund, with occasional General Fund support.

During Business Plan preparation, staff engaged the services of two Willamette University undergraduate interns and a University of Oregon MBA intern to assist with research and data collection and organization. Staff also held several stakeholder outreach meetings and spoke to nearly two dozen individuals with active interest and participation in the growth and development of the Airport and the larger aviation industry, specifically in Oregon. Staff also made site visits to four other Oregon airports to gain an understanding of their planning and development efforts and challenges.

John Paskell  
Airport Manager

**Attachments:**

1. Salem Municipal Airport Strategic Business Plan