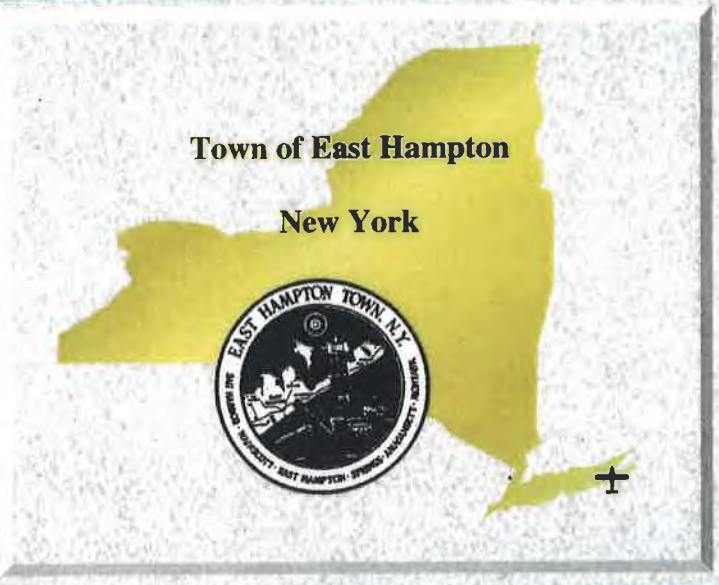
TOWN OF EAST HAMPTON
AIRPORT ECONOMIC ANALYSIS



February 2002

EAST HAMPTON AIRPORT
ECONOMIC ANALYSIS

February, 2002

Prepared for

Town of East Hampton, NY

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1. INTRODUCTION

THE TOWN OF EAST HAMPTON HAS accepted cost-free services for an airport economic analysis to be developed compatibly with community interests and Town goals. Key to understanding the scope of the economic analysis is the fact that the local residents are adamant about a no-growth policy at the Airport. The policy is interpreted to mean that any development or management action which would increase the number of aircraft operations is opposed. Mindful of this policy, the economic analysis must examine the operation and business practices at the Airport and suggest improvements that will benefit the local area without noticeably increasing the level of activity or noise associated with the Airport's operation.

1.1 Study Issues

The Economic Analysis examined a number of Airport issues including: maintenance and upgrading of existing facilities, potential development of Airport property, strict interpretation of environmental laws and regulations, and continued convenience for all existing users. There is a balance that can be maintained between the perception of costs and benefits associated with the Airport. In this regard, the Airport is approaching self-sufficiency in covering both operational costs and the local share of long term capital projects. In addition, public service activities and the use of Airport property to benefit local residents is viewed positively.

- ***Maintenance and Upgrading of Existing Facilities:*** The Airport represents a significant investment in air transportation infrastructure. For this reason and in order to upgrade safety margins at the Airport, a program of pavement rehabilitation is underway that will result in the upgrading of one of the runways and a significant portion of old apron area.

- ***Potential Development of Airport Property:*** The new Master Plan is considering the implications of an FAA release of 73.5 acres of Airport property for non-aviation uses. These uses would be compatible with the Airport and would serve as a buffer between the Airport and residential neighbors. Current Airport property uses include a business incubator facility, a sound stage for movie production, an LTV facility, along with a number of small business and community-friendly projects.

- ***Strict Interpretation of Environmental Laws:*** All environmental laws and regulations are strictly enforced by the Town. This facet of the overall vision for the Airport is meant to create trust between the Town leaders who manage the Airport and the community. This principle, however, is two-edged in that economic development often requires some trade-offs. A zero-growth policy, for example,

precludes some increases in revenues that would occur with greater aviation activity.

- ***Continued Convenience for All Users:*** Despite a desire to limit growth and activity at the Airport, there is a genuine desire to serve all airport users. The Airport Sponsor is very aware that many of the area's wealthiest citizens use the Airport to access their homes on weekends during the spring/summer season. That access is often by jet or helicopter, which contributes to the noise issue. However, it is believed that without the availability of the local Airport, many of these high-profile residents would not have convenient access to their homes. Without access, some residents might move elsewhere, diminishing the exclusivity and property values in the local area. Thus, in some respects, the Airport adds an important transportation value and convenience that contributes to the identity of the "Hamptons."

- ***Development of Public Service/Intangible Benefits of Airport:*** The Town desires to capitalize on as many good public relations activities as possible for the Airport. For example, the use of Airport property for a cellular tower permits greater police and fire protection coverage for the Town. Other examples include the use of non-aviation Airport property for a rehabilitation center, a movie sound stage, and a gun club shooting range. All of these community-friendly projects need to be included in an educational and awareness-building context to adequately frame the contribution of the Airport to the local area.

There are a number of specific issues that were addressed by this analysis. These issues are varied but all carried a theme of improving Airport financial performance and area economic development, while contributing to the greater benefit of the community:

- ***Airport Facility Improvement:*** The need for Airport facility improvements is difficult to promote to some members of the community because there is suspicion that airport capacity will be increased. It is reasoned that more capacity will lead to more aircraft operations and thus, more noise. Therefore, to maintain the physical infrastructure of the Airport, a careful community information program must be implemented that accurately describes the need and results. Currently, there are a number of planned Airport improvements such as runway and apron repavement, obstruction removal, and new automated weather observation station (AWOS). Also, there is a desire on the part of Airport users to develop more hangar space without increasing airport capacity.

- ***Release of Airport Property For Non-aviation Uses:*** Currently, 73.5 acres of Airport property have been allocated for non-aviation purposes, but must be formally released to conform with FAA regulations. The release of property is being structured for optimum benefit to the Airport and the community. The FAA requires that money earned from Airport operations not be diverted to other uses within a community. In this regard, accounting systems need to be able to show where the money comes from and where it is spent.

- ***Recent Increases in Jet and Helicopter Operations:*** There has been a surge in fractional jet and helicopter ownership and use at the East Hampton Airport. This increase in operations creates more perceived noise impact. Most of the users of these jets and helicopters are wealthy residents of the area. The desire of some community members to limit or cap operations for jets and helicopters far below capacity is in opposition to the FAA's policy of non-discrimination and unrestricted use of facilities that have received federal funds. Because of these competing interests, the issue of any increases in aviation activity at the Airport is highly charged. To respond to resident concerns about Airport noise, there are noise reduction plans that include consideration of new abatement procedures for aircraft operations.

- ***Public Involvement in Airport Matters:*** A local ordinance requires that public hearings be granted for any changes to the Airport Layout Plan, Master Plan, Capital Improvements, Grant Applications, or the relocation of Daniels Hole Road. The purpose of this law is to provide an opportunity for all interested parties to be heard and to give the Town Board information it needs to balance competing interests and thereby preserve and protect the safety and comfort of both residents of the town and users of the Airport. Thus, for any plan concerning the Airport to be successful, it must have the support of the public and their representatives.

- ***Economic Impacts of the Airport:*** The Town desires that economic impacts associated with the Airport be quantified. These impacts are usually stated in terms of jobs, income, and output. But there are other intangible benefits associated with the Airport. These benefits, described earlier, relate to the use of Airport property for community outreach and economic development. It is important that the full value of the Airport be identified as a means of "balancing" benefits against negative perceptions about the Airport.

1.2 Objectives and Desired End Products

The objectives and desired end products that will be produced as a result of this analysis include the following:

- A well-defined mission statement for the Airport.
- An evaluation of current Airport business operating practices.
- An identification and evaluation of needs, opportunities, and challenges facing the East Hampton Airport.
- A five year projection of revenues and expenses at the Airport for the baseline case and alternative scenarios.
- Strategic planning recommendations for the Airport.
- Graphic materials for Airport promotion and marketing. These may include color Airport Layout Plans (ALPs), photos, and/or brochures, depending upon the Airport needs.

- An economic impact evaluation of the Airport, identifying jobs, income, and total output associated with the facility.

1.3 Report Outline

In order to address the issues described above and to produce the desired end products, this report has been organized to include the following sections:

- ***Section 1*** - Introduction
- ***Section 2*** - Background and Management Structure
- ***Section 3*** - Existing Facilities and Infrastructure
- ***Section 4*** - Baseline Financial and Economic Outlook
- ***Section 5*** - Economic Analysis Alternatives
- ***Section 6*** - Recommended Plan
- ***Section 7*** - Summary of Economic analysis Recommendations
- ***Section 8*** - Economic Impact Assessment

2. BACKGROUND AND MANAGEMENT STRUCTURE

UNDERSTANDING THE BACKGROUND AND MANAGEMENT STRUCTURE of the Airport helps identify challenges and opportunities facing the Town's operation of the Airport. Management structure affects the ability of the Airport to reach its potential. A clearly defined, current, and realistic mission for the Airport provides the oversight framework to achieve opportunities as they arise. Therefore, this analysis is geared toward positioning the Airport to take best advantage of its assets and strengths. As such, this section is organized to include the following:

- Historical mission of the Airport
- Historical performance toward meeting the mission
- Airport management structure
  - Decision making process
  - Reporting hierarchy
  - Implementation path and current outlook

2.1 Historical Mission of the Airport

Although there is no written mission statement for East Hampton Airport, the Town does have a written set of minimum standards for airport aeronautical services. These are not the same as an overall mission statement for the Airport, but they do support the safe operation of the facility, the types of permitted uses, and lease agreement terms, etc. permitted at the Airport. Lacking a written mission statement, the following is offered as a possible mission statement for the Airport:

- The East Hampton Airport strives to provide safe, excellent airport facilities and services to its based aircraft owners and the flying public, while operating compatibly with its neighbors and providing a base for economic development.

Action-oriented goals supporting this mission would include:

Program Goals

- Continue to operate the Airport safely, efficiently, and conveniently.
- Strive to reduce expenditures and increase revenues at the Airport, without sacrificing needed services.
- Encourage private sector investment in the utilization of the Airport's facilities.
- Pursue funding for and implementation of capital improvement projects to preserve facilities and to improve safety at the Airport.
- Supplement economic development goals of the Town of East Hampton as opportunities arise at the Airport.
- Encourage compatible public use of Airport facilities or property, where possible and appropriate.
- Respond to noise and other complaints quickly and courteously.

2.2 Historical Performance Meeting the Mission

Discussions with Airport management and Town leadership indicate that the East Hampton Airport has met and is continuing to meet most of the mission statements and performance goals described above. With regard to financial performance, the Airport is supported by a special taxing district. Citizens would be interested in reducing the amount of subsidy needed for the Airport, but not at a cost of higher aviation activity.

Similarly, caution is exercised regarding the invitation of some private investment at the Airport. Any investment that would increase aviation activity is not desired. Also, it can be stated that there are only certain types of economic development that are welcomed by the community. "Jobs for the sake of jobs" are not sought by Town leaders. Because of the high property values and the economic well-being of residents, much higher standards are used to evaluate the benefits of economic development actions.

In meeting other goals, there has been a capital improvement program that targets the rehabilitation of Runway 4-22 and a significant portion of an older apron area. In addition, work is being initiated on the development of clear approaches to the primary runway through obstruction removal and other means. These Airport improvements are meeting the mission statement concerning the focus on safety. By improving the runway and apron areas, safety margins are being improved and existing facilities are being preserved.

2.3 Airport Management Structure

The Airport is operated by the Town and as such is subject to the organizational and management structure of the Town. The Airport is managed by a professional Airport Manager who reports directly to the Town Supervisor. There is an Airport Committee within the Town Board and that Committee screens items and issues that must be brought before the full Town Board. As mentioned above, a local ordinance requires that public hearings be granted for any changes to the Airport Layout Plan, Master Plan, Capital Improvements, Grant Applications, or the relocation of Daniels Hole Road. In essence, this ordinance places management of the policies and development of the Airport more directly in the hands of the local citizenry. This system has worked well in the past and no significant changes are needed for the future.

3. EXISTING FACILITIES AND INFRASTRUCTURE

EAST HAMPTON AIRPORT IS LOCATED APPROXIMATELY 100 miles east of New York City in the Town of East Hampton, Suffolk County, New York (Figure 1). The Airport was established in 1936 and is owned and operated by the Town of East Hampton. It is classified as a commercial service non-hub airport and is eligible for federal and state funding assistance for certain planning, design, and construction projects.

The 570 acre Airport has three asphalt paved runways as illustrated in Figure 2. Runway 10-28 is 4,255 long and 100 feet wide and is equipped with partial parallel taxiways to each runway end. Runway 16-34 is 2,223 long and 75 wide and has non-standard partial parallel taxiways to each end. Runway 4-22 is 2,501 long and 100 wide. Landside facilities include a modern airport terminal building, approximately 46,000 square yards of aircraft parking apron, five conventional hangars, and sixty T-hangar units.

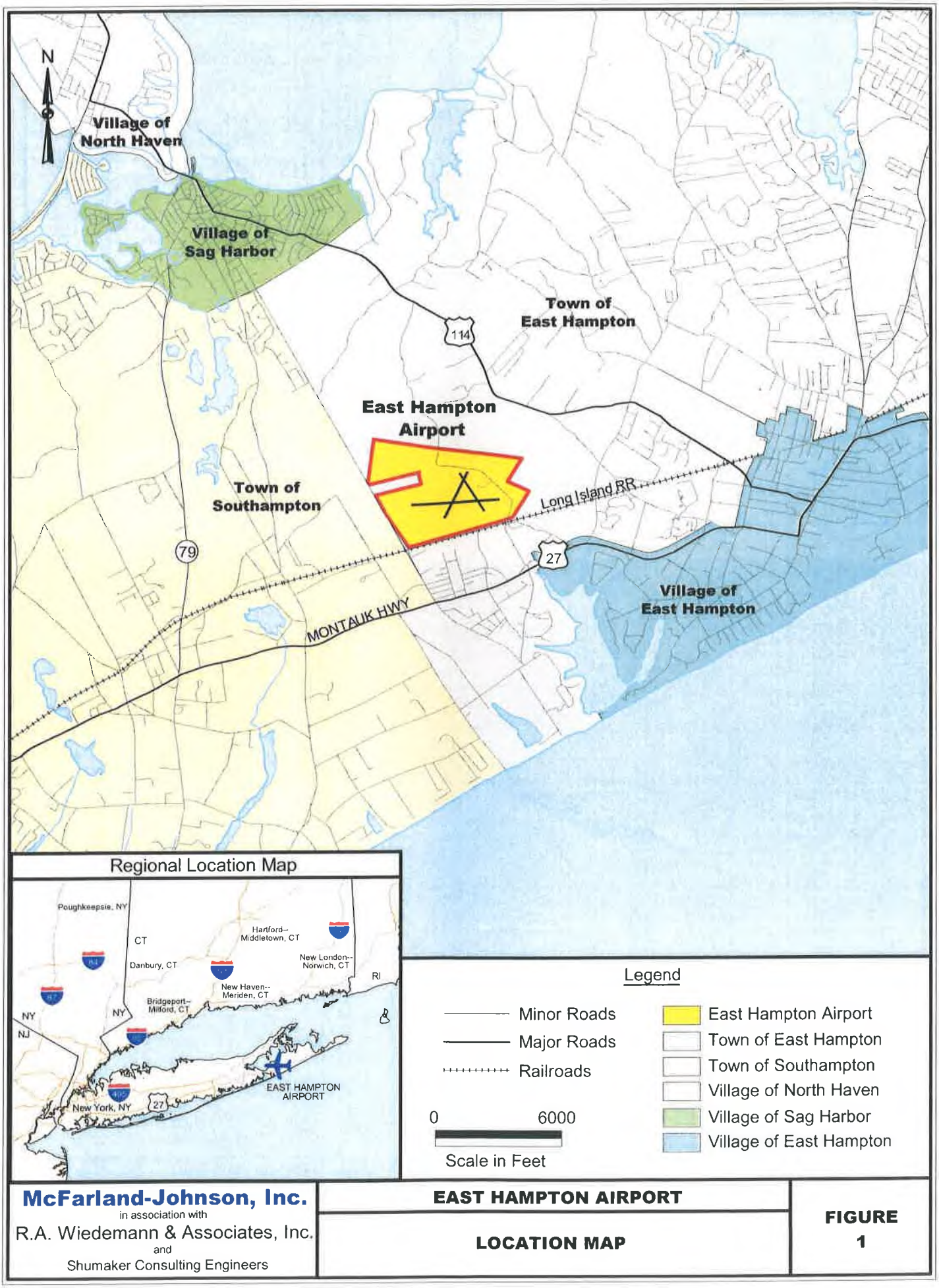
Land use in the vicinity of the Airport includes vacant land, agriculture, recreation/open space, and exclusive low and medium density residential development. In addition, commercial and light industrial development is located south of the Airport.

3.1 Existing Activity and Facilities

Aviation Activity

There are currently 104 based aircraft at East Hampton Airport. Airport Master Record data indicates that annual aircraft operations (landings and takeoffs) at the Airport have remained stable over the last several years at approximately 51,250. Itinerant general aviation operations account for approximately 50 percent of all annual operations, commuter and air taxi 36 percent, and local general aviation 14 percent. Airport activity is seasonal and largely concentrated in the summer months. During the summer, Runway 16-34 is closed to accommodate the peak seasonal demand for aircraft parking.

East Hampton Airport has two FBOs: Myers Aero Service and Sound Aircraft Services. Myers Aero Service manages the apron southeast of the terminal area and a maintenance hangar north of the terminal. This FBO primarily serves the operators of propeller-driven general aviation aircraft. Sound Aircraft Services manages the apron area west of the terminal, including two 4,500 square foot conventional hangars. Sound primarily serves operators of personal, corporate and commercial jet aircraft that use the Airport. Aviation services available from the FBOs include aircraft storage and maintenance, oxygen, aircraft rental/sales, flight training, charters, car rentals, and fuel sales.



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EAST HAMPTON AIRPORT

LOCATION MAP

FIGURE 1

Source: NYSDOT

MAG. N

CELLULAR ONE TOWER

WAINSCOTT NORTHWEST ROAD

RUNWAY PROTECTION ZONE

RUNWAY PROTECTION ZONE

HIGH VOLTAGE ELECTRIC TRANSMISSION LINES

AIRPORT PROPERTY LINE

DEER DETERRENT FENCING

AIRPORT TERMINAL

AIRPORT PROPERTY LINE

RUNWAY PROTECTION ZONE

ROFA

RSA

4,255' X 100'

268° 55' 22" (TRUE)

208° 41' 23" (TRUE)

2501' X 100'

WAINSCOTT HARBOR ROAD

TOWN LINE ROAD

INDUSTRIAL ROAD

LONG ISLAND RAILROAD

DANIELS HOLE ROAD

GEORGICA DRIVE

EAST GATE ROAD

WAINSCOTT NORTHWEST RD

RUNWAY PROTECTION ZONE

RUNWAY PROTECTION ZONE

RUNWAY PROTECTION ZONE

Existing airfield pavement

Existing airport buildings

Airport property line

Runway Protection Zone

Object Free Area

Runway Safety Area

Tree Line

SCALE

0 800 1600

FEET

EAST HAMPTON AIRPORT

EXISTING AIRPORT LAYOUT

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FIGURE 2

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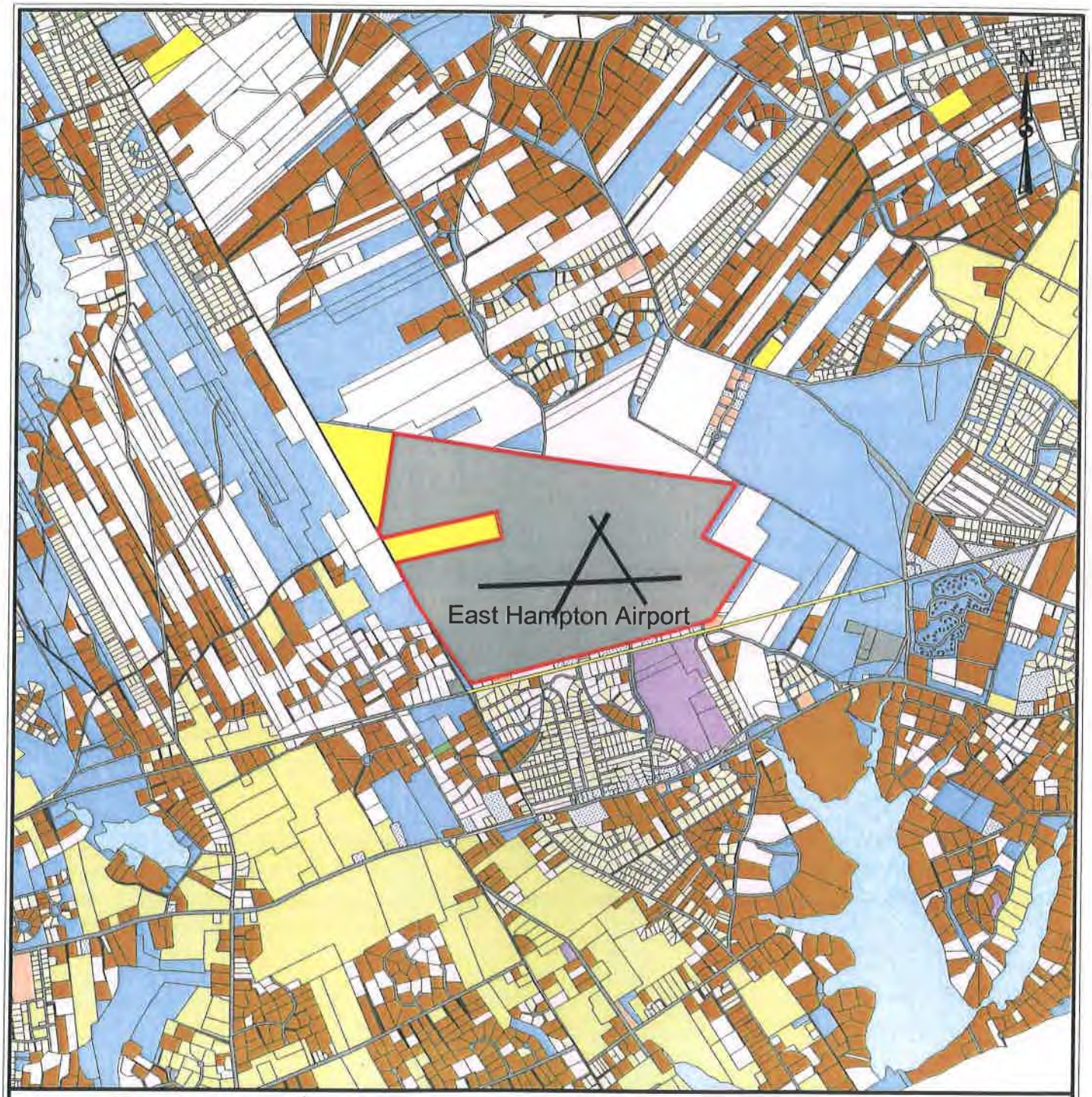


Legend

- Transportation
- Low Density Residential
- Medium Density Residential
- High Density Residential
- Commercial
- Industrial
- Institutional
- Recreational and Open Space
- Agriculture
- Vacant
- Utilities
- Waste Handling and Management
- Water
- Airport Property Line

0 1500 3000

Scale in Feet

McFarland-Johnson, Inc. in association with R.A. Wiedemann & Associates, Inc. and Shumaker Consulting Engineers	**EAST HAMPTON AIRPORT** **SURROUNDING LAND USE**	**FIGURE 3**

Source: Suffolk County Planning Department

Runway 10, and precision approach path indicator lights (PAPI) on Runway 28. No lighting or approach aids are provided on Runways 4-22 and 16-34.

The Airport has a total of three instrument approach procedures, including a VOR/DME, RNAV, or GPS procedure to Runways 10 and 28 and a VOR or GPS-A approach to the airfield that allows circling to all Airport runways. The approach to Runway 28 is authorized for use under the lowest ceiling and visibility minimums. For the design aircraft, the ceiling requirement is 413 feet and 1¼ miles of visibility. For small aircraft the minimums are 460 feet and 1 mile. The Airport is not equipped with an automated weather observation system such as an AWOS or an ASOS, which would improve Airport utilization under Instrument Flight Conditions. Sound Aircraft Services provides Supplemental Airport Weather Reporting Station (SAWRS) services at the Airport, which permits the Airport to support Part 135 operations.

Airspace Obstructions

Published information, and the 1998 "Photoslope" study commissioned by NYSDOT Aviation Bureau, indicates that obstructions exist at all six runway ends, resulting in displaced thresholds on Runways 22, 16 and 34. On-airport trees obstruct the approach to Runway 10, however, the trees are not on centerline and no threshold displacement has been established. Trees, a utility pole, and Daniel's Hole Road obstruct the approach to Runway 28. These obstructions also violate the runway safety area, which extends 1,000 feet beyond the runway end. Unless actions are taken to remove these obstructions, displacement of the Runway 28 threshold will be required. The proximity of Daniel's Hole Road to the approach ends of Runways 16 and 22 results in displaced thresholds of 57 feet on Runway 16, and 380 feet on Runway 22. On the south side of the Airport, approach obstructions include Industrial Road and trees beyond Runways 4 and 34.

Landside Facilities

Landside facilities are located on the north and south sides of the Airport and include aircraft aprons, a terminal building, FBO facilities, hangars, tie-downs, access roads and parking lots. The Airport terminal area is located on the north side of the Airport. The terminal area includes a modern 9,300 square foot terminal building, parking lot and 46,000 square yard apron area. The terminal building has a ticket counter, a public waiting area, FBO and airport manager offices, and rental car counter facilities.

All of the T-hangars are privately owned or managed through condominium associations. East Hampton Hangars, Inc. operates a six-unit hangar located at the east end of the Terminal Apron. Hampton Transfer, Inc., operates 28 T-hangar units of various sizes in two buildings north of the terminal building. East End Hangars, Inc., operates 25 T-hangar and individual units south of the approach end of Runway 10. In addition, three T-hangars and one small box hangar located in the terminal area are privately leased. The sole Town-owned hangar is a 10,000 square foot building located just west of Runway end 34. This hangar and associated 5,400 square yard apron is leased to Aviation Resources, Inc., which operates as East Hampton Airlines and uses the facilities for their own aircraft.

A variety of non-aviation related uses are also located on Airport property. On the south side of the Airport, along Industrial Road, approximately 73.5 acres of Airport property is either being used or under development for non-aviation purposes. The Town has determined that this area is not required for Airport purposes and is currently negotiating a land release agreement with the FAA. Under the terms of the land release agreement, revenues generated from the use of this property will be reserved for Airport purposes. This area includes the 56 acre, 24 parcel East Hampton Town Industrial Park. Access to the industrial park is provided by Industrial Road. Provided below is a tabulation of parcels, acreage and existing tenants within the park.

East Hampton Town Industrial Park

Parcel	Acreage	Tenant
1	2.2	Child Development Center of the Hamptons
2	1.8	Child Development Center of the Hamptons
3	1.8	LTV (Television Studio)
4	2.8	LTV (Television Studio)
5	1.9	Living Waters Full Gospel Church
6	1.7	Vacant
7	5.7	Vacant (includes 10,000 sf & 16,200 sf buildings)
8	2.2	39 Industrial Road Associates
9	3.7	39 Industrial Road Associates
10	1.7	The Country School
11	2.0	Wainscott Foliage Farms
12	2.6	Child Development Center of the Hamptons
13	2.6	Child Development Center of the Hamptons
14	3.7	Vacant
15	2.5	Vacant
16	3.5 (1.9 available)	ARFF Facility (1.6 acres)
17	0.9	Ron Sullivan, Welder
18	1.0	Vacant
19	1.0	Vacant
20	0.9	G+T Power Systems/Robert Caruso Fine Cabinets
21	1.8	Map Easy
22	1.8	Vacant
23	2.4	Vacant
24	2.5	Vacant

In addition to the above listed tenants, Phoenix House, a drug and alcohol treatment facility, is located on 4.5 acres of Airport property on the south side of Industrial Road.

The Town is currently completing the construction of a new Airport Rescue and Fire Fighting (ARFF) facility on a 1.6-acre site on Industrial Road south of Runway 4. This facility includes a 2,400 square foot, two bay fire station that includes a storage room, shower, and rest room facilities. The ARFF vehicle, which complies with FAA Index Level A criteria, will allow the Airport to comply with new safety requirements for commercial service airports.

Additional non-aviation uses are located in the northwest portion of the Airport property.

The Maidstone Gun Club leases approximately 99 acres between Wainscott Northwest Road and Town Line Road. Within that holding, Cellular One leases a one-acre parcel of land on which is located a 130-foot tall cellular communication tower.

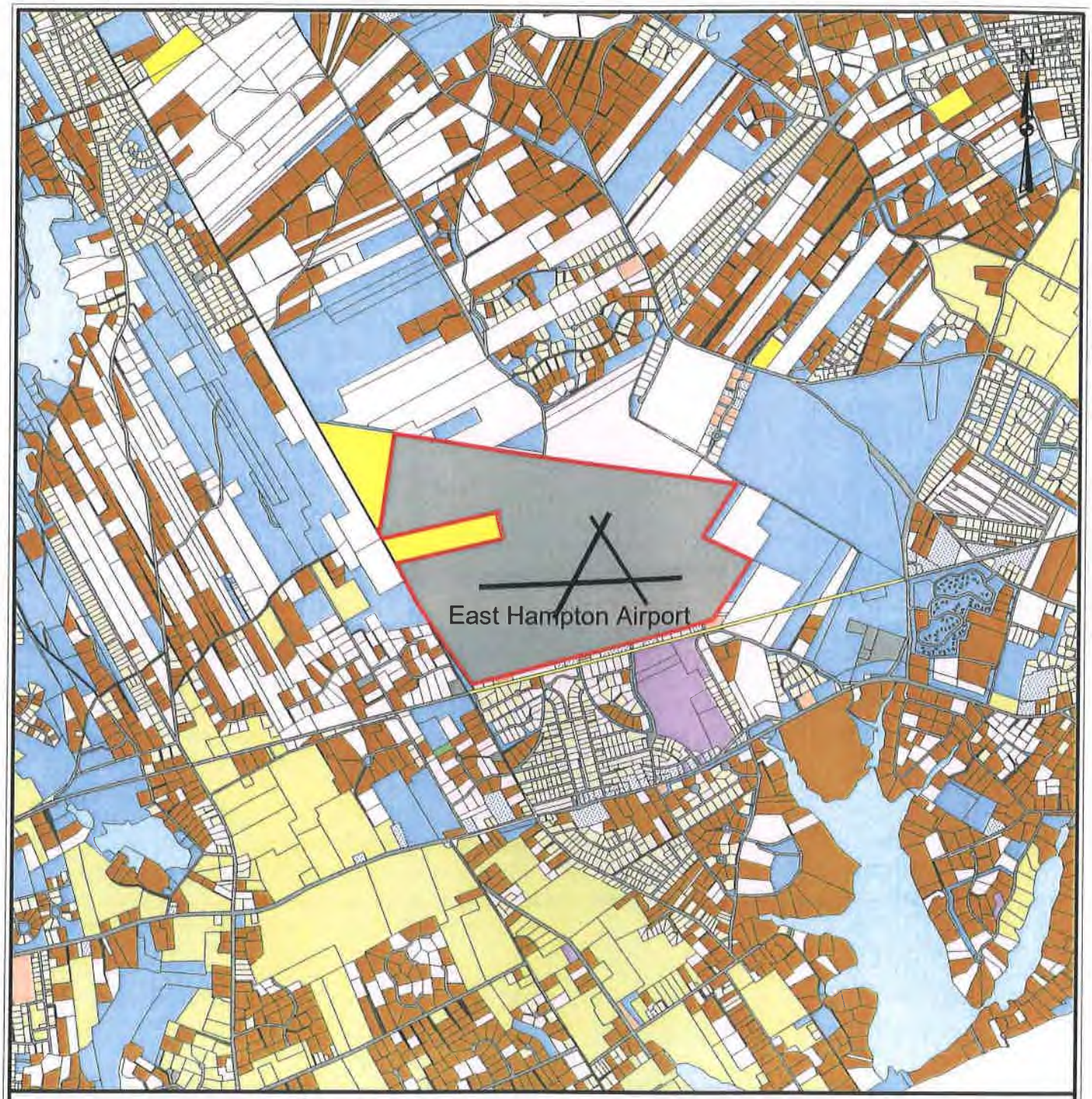
3.2 Future Airport Land Use

Land Use Considerations

Land use immediately adjacent to the Airport includes vacant land, recreational and open space areas to the north, east and west, while areas to the south include a mixture of residential, commercial, vacant and light industrial development (Figure 3). The Airport and adjacent properties are zoned C/I – Commercial/Industrial. Zoning also includes a Park and Conservation district that covers approximately 100 acres of Airport property and adjacent areas to the northwest. In addition, prestigious residential communities and estates are located within a mile of the Airport in all directions. These residential communities are extremely sensitive to Airport operations and aircraft noise issues.

The Airport has implemented various measures to reduce aircraft noise. These include developing special helicopter noise abatement approach procedures to the Airport, and the current limitation of Runways 4-22 and 16-34 to daytime operations only. In addition, Airport management maintains as much tree cover as is consistent with Airport safety in order to provide a visual and acoustical buffer between the Airport and its neighbors.

The Airport is located within a recharge area for the Nassau/Suffolk Aquifer System that supplies water to much of Long Island. This aquifer is designated as an EPA sole source aquifer. Any new development on Airport property will be subject to all applicable EPA regulations regarding sole source aquifers. To further protect these groundwater resources, the Town has adopted a special Water Recharge Overlay district that covers the Airport property and much of the land north and east of the Airport. In addition, all development proposals in the Town are subject to strict environmental review that pays particular attention to such items as stormwater runoff and wastewater disposal.



Legend

- Transportation
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- Institutional
- Recreational and Open Space
- Agriculture
- Vacant
- Utilities
- Waste Handling and Management
- Water
- Airport Property Line

0 1500 3000

Scale in Feet

McFarland-Johnson, Inc. in association with R.A. Wiedemann & Associates, Inc. and Shumaker Consulting Engineers	**EAST HAMPTON AIRPORT**	**FIGURE 3**
	SURROUNDING LAND USE	

Source: Suffolk County Planning Department

Available utilities at the Airport include public water, natural gas and 220 volt electricity. Public water is provided by 14-inch water mains that serve the terminal and Industrial Road areas. Public sewage facilities are not available at the Airport, and all projects must include on-site disposal systems. The East Hampton Town Industrial Park has received approval of on-site systems from the Suffolk County Health Department.

Coordination with New York State Department of Environmental Conservation in April 2001 indicates the presence of some rare or state-listed animals and plants, significant natural communities, and other significant habitats that may occur on or in the immediate vicinity of the Airport. Prior to development, an appropriate level of environmental coordination and documentation should be performed in accordance with federal, state, and local regulations.

Future Use Plan

The future use plan for the Airport is illustrated in Figure 4. The plan incorporates elements of the existing Airport Layout Plan, and also recommends development that is compatible with the community and consistent with current airport planning and design standards. Implementation of the development plan would provide facilities that are needed to improve airfield operational efficiency and accommodate existing demands for aircraft storage. The plan also provides opportunities to accommodate compatible non-aviation uses that are beneficial to the town. These non-aviation (commercial/industrial) uses of Airport property have the potential to reduce or eliminate future Town subsidies for the Airport. This plan does not include any proposals that will alter the Airport's role regarding the nature and type of aircraft activity and services available at the facility.

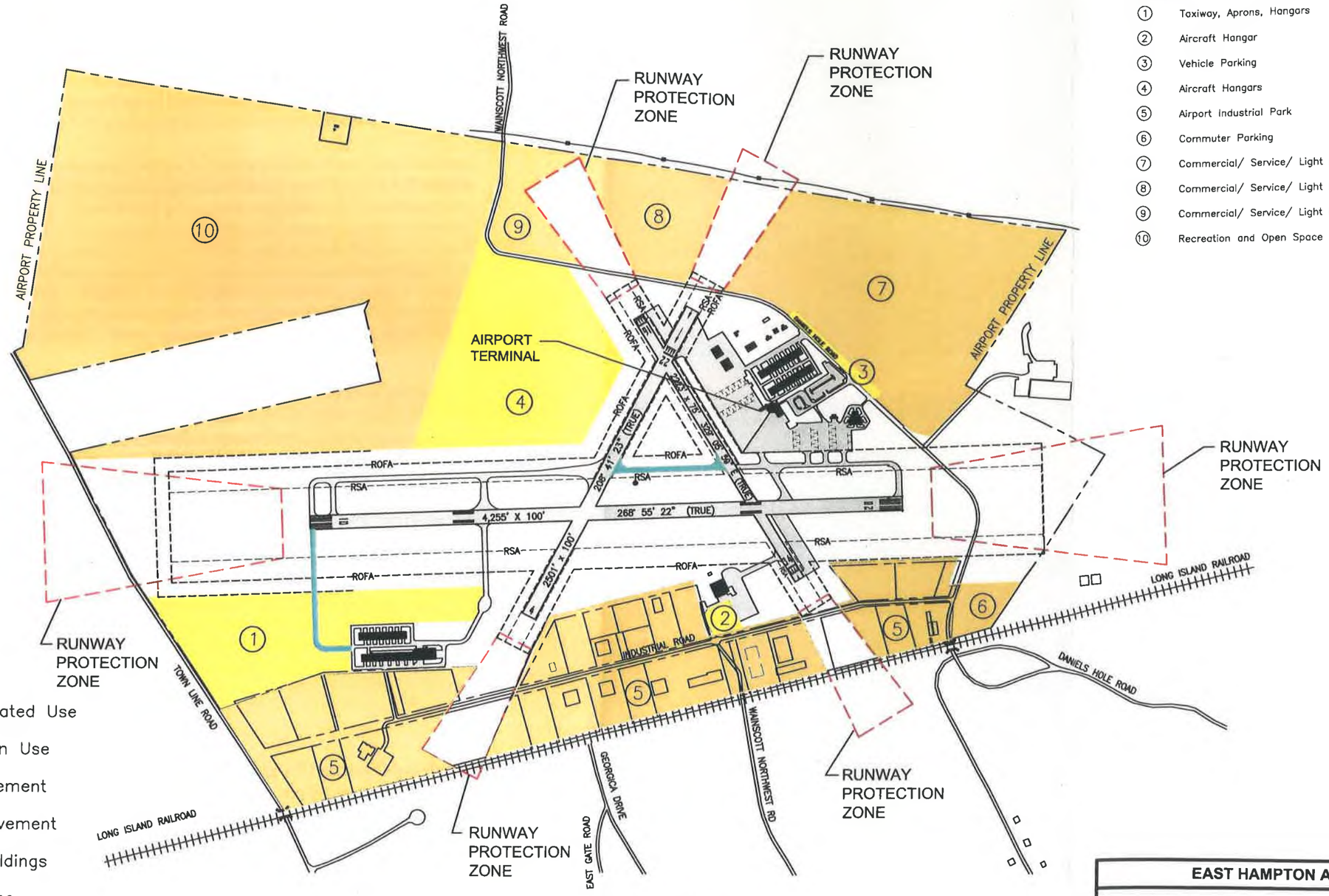
A total of eight sites covering approximately 318 acres are illustrated. The plan includes approximately 48 acres for Airport related use, 129 acres of non-aviation development and over 141 acres of recreation and open space buffer area. Table 1 below provides specific details about each of the development areas shown in Figure 4.

Table 1 - Airport Land Use Areas

Site No.	Type of Use		Area (Acres)	Proposed Uses	Attributes	Development Issues
	Aviation	Non-Aviation				
1	• •		12.3	Hangar and apron facilities for aircraft currently based at East Hampton	• Accessible to R/W 10-28. • Bufferred from residential area by industrial park. • Vehicle access from Industrial Road.	
2	• •		0.9	Conventional hangar for commercial aircraft	• Adjacent to existing use area. • Good vehicle access from Industrial Road.	• Improved access to R/W 10-28 would be desirable.
3	• •		1.0	Terminal area parking	• Across Daniel's Hole Road from terminal area and T-hangars.	
4	• •		34.0	Future taxiway, apron, and hangar location	• Well buffered from surrounding uses. • Convenient to R/Ws 10-28 and 4-22.	• Landside access from Daniel's Hole Road.
5		• •	73.5	Airport Industrial Park	• Excellent buffer between residential area and Airport. • Compatible with Airport use.	• Requires FAA release of land from aviation use restrictions.
6		• •	3.1	Commuter auto parking	• Adjacent to LIRR. • Could help relieve parking congestion in Village. • Compatible with Airport use.	• Current covenant with Suffolk Co. Health Dept. restricts use. • Would require Town action to transfer restrictions to other Airport parcel. • Possible grade issue.
7		• •	52.4	Possible outdoor recreational area or affordable housing	• Airport owned property can serve as buffer between adjacent development.	
8		• •	141.4	Recreation and Open space	• Provides buffer against future incompatible development. • Includes Daniel's Hole Road.	• Zoned Park and Conservation. • Much of area currently leased to private gun club.

MAG. N

Site No.	Recommended Use	Acres
1	Taxiway, Aprons, Hangars	12.3
2	Aircraft Hangar	0.9
3	Vehicle Parking	1.0
4	Aircraft Hangars	34.0
5	Airport Industrial Park	73.5
6	Commuter Parking	3.1
7	Commercial/ Service/ Light Industrial	52.4
8	Commercial/ Service/ Light Industrial	13.7
9	Commercial/ Service/ Light Industrial	6.9
10	Recreation and Open Space	141.4



LEGEND

- Future Aviation Related Use
- Future Non–Aviation Use
- Future Airfield Pavement
- Existing Airfield Pavement
- Existing Airport Buildings
- Airport Property Line
- Runway Protection Zone
- Object Free Area
- Runway Safety Area

SCALE

0 800 1600

FEET

EAST HAMPTON AIRPORT

FUTURE AIRPORT LAND USE

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FIGURE 4

Airport Capital Improvement Program

The Airport is eligible for capital project funding assistance from FAA through the Airport and Airway Improvement Program (AIP). As such, the Airport is required to prepare, update annually, and submit to FAA a five-year Airport Capital Improvement Program (ACIP) to apply for federal grants. These grants typically fund 90 percent of eligible development costs.

AIP eligible projects include the planning, design, and construction of projects associated with public use non-revenue generating facilities and equipment of the Airport. Typical AIP eligible projects include: airport master plans and airport layout plans, land acquisition and site preparation, airfield pavements, lighting and navigational aids, safety, security, and snow removal equipment; selected passenger terminal facilities, and obstruction identification and removal. Items not eligible for AIP funding include hangars, automobile parking facilities, private use areas of terminal facilities and other revenue generating facilities. Highest funding priority according to FAA's rating procedure is generally offered those projects that are safety related such as obstruction removal, runway safety area improvements and facility improvements to meet current FAA Airport Design Standards.

Recent ACIP projects at East Hampton Airport have included construction of portions of a parallel taxiway to Runway 10-28, widening and overlay of Runway 10-28, construction of a fence to keep deer and other wildlife clear of the runways, terminal apron rehabilitation, and preparation of an environmental assessment for Airport projects. AIP funds also assisted in the construction of the Airport terminal building.

East Hampton Airport's current ACIP is summarized in Table 2. As shown, the ACIP lists ten funding requests including AWOS installation, storm water planning, rehabilitation and expansion of the terminal apron, rehabilitation of Runway 4-22, construction of a taxiway mid-section to create a full parallel taxiway for Runway 10-28, and obstruction removal. The total planned Airport capital investment over the five-year period is $5,065,000. Federal grants will make up $4,558,500 of this amount, and State grants will contribute $253,250. The Town of East Hampton will be responsible for the remaining $253,250. These projects are an important part of the recommended Economic Analysis since they are needed to keep the Airport infrastructure viable for the future.

Local/Private Funding

Local funding of publicly owned general aviation airports is usually accomplished through a public sponsor's general fund. This expenditure may be offset by airport generated revenues. Public bodies may also issue general obligation (GO) or revenue bonds. Private investors are also a potential source of funds for revenue producing development. Tenants and/or investors may finance the construction of facilities from which they derive income.

Table 2 - Airport Capital Improvement Plan (ACIP)					
Year	Project Description	FAA	State	Local	Total
2001	Conduct SWPP	$13,500	$750	$750	$15,000
2001	Construct AWOS III	$180,000	$10,000	$10,000	$200,000
2001	Rehab Runway 4-22 (Design)	$108,000	$6,000	$6,000	$120,000
2001	Rehab & Expand Terminal Apron Phase II	$1,440,000	$80,000	$80,000	$1,600,000
2002	Rehab Runway 4-22 (Construction)	$1,080,000	$60,000	$60,000	$1,200,000
2002	Construct Taxiway Mid-Section (Design)	$63,000	$3,500	$3,500	$70,000
2003	Acquire Land for Precision Approach	NA	NA	NA	$0
2003	Obstruction Removal	$450,000	$25,000	$25,000	$500,000
2003	Construct Taxiway Mid-Section (Construction)	$630,000	$35,000	$35,000	$700,000
2004	Modify Access Road (Design)	$54,000	$3,000	$3,000	$60,000
2005	Modify Access Road (Construction)	$540,000	$30,000	$30,000	$600,000
Total		**$4,558,500**	**$253,250**	**$253,250**	**$5,065,000**

AIP Matching Grants

The New York State Department of Transportation provides 50 percent of the sponsor's match on each FAA grant, or 5 percent of the total project cost. A review of Airport records reveals that three of these State grants are currently open, meaning that funds are still payable to the Airport Sponsor. These grants are:

PROJECT	TOTAL PROJECT	STATE GRANT	AMOUNT PAYABLE
Construct Terminal Apron	$1,000,000	$50,000	$2,026
Runway 10-28 Overlay/Widen	$2,666,660	$133,333	$768
Prepare Environ. Assessment	$147,060	$7,353	$7,353

Terminal Apron and Runway 10-28 projects are scheduled for completion in the summer of 2001. The environment assessment is being initiated as of this report (5/2001).

State Grant Programs

New York State also provides wholly funded State programs to assist aviation development. These programs are targeted toward projects that may not be eligible for AIP funding, such as airport owned fuel facilities, hangars, and terminal buildings. From 1993 to 1996 the Special Aviation Transportation Program disbursed about $2.5 million per year for these projects. From 1996 to 2000 the Multi-Modal program provided $350 million in grants for all modes of transportation, including aviation. The total amount granted to aviation projects was approximately the same as through the earlier program. For both of these programs, members of the State Legislature submitted project requests.

The current program is AIR 99, and project eligibility is also directed to non-AIP eligible projects. The Town of East Hampton submitted grant requests under the Air 99 program, and was awarded $100,000 in state funds to build an Aircraft Rescue and Fire Fighting (ARFF) facility. Total project cost was $111,111, and East Hampton paid the remaining $11,111. The facility is scheduled for completion in the summer of 2001.

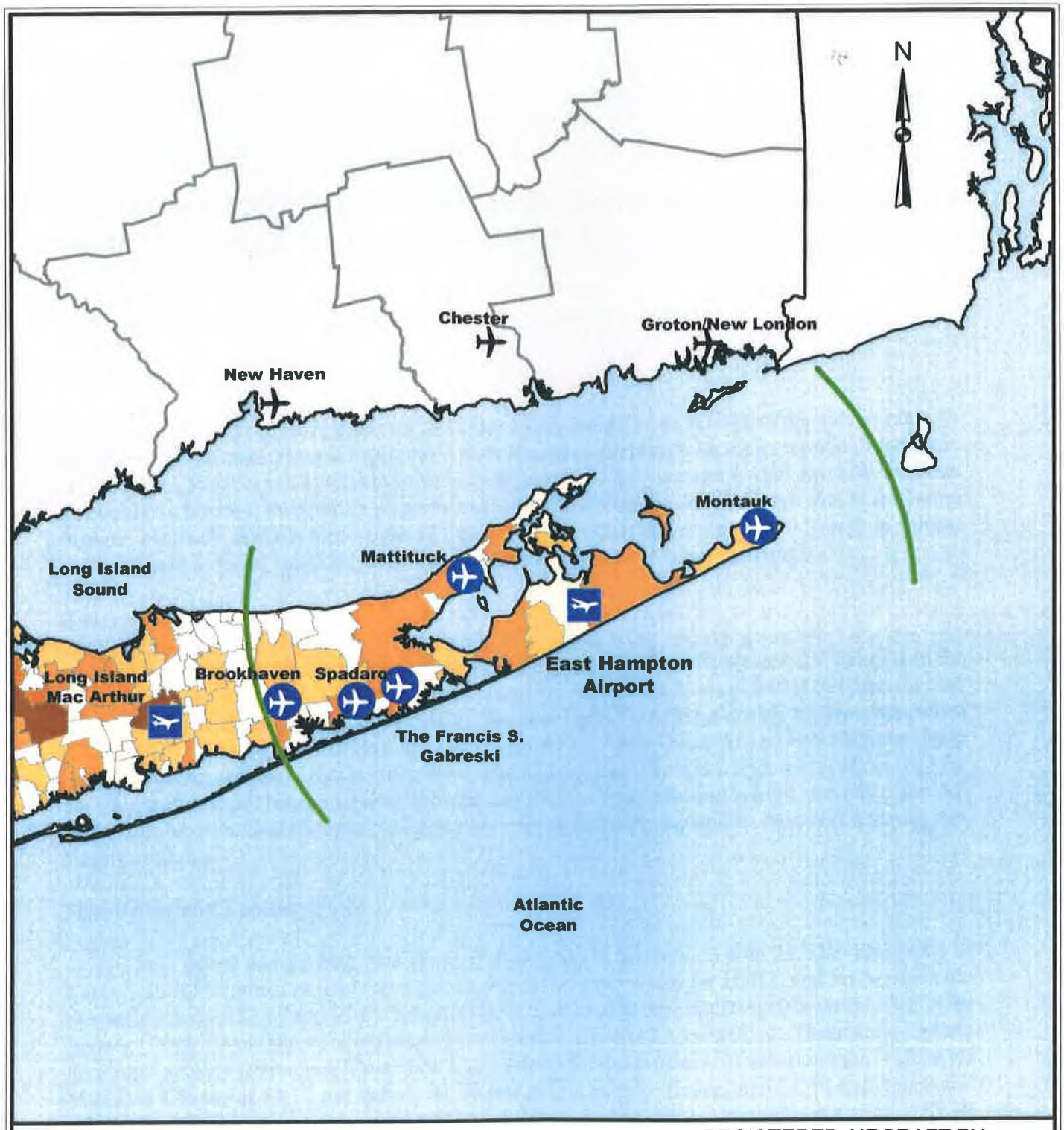
3.3 Market Analysis

Airport Market Area

Figure 5 illustrates the Airport service area, other nearby public use airports, and distribution of registered aircraft by zip code. For East Hampton Airport, the service area is roughly based on a 45-minute/35-mile driving distance. The closest commercial service airport to East Hampton is Long Island MacArthur, which is approximately 50 miles to the west. The five other airports located within East Hampton's service area include: Spadaro Airport, Brookhaven Airport, Francis S. Gabreski (Suffolk County) Airport, Montauk Airport, and Mattituck Airport.

Facilities

Table 3 shows the comparison of regional airport facilities. The runway length at East Hampton Airport of 4,255 feet is comparable to the runway at Brookhaven Calabro Airport, but is substantially shorter than the 9,000 foot runway at Francis S. Gabreski Airport which is the longest in the service area. At its current length, the runway is adequate for some jet aircraft operating under payload and stage length reductions, but is less than the 5,000 feet usually required by most insurance companies. Instrumentation at East Hampton is also less than offered at either Brookhaven or Gabreski (when their ILS is operational), but better than that of most of the smaller airports in the service area. Use of East Hampton Airport is driven more by its location in the midst of a resort area rather than by the airport facilities available.



PUBLIC USE AIRPORTS

- Commercial
- General Aviation

0 5 10 15

Scale in Miles

SERVICE AREA

- 35 Mile Radius

REGISTERED AIRCRAFT BY ZIP CODE PARCEL

- 0
- 1 - 5
- 6 - 10
- 11 - 20
- 21 - 30
- 31 - 54

McFarland-Johnson, Inc. in association with R.A. Wiedemann & Associates, Inc. and Shumaker Consulting Engineers	**EAST HAMPTON AIRPORT** **AIRPORT SERVICE AREA & REGISTERED AIRCRAFT DISTRIBUTION**	**FIGURE 5**

Aircraft Registration Data: INTERNATIONAL AIR CD

Based Aircraft

There are a total of 521 aircraft based at the airports within East Hampton Airport's service area. This includes 4 jets, 49 multi-engine aircraft, 459 single-engine aircraft, 4 helicopters and 5 gliders. Brookhaven has the most based aircraft with 229, mostly single engine. Gabreski is second with 110 aircraft and East Hampton is third with 104 aircraft. The smaller airports, Montauk, Mattituck, and Spadaro, have 30, 28, and 20 based aircraft respectively.

Aviation Services

Table 4 presents the availability of various aviation services at each of the area airports. A full range of aviation services is available at East Hampton Airport, with the exception of avionics. Most of these services are available from both Myers Aero Service and Sound Aircraft Services. As could be expected, the smaller airports lack one or more of the services provided at the larger airports. Montauk, the only airport east of East Hampton, offers no services. East Hampton Airport has excellent car rental facilities, a service not found at other service area airports.

Hangars and Tie-downs

East Hampton Airport has the highest monthly rates for both tie-downs and hangars in the service area. Tie-down rates vary throughout the service area, with a low of $40 at Spadaro for turf, and a high of $75 at East Hampton for paved. Tie-down space is popular during summertime, when many aircraft owners choose to store their aircraft outside. Only Gabreski and East Hampton have conventional hangar space that is currently available for lease. There is a high seasonal demand for hangar space at East Hampton during the summer months thus resulting is high monthly rates. All of the T-hangars at East Hampton are privately owned and fully occupied. Montauk has only tie-downs available.

Fuel Prices and Landing Fees

Fuel prices and landing fees charged at airports in the service area are also illustrated in Table 5. East Hampton has the lowest prices within the service area for 100LL and Jet A which are currently priced at $2.89 and $2.60, respectively. Other competing airports with respect to fuel sales include Chester, New Haven and Groton-New London Airports in Connecticut. These three airports do attract activity from aircraft based on Long Island for the purchase of aviation fuel. Prices for 100LL at Chester is $2.72 per gallon, $2.76 per gallon at New Haven, and $2.45 cash price and $2.10 using the self-serve card scanner at Groton-New London. Jet A is available at a price of $2.40 at Chester, $2.74 at New Haven, and $2.44 at Groton-New London. Landing fees in the service area for non-commercial aircraft range from zero to $15.00. Montauk has the highest landing fee at $15.00. East Hampton's fee is graduated by weight, and the fee for light aircraft is comparable to Brookhaven's flat $2.00 fee. For larger aircraft the fee is higher than those charged at Gabreski and Montauk. It should be noted that the East Hampton Town Board has recently voted to double East Hampton's landing fees. Those fees have not taken effect as of this report and thus, are not reflected in the historical data in Table 5.

Table 3 - Facility Comparisons

AIRPORT	OWNED	ACRES	ARC	NUMBER OF BASED AIRCRAFT						RUNWAY		NAVAIDS	TOWER
				JET	MULTI	SINGLE	HELI	GLIDER	TOTAL	FIRST L x W	SECOND L x W	HIGHEST	
East Hampton*	Public (C)	570	C-II	1	12	89	2		104	2,501' x 100'	4,255' x 100'	VOR/DME GPS	No
Francis Gabreski*	Public	1,486	D-III	3	20	80	2	5	110	9,000' x 150'	5,000' x 150'	ILS	Yes
Mattituck	Pvt. (R)	18	B-I			28			28	2,200' x 130'		Visual	No
Montauk	Private	40	B-II		5	25			30	3,258' x 85'		GPS	No
Brookhaven	Public (R)	606	B-II		12	217			229	4,200' x 100'	4,225' x 150'	ILS, GPS	No
Spadaro**	Pvt. (R)	50	B-I			20			20	2,200' x 20'		Visual	No
			TOTAL	4	49	459	4	5	521				

Source: Airport Master Record as Published 05 March 2001 (www.airnav.com) R= Reliever, P= Primary, Runways: T=turf

* These airports have three runways. The third runway for East Hampton is 2,223' by 100', Gabreski - 5,000' by 150'.

** Seasonal Operation Only

Table 4 - Service Comparison

Airport	Frame Repairs	Power Repairs	Flight Instruction	Charter Service	Avionics	Aircraft Sales	Aircraft Rentals	Other
East Hampton	Major	Major	Yes	Yes	No	Yes	Yes	Oxygen
Francis Gabreski	Major	Major	Yes	Yes	Yes	Yes	Yes	Banner towing
Montauk	None	None	No	No	No	No	No	
Mattituck	Minor	Major	No	No	No	No	No	
Brookhaven	Major	Major	Yes	Yes	No	Yes	Yes	Banner towing, Glider towing
Spadaro*	Major	Major	Yes	Yes	No	Yes	No	Parachute jumping

Source: Airport Master Record as published 05 March 2001 (www.airnav.com)

* Seasonal Operation Only

Table 5 - Rates and Charges Comparison

Airport	Tie-Down		Conventional Hangars		T-Hangars		Lowest Fuel Price ($/gallon)			Landing Fee
	$/month	Available	$/month	Available	$/ month	Available	80 ll	100 ll	Jet A	
East Hampton	$75 (P)	Yes	$450	No	Private	No	Not Available	$2.89	$2.60	$2.00-$18.00
Francis Gabreski	$55-$65	Yes	$250	Yes		No	Not Available	$2.99-$3.10	$2.73-$2.93	$8-$10; over 12,500# $0.80/1000#
Montauk	$200 (P)	Yes		No		No	Not Available	Not Available	Not Available	$15.00
Mattituck	$55 (T) $65 (P)	Yes	Private	No	Private	No	Not Available	$2.80	Not Available	None
Brookhaven	$45 (T) $50-$90 (P)	Yes	$400	No	$275-$375	No	Not Available	2.50	Not Available	$2.00
Spadaro*	$40 (T)	Yes	--	No		No	Not Available	Not Available	Not Available	None
Chester**							Not Available	$2.72	$2.40	
New Haven**							Not Available	$2.76-$2.96	$2.74	
Groton-New London**							Not Available	$2.10-$2.45	$2.44	

Source: McFarland-Johnson, Inc. Telephone Survey 5-24-01. (P) = Paved, (T) = Turf.

* Seasonal Operation Only

** Competitive fuel prices for Connecticut airports.

4. BASELINE FINANCIAL AND ECONOMIC OUTLOOK

THIS SECTION IDENTIFIES HISTORICAL REVENUES AND expenses attributable to East Hampton Airport and projects those revenues and expenses to the year 2005. This projection will only consider a baseline or status quo scenario, using historical performance to project future performance. In a later section, alternative projections of financial performance will be developed, based upon suggested improvements and development pro-formas. To properly frame these financial statements, this section is organized to present the following:

- Historical Revenues and Expenses
- Baseline Forecast of Revenues and Expenses

4.1 Historical Revenues and Expenses

Historically, East Hampton's main economic industry has been tourism and real estate. The Town of East Hampton is steeped in history, dating back over 350 years. Each summer, thousands of tourists visit the Village of East Hampton, "America's Most Beautiful Village" with its trees, greens, windmills, and the famous Town Pond. Numerous bed-&-breakfasts are located in the Town, but there is a genuine shortage of hotel rooms.

In addition to the tourists, the population of East Hampton swells in the summer, as wealthy residents return to their homes and estates. The East Hampton Airport is packed each weekend with business jets and helicopters, taking executives to and from the New York metro area. East Hampton Airlines operates seasonal airline service to the East River (Manhattan) via float planes. All of this activity, combined with landing and fuel flowage fees, has created revenues at the Airport that are growing toward the level of expenses. It is against this backdrop that the historical revenues and expenses for East Hampton Airport are presented. Table 6 presents a summary of the historical revenues for the Airport from 1997 forward.

Table 6 - Historical Operating Revenues: East Hampton Airport

Revenues	1997	1998	1999	2000
Real Property Taxes*			$232,507	$254,015
PILOT - LIPA			$0	$2,505
Airport Rentals & Leases	$183,459	$208,191	$210,443	$224,476
Airport Landing Fees	$32,051	$29,528	$40,869	$47,201
Airport Vending Machines	$3,976	$4,506	$4,454	$4,308
Interest	$0	$0	$1,144	$2,782
Sale of Aviation Fuel	$531,715	$488,115	$586,567	$780,085

Table 6 - Historical Operating Revenues: East Hampton Airport				
Revenues	1997	1998	1999	2000
Industrial Road Leases**				$21,715
Cellular Tower Lease**				$19,200
Miscellaneous	$0	$0	$87	$63
TOTAL REVENUES	$751,202	$730,340	$1,076,070	$1,356,350

* Real Property Taxes, while classified as a revenue is actually a subsidy for the Airport.

** Industrial Road Leases and the Cellular Tower Lease will not be included in Airport revenues until 2001. These numbers illustrate what the Town earned from those leases in 2000.

As shown, the recent increases in operating revenues have come from two primary sources: growth in fuel sales and a new set of categories created by the Airport taxing district. These new categories include Real Property Taxes, Industrial Road Leases, and Cellular Tower Lease. Fuel sales revenue increases in 2000 were impacted primarily by fuel price increases rather than increased fuel sales. Price increases do not impact net revenues since the Airport earns a set $0.15/gallon fuel flowage fee. Only increased fuel sales would increase these net revenues.

Real Property Taxes come from a new taxing district, created when the Airport was separated from the General Revenue fund. To make up any difference between operating revenues and operating expenses, a Town-wide assessment is levied on all property tax payers in support of the Airport. The size of this account indicates the approximate amount of subsidy needed for the Airport to breakeven and pay the local share of all capital improvement expenditures. It should be noted that this subsidy applies to some of the community-friendly leases carried by the Airport such as the drug rehabilitation center, the gun club property, the church, etc.

Industrial Road Leases revenue and the Cellular Tower Lease revenue are now being apportioned to the Airport to better reflect the overall revenues and expenses created by the facility. Because the Industrial Park is on Airport property, the Airport fund will be the recipient of the income. This holds for the Cellular Tower on Airport property as well. Revenues from these sources will help to lower the requirement for the Town subsidy of the facility.

Given the above, the most significant *net revenue* generators at the Airport are those from Airport Rentals and Leases - contributing over $246,000 per year to the Airport's operation. Escalation stipulations in many of the current leases will result in increased revenues in this category over the planning period. Table 7 presents a summary of the historical expenses for the Airport from 1997 forward. The primary expense at the Airport is for aviation fuel as discussed above. The second highest single category (16 percent of total) is for Interfund Transfers, which represents allocated insurance costs and general administrative expense. On-Airport Employee expense is the third highest cost, representing 12 percent of total airport costs. Other contract expenses cover the

Table 7 - Historical Operating Expenses: East Hampton Airport				
Expenses	1997	1998	1999	2000
Employee Expenses				
Full Time Salaries	$109,264	$109,599	$124,774	$132,878
Temp/Part- Time	$5,854	$5,827	$6,690	$5,645
Overtime	$854	$995	$240	$420
Employee Benefits		$0	$15,781	$13,743
Total Employee Costs	$115,972	$116,421	$131,704	$138,943
Contractual Expenses				
Office Expense	$438	$889	$1,066	$1,212
Travel	$1,440	$1,467	$1,526	$1,721
Telephone	$1,273	$993	$3,447	$3,363
Light & Power	$23,691	$17,755	$17,116	$18,656
Water	$97	$344	$591	$304
Heat	$2,614	$2,691	$2,173	$2,881
Equipment Cost	6074	842	1491	1399
Subcontract Costs	$50,558	($9,001)	$24,761	$17,426
Outside Professional	$16,424	$2,442	$16,938	$14,655
Repairs- General	$3,089	$1,828	$3,112	$917
Uniforms	$1,680	$1,203	$1,794	$1,786
Signs, Maint. Supplies	$4,175	$2,821	$1,912	$1,246
Small Tools	$1,697	$2,095	$1,775	$4,295
Vending Machine Expenses	$2,139	$1,219	$1,582	$2,348
Aviation Fuel	$467,749	$441,492	$545,003	$709,322
Total Contractual	$577,218	$468,812	$624,171	$781,047
Serial Bond Debt Service	$41,566	$40,115	$55,909	$68,756
Total Interfund Transfers		$0	$178,400	$189,710
TOTAL AIRPORT FUND	$740,678	$585,500	$1,006,082	$1,192,683

need for utilities, supplies, maintenance, and repair work. Also shown as an expense are the Serial Bond costs incurred by the Town for capital development projects. As a new separate and independent fund, all costs and revenues are accounted, including capital development. Any surplus revenues will be put into a reserve for the fund, which should run between 15 and 20 percent of total

expenses. If the reserve becomes excessive, the Property Tax subsidy can be reduced.

4.2 Baseline Forecast of Revenues & Expenses

This baseline forecast presents a status quo look at revenues and expenses, influenced primarily by historical activity, inflation, and lease agreement stipulations. It does not consider any proactive measures that the Town of East Hampton may initiate to increase Airport revenues. This projection gives a base upon which to compare various revenue enhancement strategies. In this regard, the FAA's Terminal Area Forecasts were used for the projection of based aircraft and operations at the Airport. Revenues were tied to these activity measures and lease agreement stipulations concerning rent increases, while expenses were trended from past performance and inflation.

Baseline Revenue Forecast

The FAA's Terminal Area Forecasts for East Hampton Airport show no increases in based aircraft or operational activity over the next 5 years. If this projection is used, only the impacts of lease agreement increases tied to inflation could be expected to affect some of the forecast revenue categories for East Hampton Airport. Therefore, the forecasting process used lease agreement rate increases, along with constant revenues for volume-related items such as landing fees, fuel sales, and vending machine income.

One significant source of new revenue that is currently anticipated involves the sale of the former Disney Imagineering leased property. This land has two large buildings, now completely owned by the Town. Terms of the FAA land release indicate that money from the sale of the land in fee will go to the Airport, while money from the sale of the improvements (buildings) will go to the Town. Plans for the Airport-dedicated money are to set up a reserve account that can be used exclusively to pay debt service on Airport projects. Table 8 shows the baseline forecast of revenues for East Hampton Airport including this debt service reserve.

Table 8 - Baseline Forecast of Revenues: East Hampton Airport

REVENUES	2000	2001	2002	2003	2004	2005
Real Property Taxes*						
PILOT - LIPA	$2,505	$2,500	$2,500	$2,500	$2,500	$2,500
Airport Rentals & Leases	$224,476	$230,700	$244,300	$249,900	$252,700	$258,300
Airport Landing Fees	$47,201	$70,800	$94,400	$94,400	$94,400	$94,400
Airport Vending Machines	$4,308	$4,300	$4,300	$4,300	$4,300	$4,300
Interest	$2,782	$5,000	$10,000	$10,000	$10,000	$10,000
Sale of Aviation Fuel	$780,085	$780,100	$780,100	$780,100	$780,100	$780,100
Industrial Road Leases	$21,715	$18,507	$19,291	$20,071	$20,850	$21,630

Table 8 - Baseline Forecast of Revenues: East Hampton Airport						
Cellular Tower	$19,200	$19,200	$19,200	$19,200	$19,200	$19,200
Debt Service Reserve**	$0	$0	$117,143	$119,673	$117,301	$119,743
Miscellaneous	$63	$0	$0	$0	$0	$0
TOTAL REVENUES	$1,102,335	$1,131,107	$1,291,234	$1,300,144	$1,301,351	$1,310,173

* Real Property Taxes not shown in order to reveal the true financial performance of the Airport without tax subsidies.
** From the sale of Site 7 (old Disney Lease).

As shown, most of the aviation activity-related revenues were held constant through the forecast period, in keeping with the straight-line forecast of activity by the FAA. Landing fee rate increases recently implemented were included in the forecast. With regard to tenants, the lease agreement escalator stipulations were implemented, assuming a 4 percent inflation rate. New additions to the Airport fund included the Industrial Road Leases and the Cellular Tower revenue in accordance with FAA requirements.

The Debt Service Reserve Fund will be created from the sale of land in Site 7 in the industrial park. The value of this property is currently being appraised. Preliminary estimates are not available, but comparable properties in the area indicate a wide range of values between $700,000 and $2,000,000. For this analysis, it was conservatively estimated that the property (5.7 acres without building improvements) was worth $700,000. Using this amount as the initial funding for an interest drawing debt service reserve, it is assumed that the fund will be expended in the year 2009. Given these assumptions, the total baseline forecast of revenues was projected to increase from $1,102,300 in 2000 to $1,310,200 by the year 2005.

Baseline Expense Forecast

Expenses are somewhat different from revenues in that they can more easily increase as a result of price inflation. For example, the cost of labor, the cost of utilities including fuel, and the cost of materials and supplies are subject to price inflation that is beyond the control of the local airport. For this reason, the baseline expense forecast included a 4 percent inflation factor for non-labor spending over the five year projection period. Increases for labor expenses (including Interfund Transfers) were inflated at a rate of half that amount, or 2 percent per year. In addition to the inflation factor, the historical trends in expenses were examined to see if quantities of cost items used would increase faster than inflation. In this regard, examination of the historical expenses shows that fuel costs are the primary expense for the Airport (59 percent of total for 2000). Net revenues from fuel were estimated to remain constant under the status quo or baseline forecast scenario since there is no forecast increase in aviation activity. Therefore, the cost of fuel and the sales price of fuel could not be inflated without inflating the net revenues. In a subsequent section of this report, implications of increasing the fuel flowage fees will be examined. Table 9 presents the baseline forecast of expenses for East Hampton Airport through the year 2005.

Table 9 - Baseline Forecast of Expenses: East Hampton Airport						
EXPENSES	2000	2001	2002	2003	2004	2005
Personal Services	$152,686	$155,740	$158,855	$162,032	$165,272	$168,578
Office Expense[1]	$8,645	$8,991	$9,350	$9,724	$10,113	$10,518
Utilities[2]	$21,840	$22,714	$23,622	$24,567	$25,550	$26,572
Equipment	$1,399	$1,455	$1,513	$1,574	$1,637	$1,702
Subcontract & Outside Professional	$32,081	$33,364	$34,699	$36,087	$37,530	$39,031
Supplies[3]	$7,327	$7,620	$7,925	$8,242	$8,572	$8,914
Repairs	$917	$954	$992	$1,032	$1,073	$1,116
Fuel	$709,322	$709,322	$709,322	$709,322	$709,322	$709,322
Serial Bond Debt Service	$68,756	$119,410	$117,143	$119,673	$117,301	$119,743
Interfund Transfers	$189,710	$193,504	$197,374	$201,322	$205,348	$209,455
Total Expenses	$1,192,683	$1,253,074	$1,260,795	$1,273,575	$1,281,718	$1,294,951

1 Office Expense includes: Travel, Telephone, and Vending Machine Expense.
2 Utilities Expense includes: Light and Power, Water, and Heat.
3 Supplies Expense includes: Uniforms, Small Tools, and Signs and Maintenance Supplies.

When these baseline costs are compared with the baseline forecasts of revenues, the net costs for the Airport can be predicted for the Status Quo scenario:

	Expenses	Revenues	Net Revenues
• 2001	$1,253,100	$1,131,100	($122,000)
• 2002	$1,260,800	$1,291,200	$ 30,400
• 2003	$1,273,600	$1,300,100	$ 26,500
• 2004	$1,281,700	$1,301,400	$ 19,700
• 2005	$1,295,000	$1,310,200	$ 15,200

Comparison of the baseline forecasts of revenues and expenses show net revenues growing from negative $122,000 in 2001 to $30,400 by 2002, and then gradually reducing to $15,200 by the year 2005.

5. ECONOMIC ANALYSIS ALTERNATIVES

GIVEN THE FORECAST OF BREAKEVEN FOR the Airport under the status quo scenario, several economic analysis alternatives were developed to position the Airport for solid self-sufficiency. In this regard, a variety of methods were explored that were designed to increase net revenues without increasing aviation activity. In order to present these alternatives, this section is organized to include the following:

- Revenue Enhancement
- Intangible Assets
- Cost Efficiency/Management Structure Options

5.1 Revenue Enhancement

There are only two ways to reduce or eliminate the tax subsidy for the East Hampton Airport: increase revenues or cut costs. In this section, revenue enhancement strategies will be discussed. Elements of these strategies include the following:

- ***Convert Tie-Downs to Hangars:*** One method of increasing revenues without increasing aviation activity is to upgrade existing based aircraft users from tie-down space to aircraft hangar space. Many airports earn revenue through the lease of land for hangar space, or in the outright development of aircraft hangars for lease. Generally, the rent from hangar space exceeds the rent paid by tie-down users. Discussions with Airport Management indicate a demand for a minimum additional 20 hangar spaces. These spaces are not for new aircraft to the area, but rather for local residents who use the airport either year-round or summer only. It is estimated that the addition of 20 hangar spaces could increase Airport fund revenues by $21,600 annually.

- ***Industrial Road Land:*** Commercial/industrial uses of Airport property have the potential to reduce or eliminate future Town subsidies for the Airport. The FAA has stipulated that revenues derived from the sale or lease of Industrial Road land from aeronautical use requirements must be attributed to the Airport fund. Currently 14 of the 24 parcels are leased. One of the remaining 10 parcels is to be sold while the other 9 are to be leased. As this occurs, the Airport will benefit financially. Property rents in the area range from $7/sf/year for warehousing to $14-$16/sf/year for commercial space.[1] If any of the property is sold, the fee value of the sale can be used for Airport purposes such as the retirement of Airport serial bonds.

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1 Source: Long Island Board of Realtors, Long Island Commercial Network, May, 2001 and Regional Small Business Development Center of U.S. Small Business Administration. Commercial property in the area rents for roughly $14-$16/sf/yr, while industrial/warehouse space rents for $7/sf/yr. The property owner negotiates a percentage of this lease rate, typically 15%.

It should be noted that some of the property along Industrial Road is leased below market rates to non-profit organizations that produce intangible benefits to the community. Many of these current leases will not be able to reach market rates. Thus, for the future, increases in revenues from Industrial Road will likely come from the filling of vacancies, from the increased rents on some existing leases, and from the sale of Site 7 (the former Disney property lease).

- ***Identification of Additional Airport Land-Generated Revenues:*** Aviation and non-aviation revenues can be generated through the use of Airport property for specified purposes. In this regard, a total of 48 acres of on-Airport property was identified for possible aviation uses. Land leased for aviation purposes was valued from $0.10-$0.14 per square foot per year, depending upon the type of aviation use.[2] Of this additional Airport land, only a little over 4 acres was assumed to be leased for aviation purposes by the year 2005.

  In addition to aviation uses, non-aviation uses of Airport property can produce revenue to benefit the Town. In this regard, a total of 270 acres of Airport property was identified for non-aviation use. Revenues from non-aviation use can be dedicated to paying the Airport's operating expenses.

- ***Rates and Charges Structure:*** Most of the tenant lease agreements include escalation clauses that are tied in some way to the Consumer Price Index. The Baseline forecast of revenues incorporates these anticipated increases. All of the current lease agreements have renewal options that extend beyond the year 2005. Non-lease rates and charges can be adjusted as needed for revenue production. However, diminishing returns occur as prices exceed the regional market price. For example, East Hampton Airport's competition for fuel sales comes from airports in Connecticut. If prices climb too high, aircraft owners purchase fuel from these other airports. That being said, a two or three cent increase in the flowage fee of $0.15/gallon before the year 2005 is considered reasonable. With fuel sales of 472,000 gallons in 2000, a 3 cent increase in the flowage fee would result in an additional $14,200 in revenues by the year 2005. The doubling of landing fees has already been incorporated into the baseline forecast of revenue, resulting in an additional $47,200 in annual revenues. No further increases in landing fees are recommended. Also, landing fees should be waived when purchases of fuel or other services are made from the local FBOs.

- ***Federal/State Grants:*** Another area that can help balance the books in terms of overall spending at the Airport involves the efficient use of Federal and State grants. In this regard, a total of $5.07 million is shown on the Airport Capital Improvement Program for the years 2001-2005. Three current grants remain open, with roughly

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2 Extrapolated from existing lease agreements.

$10,100 payable to the Town of East Hampton.

5.2 Intangible Assets

The East Hampton Airport serves primarily as an aviation transportation facility. It also serves a number of other community-related functions. In the past, the Airport has provided a venue for fund raisers for special education, AIDS care, theatrical charities, and political galas. The East Hampton Aviation Association has sponsored a number of fund raising events in support of local scholarships. In addition, local schools, scout troops, and day camps regularly tour the Airport. The Airport also serves as a venue for art contests, model airplane contests, dog shows, and static displays of aircraft. Intangible safety benefits associated with the Airport have included aerial reporting of fires in remote areas and aerial medical evacuations when needed. In short, the Airport serves much more than aviation. It provides a location for outreach and involvement for the local community. This function should be encouraged and fostered by the Town.

With regard to property use, Airport land is used for a Child Development Center, a drug rehabilitation center, an LTV facility, a church, a gun club, and a number of start-up companies that will provide jobs and economic development in the area. Also, Airport property is used for a cellular tower permitting greater police and fire protection coverage for the Town. As a part of this community service and outreach, it is recommended that some of the developable Airport land be examined for possible use for more community-friendly projects. Many of these uses would not provide market-rate income to the Airport, but they would produce some income and they would benefit the community by serving a specific need. Suggested uses of available Airport property include the following:

- ***Recreational Facilities:*** One critical shortage in many communities involves the number of available soccer, softball, and baseball fields. On the north side of Daniels Hole Road, land adjacent to parcel 7 (shown on Figure 4) is available for non-aviation use. With the summer closure of Runway 16-34, aircraft will not be approaching or taking off over this land during the heavy recreational use periods. By providing community needed facilities in a compatible land use environment, the Airport can accomplish improved public relations. One caveat for this potential land use is that the property should remain in the control of the Airport in the event that the land is needed in the future for Airport use.

- ***Affordable Housing:*** Another land use in short supply in the region is land devoted to affordable housing. Workers who have lower paying jobs cannot afford to live in the area, given the high market rates for housing. This creates a large commuting population that clogs highways in and out of the area during rush hours. If affordable housing were to be developed on Airport property it would require compatible land (outside critical noise contours 65 DNL or greater) that had been properly released for such purposes. The most likely location for this land use would be in parcel 7 (shown in Figure 4). Trees on the property could be used as a natural shield from Airport noise and road view.

- ***Intermodal Transportation Center:*** A growing concern in the Village of East Hampton is that of automobile parking space. Many weekend residents leave their cars parked in the Village during the week when they are not in town. In order to free up more parking space, one concept would be to create an intermodal transportation center at the Airport. This would likely involve the development of a railroad terminal and parking area on the southern end of the Airport property near adjacent to Daniels Hole Road (parcel 6 on Figure 4). Those departing the area either by train or by air could park their cars at the transportation center, thereby helping to relieve congestion in the Village. Taxi and bus service would complement the accessibility of the facility.

Impact on Revenues

Quantifying the levels of additional potential revenue that would result from implementing the strategies listed above is highly subjective. The only reasonable method is one where the assumptions for each strategy are stated, along with the resulting impact. Then, if the assumptions are not met, deviations from the predicted revenues can be expected. It is believed that changes in revenues to the Town would come primarily from increased development for aviation and non-aviation purposes. Table 10 presents a summary of impacts to revenues that would occur under each market strategy.

As shown in the Table, an additional $180,500 in annual revenues could be generated if each of the revenue enhancement scenarios were implemented. Table 11 presents a listing of how all of the potential changes could impact the revenue picture for East Hampton Airport through the year 2005.

Table 10 - Potential Revenue Changes by Year 2005

Market Strategy	Assumption	Baseline 2005 Revenue	Enhanced 2005 Revenue
Convert Tie-Downs to Hangars	Tie-down space gained when Runway 16-34 is closed in the summer is already leased to FBO - no additional revenue. New hangar space of 36,000 sf by the year 2005 would require up to 180,000 sf (4.1 acres) of leased area.	$0	$21,600
Industrial Road Leases	Lease 9 of the 10 vacant parcels at market rates. (Site 7 is to be sold and not leased).	$21,600	$118,300
Airport Land Use	4.1 acres were assumed to be leased for aviation purposes by the year 2005 (already counted above) and a total of 35 acres of Airport property was identified for non-aviation development for community enhancement purposes.	$0	$48,000

Table 10 - Potential Revenue Changes by Year 2005			
Market Strategy	Assumption	Baseline 2005 Revenue	Enhanced 2005 Revenue
Rates and Charges Structure	Fuel flowage fees were recommended to increase by $0.03/gallon by the year 2005.	$70,800	$85,000
Net Additional Potential Growth			$180,500

Table 11 - Revenue Enhancement Strategy Impact on Total Revenue Forecast						
REVENUES	2000	2001	2002	2003	2004	2005
Real Property Taxes*						
PILOT - LIPA	$2,505	$2,500	$2,500	$2,500	$2,500	$2,500
Airport Rentals & Leases	$224,476	$230,700	$244,300	$249,900	$252,700	$279,900
Airport Landing Fees	$47,201	$94,400	$94,400	$94,400	$94,400	$94,400
Airport Vending Machines	$4,308	$4,300	$4,300	$4,300	$4,300	$4,300
Interest on Reserve Funds	$2,782	$5,000	$10,000	$10,000	$10,000	$10,000
Sale of Aviation Fuel	$780,085	$780,100	$780,100	$788,600	$791,500	$794,300
Cellular Tower	$19,200	$19,200	$19,200	$19,200	$19,200	$19,200
Industrial Road Leases	$21,715	$41,032	$60,349	$79,666	$98,983	$118,300
Airport Land Development	$0	$9,600	$19,200	$28,800	$38,400	$48,000
Serial Bond Debt Reserve	$0	$0	$117,143	$119,673	$117,301	$119,743
Miscellaneous	$63	$0	$0	$0	$0	$0
TOTAL REVENUES	$1,102,335	$1,186,832	$1,351,492	$1,397,039	$1,429,284	$1,490,643

* Real Property Taxes not shown in order to reveal the true financial performance of the Airport without tax subsidies.

Ranking/Value of Alternative Components

Figure 6 presents all of the component strategies and their cumulative impact on total revenues. For the Sale of Aviation Fuel, only the net revenues were considered, since the cost of goods sold from fuel distorts the actual income earned from fuel sales. The relative rank of each revenue component implies a priority that can be measured against its impact on net revenues. For example, the lease of vacant parcels in the Industrial Road property area can mean up to 18 percent of total revenues and ranks second overall. Looking at the revenue sources strategically, a ranking emerges, based upon revenue contributions:

- *1)* - Maintain/expand Rentals and Leases income - 43% of year 2005 revenues.
- *2)* - Lease vacant parcels in FAA released Industrial Road land - 18% of year 2005 revenues.
- *3)* - Landing Fees - 14% of year 2005 revenues.
- *4)* - Net income from fuel - 13% of year 2005 revenues.
- *6)* - Non-aviation Airport development - 7% of year 2005 revenues.
- *7)* - All other income - 5% of year 2005 revenues.

A complete listing of recommendations, trigger points, and time frames and logistics are shown later in Table 12.

5.3 Cost-Efficiency/Management Structure Options

As mentioned previously, there are only two ways to reduce the subsidy for the East Hampton Airport: increase revenues or cut costs. After examining the expenditures for each cost area, it was concluded that no substantial savings can be made from changes to the operating methods now in practice. Airport labor costs are relatively low - less than 13 percent of total costs - and the management of the facility is good. Other areas of Airport cost are reasonable in comparison to similar sized airports in the Northeast. Therefore, no impacts were identified that would result from cost-cutting or efficiency-improving measures.

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If every revenue-producing and cost-efficiency option were taken, and if they all produced the maximum benefits, the following financial projection of net revenues could be achieved:

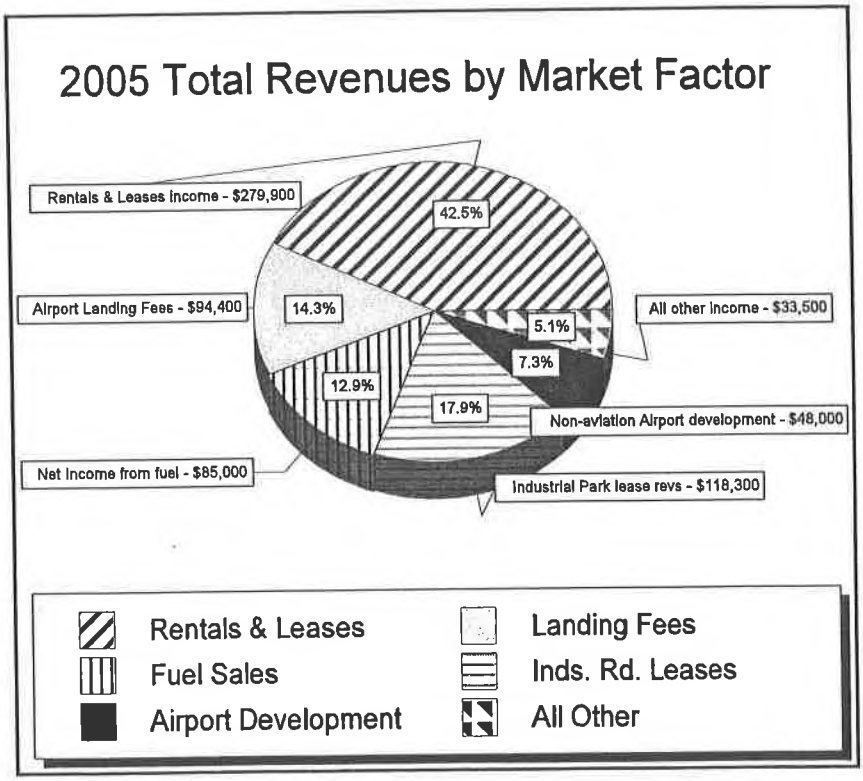

Figure 6 - ***Strategic Impact of Market Factors on Revenues***

	Expenses	Revenues	Net Revenues
2001	$1,253,100	$1,186,800	($66,300)
2002	$1,260,800	$1,351,500	$ 90,700
2003	$1,273,600	$1,397,000	$123,400
2004	$1,281,700	$1,429,300	$147,600
2005	$1,295,000	$1,490,600	$195,600

As shown, the Airport is likely to increase net revenues to nearly $200,000 by the year 2005. This financial performance may allow the Airport tax, currently necessary for operations, to be reduced or eliminated.

6. FINDINGS OF THE ANALYSIS

THE FINDINGS OF THE ECONOMIC ANALYSIS FOR East Hampton Airport focuses on maintaining the existing Airport infrastructure while maximizing benefits of the Airport and its location to the Town. The plan covers three primary strategic areas: management/administrative actions, revenue enhancement strategies, and intangible assets. Cost efficiency actions were not identified in this report.

Revenue and expense projections for the baseline or status quo option were presented earlier in this report. They show a surplus of revenues over the planning period. Those surplusses are created primarily by the tax support for the Airport. However, in the year 2009, the one-time reserve for debt service payment will run out, creating a continuing need for tax subsidy assistance. The recommended plan outlines strategies for making the Airport financially self-sufficient while at the same time using its assets in a community-friendly manner.

6.1 Recommended Management/Administrative Actions

The Airport is being managed in a manner consistent with professional airport management practice. This includes the review of records by the Town Board, the collection of fees by the Airport manager, and the disposition of payments made by the Town's finance department. Responses to Airport patron complaints and to citizen complaints are handled in a professional manner. All significant actions at the Airport are subject to public hearing by statute, and this process is working well to permit dissemination of information. Therefore:

> ***No changes are recommended for the management structure or practice at the Airport.***

According to FAA regulations, income produced on the Airport property must be reserved for aviation purposes at the Airport. Meetings with FAA personnel have been successful in reaching agreements as to how income from Airport property is to be accounted. The Town leadership has approached these discussions forthrightly and has responded to all requests of the FAA. The result of this process has been the creation of a separate Airport fund. This fund incorporates all income from existing Airport property and from property owned by the Town that has been released from aeronautical use requirements by the FAA.

The accounting process has incorporated revenues from Industrial Road property and the Cellular Telephone Tower lease. In addition, money from the sale of Site 7 land will be used to retire Airport capital debt. These changes, along with the special taxing district set up for the Airport, conform to the letter and spirit of FAA requirements. The Town is to be commended for responding in this manner. Therefore:

No changes are recommended for the administrative or accounting practices at the Airport.

6.2 Revenue Enhancement Recommendations

The revenue enhancement recommendations did not focus on one strategic option to the exclusion of all others. Instead, a number of different revenue enhancement strategies are recommended for East Hampton Airport. These include:

Future Airport Land Use

All of the revenue enhancement strategies were tied into the Future Airport Land Use (Figure 4). Although few new aviation facilities were recommended, the preservation of existing facilities is considered essential to the long term financial health of the Airport. Therefore, it is recommended that:

Existing facilities at the Airport should be preserved through regular maintenance and capital investment.

East Hampton Airport's ACIP lists ten funding requests including AWOS installation, storm water planning, rehabilitation and expansion of the terminal apron, rehabilitation of Runway 4-22, construction of a taxiway mid-section to create a full parallel taxiway for Runway 10-28, and obstruction removal. These projects are an important part of the recommended Economic Analysis since they are needed to keep the Airport infrastructure viable for the future.

Convert Tie-Downs To Hangars

Discussions with Airport Management indicate a demand for a minimum additional 20 hangar spaces. The most likely location of this development would be on the southwest portion of the Airport. These spaces are not for new aircraft to the area, but rather for local residents who use the Airport either year-round or summer only. This space would also serve high-profile residents who desire safety and security for themselves and their aircraft. It is estimated that the addition of 20 hangar spaces could increase Airport fund revenues by $21,600 annually. Therefore, it is recommended that:

20 additional hangar spaces should be developed by the year 2005.

If the Town itself desired to develop these hangars instead of leasing the property to developers, it

is likely that low interest loans or possibly State grants could be secured. This would increase revenues over the projected $21,600 annually and would provide more control over the facilities as well. Key to developing these facilities is the assurance of aircraft demand via written commitments and monetary deposits.

Lease Industrial Road Land

There are 9 vacant parcels located on Industrial Road (excluding Site 7 which is to be sold by the Town). As the FAA releases this property from aeronautical use, it is anticipated that the vacancies will be quickly filled. Local market rates for commercial/industrial land are relatively high due to the scarcity of such property. It is estimated that all 9 parcels can be leased by the year 2005, once the release of the property is formalized by FAA. Revenues to the Airport from all Industrial Road leases have been conservatively estimated to total $118,300, annually. Therefore, it is recommended that:

> ***The remaining vacant parcels on Industrial Road should be marketed and leased by the year 2005.***

Additional Airport Land

A total of 48 acres of Airport property was identified for aviation use, if needed in the future. Of this amount, a little over 4 acres was recommended to be used as hangar space (described above). In addition, 270 acres of Airport property was identified for non-aviation development. Developing the non-aviation property for community outreach and public service projects such as affordable housing, recreational facilities, or for an intermodal terminal will not return market rates for the land, but it will provide a significant intangible benefit to the community. It was conservatively estimated that 35 acres dedicated to these purposes would provide the same return as existing below-market leases in the Industrial Road complex - $31.50 per 1,000 sf by the year 2005. The $48,000 in revenues from this non-aviation use can be dedicated to paying the Airport's operating expenses. Therefore, it is recommended that:

> ***Airport land should be examined for both aviation and non-aviation uses.***

Adjust Rates and Charges

Landing fees have already been adjusted upward. No further adjustment will be needed through the year 2005. Fuel flowage fees have not been increased since the early 1990s. Therefore, it is recommended that:

Fuel flowage fees should be increased by $0.03 per gallon by the year 2005.

This increase should net the Town an additional $14,200 annually by the year 2005. Prior to raising rates, however, the Town should examine the competitive rates at other nearby airports and attempt to remain within a mid-range overall price for fuel.

A general statement can be made that all leases should be reviewed each year for opportunities for the Town. For the future when leases expire and need to be renewed, it is recommended that renewal options are included that permit the Town to perform market rate analyses every five years. Annual indexing to the Consumer Price Index or inflation rate is advisable where appropriate.

State and Federal Grants

It is recommended that grants for all eligible projects be sought from both the FAA and NYSDOT. All open grants should be closed out immediately following project completion.

Any uncollected grant money for work in progress should be requested and completed projects should be closed out as soon as is practical. This will add capital revenues to the Town's local contributions.

6.3 Intangible Assets

Citizen support of the Airport will never be unanimous. As such, recommendations to enhance or expand the concept of intangible assets were made as a part of this study. Intangible assets are benefits that cannot be adequately quantified with a financial value. For example, the Airport is used by many high-profile residents of East Hampton. Their continued use of the Airport supports the exclusivity of the area and indirectly contributes to the land values. Although this value cannot be directly measured, much of the allure and mystic of the Hamptons comes from the ability of these high-profile residents to fly in and out over weekends and during summer months. Maintaining the availability of the Airport, then, is an intangible asset that supports local real estate markets and keeps property tax revenues flowing to the Town.

Another intangible asset of the Airport is its ability to serve as a venue for community-related functions. In the past, the Airport has provided a venue for fund raisers, model airplane contests, dog shows, and static displays of aircraft. In addition, local schools, scout troops, and day camps regularly tour the Airport. Intangible safety benefits associated with the Airport have included aerial reporting of fires in remote areas and aerial medical evacuations when needed. Therefore, it is recommended that:

The Airport should continue to be promoted by the Town as a venue for community outreach, educational, and charity events.

As a part of this study, the value of the Airport's economic contribution to the Town has been estimated. Although these values are not intangible, the publication and dissemination of this information promotes understanding and appreciation. Community support is an intangible asset. Therefore, it is recommended that:

The economic impact of the Airport should be publicized locally to enhance understanding and appreciation.

By serving the best overall interests of the Town, the Airport can expand its intangible asset base. There are a number of strategies that the Airport can use to reach out to the community including the use of some of the developable Airport land for community-friendly projects. Therefore, it is recommended that:

Land properly released from aeronautical use by the FAA should be used for community-friendly projects such as recreational facilities, affordable housing, or an intermodal terminal.

With a number of choices regarding the highest and best use of Airport property, consideration should be given to projects on a portion of the developable property that will benefit the entire community, even if they return less than market rates for the Airport.

6.4 Cost-Efficiency Recommendations

After examining the expenditures for each cost area, it was concluded that no substantial savings can be made from changes to the operating methods now in practice. Airport labor costs are relatively low and the management of the facility is good. Therefore, there were no impacts to the current or forecast level of expenses resulting from cost-cutting or efficiency-improving measures. Also, if the need for airport services increases, it may be desirable to look at potential FBO services, as negotiated in lease agreements, to offset labor costs while maintaining the optimum level of service.

7. SUMMARY OF ECONOMIC ANALYSIS FINDINGS

A NUMBER OF RECOMMENDATIONS HAVE BEEN made as a part of this economic analysis, with the goals of reducing the Town subsidy at the Airport and increasing the overall benefits perceived by Town residents. The recommended plan of action from this report rests on four primary strategic initiatives:

1) ***Existing Facility Preservation*** - Benefits derived from the Airport are dependent upon the active preservation of existing facilities and services.

2) ***Airport Property Use*** - Airport property can be used for both aviation and non-aviation purposes to enhance revenues and create economic development opportunities.

3) ***Industrial Road Leases*** - With FAA release of this property, lease revenues from non-aviation land uses can be increased through the rent-up of vacant parcels.

4) ***Intangible Assets*** - The Airport can serve as a catalyst for community-benefit development such as recreational fields, an intermodal terminal, or a location for affordable housing.

Specific recommendations by timeframe are as follows:

Immediate

- ***1st Priority - Preserve Existing Facilities:*** Existing facilities at the Airport should be preserved through regular maintenance and capital investment.
- ***2nd Priority - Eligible Grants:*** It is recommended that grants for all eligible projects be sought from both the FAA and NYSDOT. All open grants should be closed out as soon as allowed by project completion.

4/2002-12/2002

- ***1st Priority - Industrial Road Leases:*** Market vacant lease parcels on Industrial Road, once the release of property by the FAA is formalized.
- ***2nd Priority - Conversion of Tie-Down Space to Hangars:*** Begin development of 10 additional hangar spaces for the conversion of tie-down space to hangar space.
- ***3rd Priority - Community Outreach:*** The Airport should continue to be promoted by the Town as a venue for community outreach, educational, and charity events.
- ***3rd Priority (tie) - Economic Impact:*** The economic impact of the Airport should be publicized locally to enhance understanding and appreciation.

1/2003-12/2005

- ***1ST Priority - Conversion of Tie-Down Space to Hangars:*** Begin development of 10 additional hangar spaces for the conversion of tie-down space to hangar space.

- ***2nd Priority - Increase Fuel Flowage Fees:*** Fuel flowage fees should be increased by $0.03 per gallon by the year 2005.
- ***3rd Priority - Airport Land Use:*** Airport land should be examined for both aviation and non-aviation uses.
- ***3rd Priority (tie) - Intangible Asset Development:*** Land properly released from aeronautical use by the FAA should be used for community-friendly projects such as recreational facilities, affordable housing, or an intermodal terminal.

Other Recommendations

- ***Management Structure:*** No changes are recommended for the management structure or practice at the Airport.
- ***Administrative:*** No changes are recommended for the administrative or accounting practices at the Airport.

If these recommendations are followed it is estimated conservatively that net revenues at the Airport could be increased within appropriate time frames as follows:

	Expenses	Revenues	Net Revenues
2002	$1,260,800	$1,351,500	$ 90,700
2003	$1,273,600	$1,397,000	$123,400
2004	$1,281,700	$1,429,300	$147,600
2005	$1,295,000	$1,490,600	$195,600

As shown, the Airport is likely to increase net revenues to nearly $200,000 by the year 2005. This financial performance may allow the Airport tax, currently necessary for operations, to be reduced or eliminated.

7.1 Timetable and Trigger Points

Table 12 presents a timetable and listing of trigger points for implementation of the recommended plan, grouped by type of action (administrative, revenue enhancement, etc.).

Table 12 - Action Plan Trigger Points: East Hampton Airport

Action	Description	Trigger Point	Timeframe
Administrative			
Management Structure and Accounting Practice	No Changes. Continue high level of professionalism and responsiveness.	N/A	N/A
Revenue Enhancement			
Preserve Existing Airport Facilities	Preservation of existing facilities is essential to long term financial health of the Airport.	Immediate	8/2001-12/2005

Table 12 - Action Plan Trigger Points: East Hampton Airport

Action	Description	Trigger Point	Timeframe
Convert Tie-Downs to Hangars	Develop 10 hangar spaces for seasonal and year-round based aircraft customers.	Upon confirmation of specific demand and approval of building plans for FBO	10/2001
Convert Tie-Downs to Hangars	Develop 10 additional hangar spaces for seasonal and year-round based aircraft customers.	Upon confirmation of specific demand and approval of building plans for FBO	1/2003
Market Industrial Road Properties	Market and lease remaining vacant parcels on Industrial Road	After formal release of property by FAA	10/2001
Market Airport Land	Identify and market non-aviation property at the Airport for development	Upon approval of the Town and formal release of the FAA.	1/2003
Intangible Asset Development			
Airport Venue	The Airport should continue to be used as a venue for community outreach, educational, and charity events.	Immediate	8/2001
Future Airport Property Use	FAA-released Airport land should be used for community benefit including recreational facilities, affordable housing, or an intermodal terminal.	Upon approval of the Town and formal release of the FAA	1/2003
Airport Economic Impact	The Airport should publicize its economic impact to the community to enhance understanding and appreciation.	After completion of study brochures	10/2001

8. ECONOMIC IMPACT ASSESSMENT

THE PURPOSE OF THIS SECTION IS to quantify the economic impact and contribution of East Hampton Airport to the local economy for the existing situation. This analysis demonstrates the economic effects of Airport and aviation use within the Town of East Hampton and Suffolk County by tracing the movement of expenditures through the various economic sectors until the money is exported incrementally from the County through purchases of outside goods and services.

8.1 Goals and Methods of Analysis

The goal of this analysis was to quantify the following economic aspects of East Hampton Airport both for the current situation.

- ***Direct Spending:*** On-airport spending on employment, operations, and capital projects. Associated with *providers* of services at the Airport.
- ***Indirect Spending:*** Off-airport spending by air travelers for rental cars, hotels, restaurants, etc. Associated with the *users* of Airport services.
- ***Induced Benefits:*** Impacts created by the successive rounds of spending in the local economy until the original direct or indirect impact has been incrementally exported from the local area.
- ***Jobs and Income:*** Quantified income generated by aviation and the number of jobs supported by the Airport.
- ***Total Output in Dollars:*** The combined impacts of direct, indirect, and induced spending.
- ***Taxes:*** Tax revenue contribution of the Airport and aviation industry to local and State units of government in New York.

To accomplish this goal, the study utilized the following simplified process and methodology:

- Collect data on direct and indirect impacts through survey and secondary source published means.
- Apply regional multipliers to direct and indirect impact numbers.
- Describe non-monetary impacts of East Hampton Airport and local aviation.

Two surveys were developed and administered to different segments of East Hampton Airport's aviation economy: Aircraft Tenant Surveys and On-Airport Business Surveys. Airport management surveys were not needed, since much of that data had already been collected for the planning effort. From the surveys, results indicated that average spending on single engine based aircraft averaged $9,893 and $19,703 for twin engine propellor based aircraft in the year 2000.

Surveys of businesses revealed that 38 full and part time jobs and over $2.2 million in expenditures are a direct result of on-airport aviation related businesses. Added to these numbers

are the Airport operational spending at the Airport. For the most recent year, Airport management required 4 full and part time jobs and the cost of operating the facility was $1.19 million. It should be noted that the impact of all of these numbers is multiplied by successive rounds of spending within the local economy.

East Hampton Airport supports jobs at each of the FBOs, as well as the jobs of staff and management of the Airport. Regular corporate users of the Airport include Aetna-Cigna, American Express, Analar Corporation, Bristol-Myers Squibb, Executive Jet Aviation, Loanet Inc., MBNA, Pfizer Corp., Phillip Morris Management Corp., Sony, US News & World Report, and many others. In addition, the Airport serves as a location for regional airline service in the summer months, supporting the jobs of pilots, crew, and airline maintenance workers.

8.2 Results of Analysis

The economic impact methodology first identified the direct spending and employment at East Hampton Airport (called direct impacts) and included the direct spending at off-airport sites such as hotels and restaurants (called indirect impacts in this study). Armed with this information, regional respending multipliers derived from IMPLAN software were applied to the data to determine the multiplied impacts of direct and indirect spending (called induced impacts). Table 13 presents a summary of East Hampton Airport's direct, indirect, and induced economic impacts. As shown, East Hampton Airport supports 141 jobs, $3.9 million in incomes, and $10.4 million in total economic output. If the Recommended Plan is implemented, it will create 111 additional jobs, $3.7 million in additional incomes, and $11.6 million in additional economic output.

8.3 Non-monetary Impacts

There are a number of non-monetary benefits of aviation that have not been mentioned in this analysis. Some of these benefits include:

- ***Transportation Benefits:*** Defined as the time saved and cost avoided by travelers who use airports rather than the next best alternative. East Hampton Airport provides access to the National Air Transportation System.

- ***Stimulation of Business:*** Airports have been shown in other studies to be an important factor in the attraction and siting of new businesses in a community. This is particularly true for businesses with over 100 employees.

- ***Aerial Observation:*** Aircraft using the Airport have provided early warning for fires in remote areas of the Town.

Table 13 - Direct, Indirect, and Induced Economic Impacts	
Item	Total Current Impacts
Direct Impacts	
On-Airport Income	$1,005,000
On-Airport Expenditures (Total including capital costs)	$4,053,100
On-Airport Employment (Total full time equivalent including capital development)	40
Indirect Impacts	
Indirect Expenditures	$2,854,100
Number of Jobs Supported	61
Induced Impacts*	
Induced Direct and Indirect	$3,510,000
Total Induced Employment Impacts	40
Estimated State/Local Taxes	$935,900
Grand Total Dollar Impacts	$10,417,200
Grand Total Income Impacts**	$3,897,200
Grand Total Employment Impacts	141

* Source: IMPLAN Software - Developed originally by the US Forest Service, it is a comprehensive impact system built on the framework of input-output and social accounting methodology.
** Includes indirect incomes from visitor spending and capital development. This is a subset of the total impacts and is already included in the output number.

- ***Aeromedical Evacuation:*** Airports often serve as bases for aeromedical evacuation teams or flight services. This life-saving function has intrinsic value that often cannot be adequately quantified.

- ***Education:*** The Airport serves as a location for school tours, static aviation displays, and other educational outreach functions.

- ***Recreation:*** Roughly 50 percent of commercial airline travel and 60 percent of general aviation travel is for recreational purposes. This includes the valuable tourist trade which brings economic activity to the study region.

All of the above factors point to a value of an airport that is not easily quantified. The impacts that were estimated within the body of this report - direct, indirect, and induced - are only one facet of the overall picture. East Hampton Airport enjoys a significance that is much larger than these numbers can estimate. It is part of a scarce resource that benefits the local community both directly and indirectly.