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1. **Introduction**

The character of Phoenix-Mesa Gateway Airport (Mesa Gateway or “the Airport”) in the future will be a dramatic departure from its past. The Airport is positioned to enter a new phase of development and operations that will be materially different from the conditions that preceded it.

The role of the Airport in the lives and businesses of Mesa and the surrounding region will be more direct and immediate. The physical and imaginary boundaries of the Airport will become more evident in the plans and commitments of public and private investors. The Airport will emerge as a major participant in the regional real estate market, in which decisions of its board will either supplement or supplant the decisions that are made in private boardrooms. The Airport will be a force for change both within and outside of its property boundaries.

To ensure that the Airport is a force for positive change in the region, a vision for the Airport must be responsive to three circumstances that will individually and collectively shape its future:

- Expansion and intensification of development within the Phoenix metropolitan area have pulled the Airport into its sphere of influence. The future role for Mesa Gateway is directly linked to plans and opportunities at Phoenix Sky Harbor Airport in its role as the primary commercial airport that serves this region.

- Encroachment of complementary and competitive forms of development challenge the Airport’s priority over surrounding lands. The public development process for the Mesa Gateway Region and the private development plans for strategic assets within that area are creating new facts on the ground that will have immediate and lasting impacts on airport operations.

- Entrepreneurial spirit that is evident at Mesa City Hall and in the boardrooms of key regional planning and development firms must also be evident in the plans and actions of those who control the Airport. The Airport must be an advocate for its own best interests and secure development entitlements that will support a self-sustaining business enterprise.

The convergence of these initiatives and factors will shape the immediate and long-term opportunities for this airport. A suggested vision and approach to seize the opportunities inherent in these evolving conditions and circumstances is the subject of this memorandum.

2. **Breaking the Trend Line**

Since its inauguration as a civilian facility, Mesa Gateway has functioned as a general aviation airport that offered intermittent commercial service. The primary sources of income have been operating grants from various public sponsors and income from various corporate users. In particular, the Airport established a niche for flight training and aeronautical testing for both fixed and rotary-wing aircraft.
During the past five years various factors have combined to change the financial conditions at the Airport. In particular, there is evidence that revenue from all sources is increasing at a faster rate than operating expenses (Chart 1). Moreover, in 2006 the Airport achieved an important milestone by coming very close to matching income and expense per enplaned passenger (Chart 2). Furthermore, the trend lines are impressive; the rate of increase in expenses is declining concurrently with an increasing rate of growth in revenue (Charts 3 and 4).

**CHART 1: IWA Revenues, Expenses, and Net Capital Asset Acquisition**

**CHART 2: IWA Revenue/EPAX and Expense/EPAX**
Based on these data it is possible to conclude that Mesa Gateway is coming closer to achieving financial self-sufficiency. It is not yet able to operate without public subsidy, but those subsidies (if they continue) are likely to assume a greater role in supporting capital improvements at the Airport as distinct from merely covering the shortfall in annual operating revenues. Once the Airport turns this corner it will be positioned for market-driven growth that is a necessary precondition for a healthy balance sheet based on direct aeronautical activity and related aviation development.
3. Measures of Potential Growth

If the Airport’s future will not resemble its past, what is the template that should be applied to ensure that it achieves the optimum form and function?

To guide us in this process, we adopted an “iterative forecasting methodology” in which we looked to the traffic projections that have been adopted by the Airport board in its current master plan. We also referred to preliminary projections that are contained in supporting documents for the on-going master plan update.

Having reference to the projected traffic volumes for Mesa Gateway in two key years, 2018 and 2028, we identified domestic airports that currently (with reference to the most recent published data) achieve similar levels of passenger and/or aircraft operational activity. In this manner we considered possible substitutes for the future of Mesa Gateway with reference to those airports.

3.1 The 2018 Peers

The Airport board has adopted a traffic projection of 1 million enplaned passengers in 2018 and 318,000 operations. That number of enplaned passengers will generally equate to approximately 2 million annual passengers in that year. It is important to note that passenger traffic and commercial aircraft operations are two related measures of economic activity at the Airport that do not consider activity that is either induced by or independent of that level of commercial air service.

Despite this limitation, if the Airport achieves the projected level of activity in 2018 it will have achieved rough parity with the following airports (based on passenger counts in 2005):

- Colorado Springs Municipal (1.03 million enplaned passengers and 153,300 operations)
- Dayton International (1.20 million enplaned passengers and 109,500 operations)
- Albany International (1.53 million enplaned passenger and 182,500 operations)

In each instance, the airport comparators are strong region-serving airports in their respective markets. They also represent a widely divergent mix of airports in terms of the markets they serve, ranging from a state capital (Albany) to a regional commercial center (Dayton) to a major tourist market.

In the context of this exercise, we noted that the busiest airport (Albany) occupies the smallest land area of the three that were selected (1,200 acres). Land area in this instance has not been a constraint to development. When we examined the ratio of earnings per enplaned passenger and land area as a measure of efficiency, we noted that Albany achieves significantly higher revenue per acre than the other airports (Chart 5). The figure for Mesa Gateway in this chart was derived with reference to projected operating revenue specified in the current master plan. Data from the same sources were used to portray the projected efficiency of these airports based on aircraft operations per acre. In this regard, Mesa Gateway is projected to accommodate far more
operations per year than Dayton and Colorado Springs, but still be well below Albany (Chart 6).

Chart 5: Operating Revenue/acre: 2018 Peer Assessment

With reference to the “2018 peers”, the projected operations and traffic volume at Mesa Gateway present the picture of a strong regional airport that can operate efficiently within its current footprint and airspace.

3.2 The 2028 Peers

The master plan for Mesa Gateway projects passenger traffic and aircraft operations up to 2028. Significant growth is projected to occur during that period that will affect the
physical, operational and financial characteristics of the Airport. In the context of our comparative methodology, the range of airports that currently achieve similar measures of performance will differ from those that were previously identified. We obtained guidance regarding the role that may be performed by Mesa Gateway in 2028 (2 million enplaned passengers and 338,000 operations) with reference to the following airports.

- Tucson International (2.05 million enplaned passengers and 270,300 operations)
- Dallas Love Field (2.95 million enplaned passengers and 244,900 operations)
- Albuquerque International (3.17 million enplaned passengers and 192,400 operations)

When comparing the same ratios that we examined in relation to the 2018 peers we noted that physical size of the airport property is not a constraint to development and operations. Both Love Field in Dallas and Albuquerque are able to support higher passenger volumes on properties that are roughly one-third the size of Mesa Gateway. As a result, both of those airports achieve higher relative measures of efficiency (earnings per enplaned passenger per acre and operating revenue per acre) than is projected for Mesa Gateway. Accordingly, Mesa Gateway should be able to achieve significant and uninterrupted growth in commercial passengers and aircraft operations with a considerable amount of residual land to support ancillary forms of development.

**Chart 7: Operating Revenue/acre: 2028 Peer Assessment**
3.3 **Airports with Similar Land Resources**

Having concluded that the Airport can realize unconstrained growth in commercial passenger service, we turned our attention to the question of property intensification. One way of establishing substitutes for the level of development that can be accommodated on-airport was to compile a list of domestic airports that possess contiguous property of similar size to Mesa Gateway (3,020 acres). Our research revealed the following.

**Table 1:**

<table>
<thead>
<tr>
<th>Location Identifier</th>
<th>Airport Name</th>
<th>Acreage</th>
<th>Non-Aero Revenue</th>
<th>Total Revenue</th>
<th>Non-Aero as % of Total Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEA</td>
<td>Seattle-Tacoma International</td>
<td>2,500</td>
<td>$138,009,147</td>
<td>$500,369,402</td>
<td>27.6%</td>
</tr>
<tr>
<td>LAS</td>
<td>McCarran International</td>
<td>2,800</td>
<td>151,440,399</td>
<td>380,513,876</td>
<td>39.8%</td>
</tr>
<tr>
<td>MSP</td>
<td>Minneapolis-St Paul International/Wold-Chamberlain/</td>
<td>2,930</td>
<td>123,878,724</td>
<td>364,167,165</td>
<td>34.0%</td>
</tr>
<tr>
<td>MIA</td>
<td>Miami International</td>
<td>3,300</td>
<td>154,004,015</td>
<td>591,851,825</td>
<td>26.0%</td>
</tr>
<tr>
<td>PHX</td>
<td>Phoenix Sky Harbor International</td>
<td>3,400</td>
<td>128,441,329</td>
<td>379,406,915</td>
<td>33.9%</td>
</tr>
<tr>
<td>LAX</td>
<td>Los Angeles International</td>
<td>3,500</td>
<td>271,463,003</td>
<td>635,371,860</td>
<td>42.7%</td>
</tr>
</tbody>
</table>

Within a range of approximately 15 percent on either side of 3,020 acres, we identified some of the most complex airports with diverse sources of revenue that operate in the United States. As shown in Table 1, non-aeronautical revenue comprises a significant
These figures highlight the fact that land within the airport perimeter fence is a strategic asset that can be leveraged to achieve financial stability and permit the Airport to serve as a means for regional economic development.

### 4.0 Defining the Opportunities

#### 4.1 Visions for the Future

With regard to the preceding data, we conclude that trends and opportunities support two complementary visions for the Airport.

- **Mesa Gateway** must be firmly entrenched as the second major airport that will serve the greater Phoenix region. It is not sufficient to think and plan in terms of being a general aviation reliever to Sky Harbor Airport. Mesa Gateway should evolve as an autonomous commercial airport that will complement rather than compete with Sky Harbor. The projected passenger volumes and ancillary operating and development potential for the Airport represent a mandate to become an integral part of the lives and businesses of the communities that will occupy the Mesa Gateway Study Area and surrounding region.

- **Mesa Gateway** has a unique attribute that few domestic airports can match. Rather than struggling to fill the role of a commercial airport within the physical envelope of a general aviation facility, Mesa Gateway has the physical resources to rival Sky Harbor and several of the largest and most successful commercial airports in the country. In this regard, the airport does not have to adapt to its circumstances but instead can tailor those circumstances to meet its needs. Therefore, it is appropriate to establish a vision for this airport as setting a national precedent for the marriage of form and function in airport planning and development.

#### 4.2 Pragmatic Goals to Achieve The Visions

In order to provide a seamless transition between the previous role and expectations for Williams Gateway Airport, and the emerging opportunities for Phoenix-Mesa Gateway Airport, we have outlined several inter-related goals that should be infused in all future plans for the airport.

#### 4.2.1 The Strategic Plan

Mesa Gateway will act as a magnet for residential, commercial and industrial development for the foreseeable future. The boundary of the airport property (as distinct from the location of the airport security fence) should simply denote a change of ownership rather than a change of use.

While this perspective requires reciprocal efforts by planning officials on both sides of that boundary, Airport officials can signal their intentions to blur the distinction between on-airport and off-airport development. The land area that is controlled by the Airport is sufficiently large that more than merely aviation activities can be developed in concert with significant expansion of non-aeronautical facilities and services. In other
words, some portions of the airport can serve as a transition zone or buffer between the core airport operations and complementary land uses.

The strategic plan for the Airport must reflect a multi-faceted approach to development that is guided by the imperative to replicate on the airport property many of the land uses that will eventually surround the property. Accordingly, it is imperative that land use planning at the Airport be based on a different paradigm than is traditionally employed in airport development. The airport lands must be planned with a long-term strategic vision of the integration of commercial (i.e., office, retail, hotel), industrial (i.e., manufacturing, warehouse, distribution), recreational and community uses (e.g., educational) alongside the transportation function. The strategic plan must adopt and enforce the perspective that the Airport is a “central place” in the region, and that sense of place must embrace a wide range of complementary land uses.

Because of the complex and close physical relationships between land uses on the Airport, it is arguable that strategic planning initiatives for the Airport must employ the highest standards of urban design. It will be through the marriage of urban and airport design, rather than their separate application, that Mesa Gateway will achieve its full potential.

4.2.2 The Investment Plan

An ambitious strategic plan must be implemented by an equally ambitious investment plan.

Mesa Gateway has already demonstrated the linkages between physical facilities, operational capacity and growth of aviation development. The extent of aircraft testing, flight training and the recent expansion of commercial air service are each proof of the concept that demand is responsive to supply. The provision of facilities was a necessary precondition for the introduction of new uses and users.

The same principle must be applied going forward. In order to provide for uninterrupted growth of corporate and commercial air service, and to foster the absorption of land for non-aeronautical uses, it will be necessary to build ahead of demonstrated need. The Airport board and its financial sponsors must accept that in order to perform a greater economic role in the region, which includes serving as a catalyst for development and infrastructure finance in the Mesa Gateway Study Area, it will be necessary to invest “venture capital” in the Airport.

This process implies that new terminal development should be accompanied by the development of other land uses. Those other uses, which should include hotel and office development, must be strategically located to define planned development nodes at key locations on the airport property. In this respect, the Airport will demonstrate an early and active role as a means for growth.

To address the tension between spending money for entrepreneurial land development and avoiding the imposition of fees and charges that dampen the enthusiasm of new and
expanding airport users, the Airport must strike a balance. That balance will be achieved by recognizing that stable cash flow over the long term is consistent with a short-term program of significant capital investment. It is the perspective of timing that is key to a successful investment plan.

Mesa Gateway must live beyond its means for a period of several years in order to seize the immediate opportunities to increase market penetration in the aviation sector and gain traction in perfecting its role as a major driver for regional economic development. Due to the fact that investments in airport infrastructure and facilities (for aviation and non-aeronautical development) occur in stages, it is necessary to secure grants, loans and commercial market debt to build strategically important projects.

At some point that short-term perspective must give way to a longer-term program of sustainable investment. There is no clearly defined point in time when that transition should occur, but there is a guideline that can provide a general indication of timing. Many major airport users, principally commercial airlines, are sensitive to their forecast cost of operation and in particular the cost per enplaned passenger.

When setting the pace of investment in the core assets of the airport, and subsequently incurring the costs to operate and maintain those facilities and services, Airport officials must be careful to price the airport competitively and avoid imposing prohibitively steep costs per enplaned passenger.

The investment plan, therefore, must have various stages that correspond with stages in the growth of the Airport. Similarly, the investment plan must balance the entrepreneur needs of a growing airport with the longer-term fiduciary obligations to its investors and airport users. These statements imply that the investment plan must remain a work-in-progress for the foreseeable future.

4.2.3 The Operational Plan

The Airport is, first and foremost, an airport. The visions that are outlined above speak to airport form and function. Aeronautical activity is not an interim use of the property but rather the central theme that ties together all aspects of these visions.

From this perspective it is necessary to clearly state the operational “holy grail” for Mesa Gateway. The Airport should represent to commercial airlines, cargo and freight shippers, and general aviation users a viable alternative to Phoenix Sky Harbor for time-sensitive travel and time-critical shipments. Mesa Gateway should not merely pick up the overflow from Sky Harbor; it should be an airport of choice for key operators and users in this market.

In order to attain that objective, the Airport must do two things very well:

1. It must ensure that the physical layout of the Airport is designed to achieve operational efficiency from the users’ perspective; and
2. It must ensure that off-site impediments or constraints to operations are minimized and mitigated.

Both of these themes share a common thread, which is the recognition that the Airport is situated in an area that will experience explosive growth. The Airport will be a beneficiary of that growth but also a potential victim. Growth that is not planned to recognize the permanence of the Airport could severely curtail its prospects for growth.

While this point is stating the obvious, it is essential to stress that the operational plan for the Airport, like the strategic and investment plans, combine “pushes and pulls”. Each plan contains elements of advocacy and self-defense.

In the context of the operational plan, it is imperative to safeguard flight paths in the air and related corridors on the ground from the encroachment of incompatible uses. The operational plan, therefore, must be selective in the areas that it seeks to protect, and reasonable in the range of permitted land uses and mitigation measures that may be applied. In this manner the Airport will be accepted as a good corporate citizen, even as it acts as a forceful advocate for its customers and users.

### 5.0 Steps to Achieve the Vision and Goals

To achieve the Visions and Goals it will be necessary to take specific steps that are outlined below in summary fashion.

- Define the land area required to establish the “aviation envelope” that will support the regional interests of both airport and airline users – do not quarantine lands that are not absolutely essential for uninterrupted regional airport operations.
- Protect off-site airspace by promoting noise-compatible developments within key operational corridors – a wide range of commercial, recreational and residential uses can occupy land in close proximity to the Airport and its active airspace.
- Transfer the focal point of the passenger and commercial experience to the east side of the property where a new passenger terminal should be developed as a regional landmark – the Airport entrance should be a major thoroughfare within the Mesa Gateway Study Area that creates a sense of place well beyond the airport boundary.
- Convert the existing terminal and commercial buildings along the west side of the Airport into the means for a Gateway Enterprise Park that reinforces linkages to the Polytechnic campus of ASU and Chandler-Gilbert Community College – transform the existing terminal building into a social and recreational hub for the community of itinerant and locally-based airport users.
- Ensure that on-airport and through-the-fence development conform to urban design standards that brand those areas as part of a larger Gateway Airport Campus – establish building and street signage, as well as a portfolio of building and landscape features, that creates a sense of place throughout and around the Airport.
- Promote the Airport as an urban amenity within the Gateway Study Area – cultivate reciprocal linkages with major developers and operators of business, leisure and entertainment facilities throughout the region in which Mesa Gateway is promoted as the first and last impressions of the visitor experience.