

ECONOMIC DEVELOPMENT COMMITTEE
DECEMBER 5, 2006
4:00 P.M.

Chairman Page called the meeting of the Economic Development Committee to order, with Councilmen Benson, Rico, Gaines, and Rutherford present. City Attorney Randall Nelson and Shirley Crownover, Assistant Clerk to the Council, were also present.

Others present included Dan Johnson, Daisy Madison, Mike Landguth, and Mayor Littlefield. Marie Chinery joined the meeting later.

AIRPORT REPORT

Chairman Page stated that Mike Landguth, CEO of the Airport Authority, was present today to give us an update; that he had to leave the meeting no later than 4:30 P.M.

Dan Jacobson, Chairman of the Board, introduced Mr. Landguth. Mr. Jacobson stated that he was pleased to have this opportunity to be with the Council and wished each and every one a Happy Holidays. He stated that Mike Landguth was President and CEO of the Metropolitan Airport Authority and had been since 2004; that prior to this, he had been Vice-President of Operations and had also been affiliated with the Airport Industry in Phoenix. He has a Bachelor's and Master's Degree and is a certified flight instructor and licensed pilot. He went on to say that Mr. Landguth had received numerous awards and was a recognized leader in the Airport Industry and was on both National and Regional Boards. He stated that he thought he spoke for the entire Board in saying that we are fortunate to have Mike as a leader because of his credentials and experience. He ended by saying that they were very excited about the growth at the airport.

Mr. Landguth began by saying that he would talk about a couple of things. First, he stated, the Airport was more than transportation but was actually Development—that there was constant construction and development, and the key was how to be self-sustaining; that no City or County taxes were used. He stated that they were good for economic development in the community. He mentioned that over five years, \$25 million dollars had been spent for infrastructure and \$4 million a year is planned for the next 15 years.

At this point, Mr. Landguth showed a map of the airport and walked the committee through a series of slides. He pointed out the terminal and a development of a two and one-half mile road just to develop the infrastructure that cost \$5 million dollars. He mentioned the anchor key tenant.

The next piece that Mr. Landguth talked about was the way to get into the property, or the runways. He explained that the secondary runway is 36 years old, while the typical age of a runway is 20 years. He noted that it was closed for total reconstruction, and we will be spending \$8 million dollars on this project. He mentioned Runway II, where \$5 million dollars will be spent on a box culvert. He stated that we were doing a lot of work with runways and were working our way out, adding that runways were expensive to maintain and build.

He talked about accidents where aircrafts are intensely on fire, noting that we have a great crew and work well with the Chattanooga Fire Department. This operation involves crashes and fires and all of the outside agencies respond to crisis in this area.

Mr. Landguth reiterated the \$5 million dollars for the new road with two connectors, noting that we had spent \$25 million dollars on a lot that was important to all of us.

He next talked about the Airline Industry, stating that we were on the road to recovery; that it was a question of basically supply and demand; that things had been terrible for airlines and many were forced into bankruptcy. We were now starting to move supply out of the system and there had been a change in fares; that on the national basis, fares were up and that Atlanta was up by 18%.

Mr. Landguth talked about new services that had been added: U.S. Airways, which flies nonstop to Washington, D.C. into the Reagan Airport. He noted that there was good connectivity out of the hub into Boston, Hartford, and Philadelphia. American Eagle flies nonstop to the Dallas-Ft. Worth area, which is the number five destination for this community. It provides westbound connectivity and has been available for about 12 months. Continental Airlines flies nonstop to Houston and provides us a top 30 westbound destination. He mentioned the dependability of this carrier. Allegiant is our newest and has been here since 1997. He explained that it was really a booking company that got into the flying business and had great introductory rates; that one could fly to Orlando and Tampa for less than \$200.00. He added that competition drives down fares and that we support all of our carriers, noting that we have six. He noted that in some cases one can fly to Washington D.C. from Chattanooga for \$278, where it might cost \$380 to fly from Atlanta. He stated that we had to look at all our options. He went on to say that we have six airlines serving ten cities with nonstop service, which he thought was quite a bit of service. In closing, he said that air service drives economic development. He asked for questions.

Chairman Page asked about on time delivery; that there was a criticism about not flying out of Chattanooga because of cancellation and delays. Mr. Landguth responded that they exceed the national average in most cases for good delivery; however the culprit is ASA.

Councilwoman Rutherford thanked Mr. Landguth for coming, and she also thanked Mayor Littlefield for his latest appointment to the Airport Authority Board, stating that it was long overdue for a travel agent to be on the Board because the key to selling carriers goes to travel agents, and the travel industry is wonderful and positive improvements start with travel agents. She stated that she hoped to have another report soon that would touch on General Aviation, stating that she had nothing but praise for the additional carriers.

Chairman Page asked Mr. Landguth to touch on general aviation.

Mr. Landguth stated that there was a quarterly travel agent meeting; that when Allegiant came into town, they had a lunch and tried to partner with agents. He mentioned 12.5 acres for development and also another 16 acres for development. He stated that it would be good to add another connector, and we had land available for use and had to decide what would be the best opportunity. He reiterated that they have to be self-sufficient and had formed an Advisory Committee.

Mayor Littlefield stated that he would like to reinforce what Mr. Landguth had said about the availability of flights, stating that he had had an unfortunate experience with Atlanta, and it was not totally the fault of the airline. He went on to say that prices have moderated and mentioned “companion certificates” to be used for flying with his family to Denver—that they could not use them to fly out of Atlanta but could use them if they flew out of Chattanooga.

Chairman Page expressed his appreciation for this partnership with the City.

SPHERE ONE INC. PROJECT

Chairman Page recognized Kurt Faires, Attorney with Chambliss, Bahner & Stophel.

Attorney Faires stated that he represented Sphere One, Inc., which was headquartered in Ohio; that they were expanding to Chattanooga with a \$5 million dollar investment; that Mark Bonay, their Technical Manager, was present today. He went on to say that jobs would be created in excess of \$40,000, and the company would offer 100% health coverage; that the demand outpaces their supply, which is a good growth story; that their product is used in space shuttles.

Chairman Page asked Mr. Bonay to give the committee an overview of their company and product.

Mr. Bonay stated that they were known as a PQ company right now; that they produced cenospheres that were used in space shuttles that were lightweight and high performing; that in June there were 1 million pounds of material per month and in February it was up to four million pounds a month. He mentioned a Specialty Grinding Facility to handle sub-micro particles, which is a process for densifying. He noted that they were in the process of a synthetic version of cenospheres. He stated that they were growing, and he was spending his time hiring people and keeping up with the growth.

Councilman Benson asked if the expansion of the industry would be on Amnicola. He was told that it would be at Holtzclaw and Third Streets.

Mr. Bonay added that they were international and received materials from all sources.

On motion of Councilman Rico, seconded by Councilwoman Gaines, this will be recommended to the full Council for approval.

Chairman Page welcomed the company to Chattanooga and expressed appreciation for their confidence in this City. He asked Attorney Faires to speak to the actual pilot program.

Mr. Faires explained that it was a four-year deal. The tax abatement was 100% the first year; 75% the second year; 60% the third year; and 50% the fourth year.

The meeting adjourned at 4:30 P.M.