Report No. 1: Castle Airport Development Center

Introduction:

On January 12 and 26, a committee of the Grand Jury conducted a review of the Castle Airport Development Center, with the intent to ascertain the progress made thus far toward the ultimate goal of having the center become a viable, financially stable enterprise for the county. The committee met at the Center with Mr. John Fowler, Director, Merced County Department of Commerce, and Aviation & Economic Development. The committee also met with Mr. M. Stephen Jones, Merced County Auditor-Controller.

Findings:

Mr. Fowler presented the committee with an extensive overview of the actions taken at Castle since the Air Force departed in 1995. His presentation included a discussion of the infrastructure conditions, availability of buildings and facilities for lease or sale, current status of the aviation portion of the center and future plans and proposals.

Initially, Castle was taken over by an entity designated as a Joint Powers Authority (JPA), which consisted of representatives from Merced County and the cities of Atwater and Merced. Among the obstacles encountered was the base's status as a superfund site, which it remains today; buildings were not in compliance with local codes, high maintenance costs, and others. Following the Air Force's departure several tenants were soon found, but they were given extremely favorable lease rates with the provisos that they were to bring their facilities up to code. Hence, these leases were not financially rewarding. Additionally, some of the facilities were misused and damaged. The JPA was ultimately unable to properly develop Castle efficiently, and in 2000 Merced County took over as the lead agency to develop Castle for civilian use.

Of the approximately 188 facilities there, 58 have had to be demolished and another 57 are due to be. Some examples of problems with the buildings include such items as roofs failing, warped floors, asbestos contamination, bird and rodent infestations, etc. The largest hangar is unusable due to floor damages and being overrun with pigeons. In addition, the Trichlorethylene (TCE) cleanup completion date is estimated to be 2044. Costs for this are, and will continue to be, borne by the Air Force. Over $200 million has thus far been spent on this effort.

The Center has been divided into two pieces of property - an airport portion and a facilities portion. The airport has received funds from the FAA and has been upgraded to conditional FAA Part 139 designation. The upgrade was done at a cost of approximately $17 million. This designation means that it can now be used for commercial air traffic, but will only receive its final designation if, and when, commercial air usage begins. Under FAA rules, Merced County must continue to operate it as an airport, and all facilities in the airport portion can only be utilized for airport related purposes. In addition to currently used facilities of the airport, such as the former fighter area which hosts a charter operator and the portions being used by two flight schools, there are approximately 50 thousand square feet on which cargo or passenger facilities can be built. The county continues to aggressively seek a major airline or air cargo firm as tenant(s) for the center.

After several years of effort, a property management firm has been selected to manage the center property. While negotiations with the firm are not yet finalized, a Master Development Agreement is expected to be in place early in 2007. This will result in a constant payment to Merced County of an agreed upon amount, while the property management firm will receive all lease revenues. Overall, these terms should result in a positive cash flow for Merced County.

Some parcels of the facilities portion of the center have been conveyed to other entities, including the University of California/Merced, Bloss Hospital District and the Castle Air Museum. Recently, a parcel of the property was leased, with option to purchase, to a lumberyard firm. Both this firm and the air Museum are within Atwater city limits, so sales tax revenue from their operations goes to the city of Atwater. Those properties, which are currently leased, will be subject to renegotiated lease terms when the new management agreement is finalized. Authorities assume that some of the current tenants will probably depart because they will be unwilling or unable to pay market rates for the leases. However, it is also assumed that the center will be able to attract other tenants, particularly those whose business relates to airport activities.

Recommendations

None