Commission Meeting

of

NEW JERSEY GENERAL AVIATION
STUDY COMMISSION

LOCATION: Committee Room 16
State House Annex
Trenton, New Jersey

DATE: January 22, 1998
1:30 p.m.

MEMBERS OF COMMISSION PRESENT:

John J. McNamara Jr., Esq., Chairman
Jack Elliott
Peter S. Hines
Suzanne Solberg Nagle
Henry M. Rowan

ALSO PRESENT:

Charlotte A. Tomaszewski
(representing Gualberto Medina)

Meeting Recorded and Transcribed by
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JOHN J. McNAMARA JR., ESQ. (Chairman): I'm Jack McNamara, and I'd like to call to order the meeting of the New Jersey General Aviation Study Commission for January 22, 1998. Present are Charlotte Tomaszewski, from the Department of Commerce; Henry Rowan, Peter Hines, Jack Elliott, and myself.

The business before us today is to determine the policies of this Commission and the recommendations that we are going to make to the Legislature and the Governor.

The first item I'd like to address, however, is the second draft -- to make a progress report on the second draft of our report. I can only tell you that with the exception of one family emergency and one week of being in bed ill, I've been giving that all of my time, and I would hope that I'd be able to mail that report to all the Commissioners some time within the next couple of weeks. I had hoped to have it out before this, but it's incorporating the studies that we've done -- is something that takes a certain amount of analysis of the studies and then a reduction to putting it into communicating it. It takes a bit more time than I had given it.

At the end of our last meeting, I had asked Linda Castner and Fred Telling if they would each take a shot at redrafting our Executive Summary.

Here is Suzanne Nagle -- for the record -- joining us.

My first question is, is there anyone here who does not have a copy of the McCarter-English memorandum on taxation? Because I brought some extra copies down.

MR. ROWAN: I believe I do.

MR. McNAMARA: Okay. Let me just distribute these. This is just in case you don't have it. (distributes papers)

Suzie, do you need one?

MS. NAGLE: I have one.

MR. McNAMARA: You do.

Let me, while I'm up, distribute to you-- This is Linda Castner's revision of the Executive Summary. And I am awaiting receipt of one from Fred Telling. I know that he's been working on it. That report has come from him, the secretary, and Rich Bagger -- all of whom have seen it. But, I guess, he's still in the course of revising it. Linda's report goes substantially to the form of presenting our recommendations.

What I'd like to do today, if we can, is to just confirm what our recommendations are going to be, and I'm questioning whether we have a sufficient number of people here to do that.

After you've finished your review of this submission of Ms. Castner, I think we should take comments and discuss it. (members read papers)

Is everybody finished with this now? (affirmative response) Okay.

At our last meeting-- Let's take these item by item. First of all, are there overall comments on this form? She set out her objectives, her findings, her strategies, and divided her action items into three groups -- State, financial, and administrative aid; public relations, community relations in open space; and enhanced airport business opportunities.

No comments on the format? Okay.

MR. ROWAN: I think I have a comment -- maybe before I left off with my last communication with you, Jack.

First of all, for the record, I would like to compliment and recognize the yeoman's job that Jack McNamara has done in spearheading this Commission as our Chairman. It's just been a marvelous job. I think that needs recognition, and perhaps, it's already been recognized.

And I think this is an excellent summary of the steps that the legislators should take in promoting and continuing aviation. I think my one comment is the same as I made to you in a letter some time ago, Jack, that it's my opinion that the aiding programs -- I'll call it that -- and the financial contribution to the development of airports is all very important, but I think airports will still continue to disappear if we don't recognize the development rights.

Linda has covered that very nicely, but in my mind, it's too far back in the report and might be missed. I think it ought to be right up front -- that's the State program enabling private airport owners to sell or transfer their development rights. I think that belongs right smack up front, because without that, airports will continue to disappear. And I think if we did only that, we'd be better off than doing all the other things and not that. So that's just my opinion, but I think, if it's appropriate to bring it up at this time, that's what I would put as the first item -- that airports will disappear as long as airport owners can sell their land for development at a higher price than they can earn running an airport. And I think that's so basic that I think it has to be our main recommendation and then the other things to follow as supporting exercises to maintain the airport operations or to improve them.

MR. McNAMARA: I'm in concurrence with your comment.

First of all, Hank, thank you very much for the kind comments.

I am in absolute concurrence with your comments that the key to abating the further loss of general aviation airports is to secure title to their development rights. The State could-- It's the least expensive method by which the State can dam the flow.

I think there are other things that are absolutely important such as we have to do something to reduce the expenses that the general aviation airports and, especially the taxes expense -- bring that into equality with other public-use airports. I think I'm in absolute agreement with you on that, that that's got to be our very first recommendation.

Pete.

MR. HINES: Jack, my first comment -- I appreciate what Henry has said, and it's true. We do need that. I think the question of why do we want to do this hasn't been answered yet. Why do we want to provide tax abatement? Why do we want to allow development rights? We haven't sold the airport as an economic contributor to the state from what I've read so far.

MR. McNAMARA: Oh, I see. In other words, in this format of making these recommendations-- I don't think that this is the format that we'll end up using. I think this is a-- Fred Telling is working -- has this exact assignment, also, and he'll come back with a format. We will probably use the best of both. We already have a format in our original report, which is a third format, and we'll probably use the best of all three.

Essentially, what you're saying is before we get to -- I'm not putting words in your mouth, it's sort of like a true/false question -- the point where we start recommending these grand expenditures, we ought to give a good reason for recommending them.

MR. HINES: Absolutely.

MR. McNAMARA: Yes.

MR. HINES: We got to prove our case.

MR. McNAMARA: And set the 1.7 billion economic impact.

By the way, I want to just in passing clarify two numbers. We have 1.3 billion economic impact on the Air Tech Study of the 35 general aviation airports with an estimated, I think, 3 million for the balance of the general aviation airports. But we don't have any study of the general aviation at Newark -- the economic impact at Newark by Air Tech.

NBAA had done a study. They had close to 50-- I think it was 48 billion national economic impact for general aviation. And they attributed 1.7 billion to New Jersey. And I would suggest that the difference between the Air Tech Study and the NBAA number -- that four-tenths of a billion -- could be substantially explained by the general aviation traffic at Newark. Five percent of Newark's traffic is general aviation. And Newark's economic impact has been studied by Port Authority to be in the nature of 6 billion. So 5 percent of 6 billion -- not that that's a fair way to arrive at the figure, but you got to start somewhere -- would be three-tenths of a billion. And that would bring the 1.3 up to the 1.6, and NBAA was at 1.7. So it's by way of saying that 1.3 of the Air Tech Study isn't the end of the economic impact in New Jersey for general aviation.

The reason I mention it today that it was something that I was wrestling with and trying to work it out because I found discrepancies in the report, and I think it's important for the report to at least be consistent.

Is that pretty much what you were getting at, Pete?

MR. HINES: Yes, I feel the economic impact of the airports in the State of New Jersey has to be thrown up front. I think this is what we all have to be concerned with in New Jersey and the Legislature should be concerned with. I don't think they know it. I don't think anybody has an idea--

MS. TOMASZEWSKI: No. No, they don't.

MR. HINES: --what the impact is of our airports.

MR. ROWAN: Yes, I agree that our reports should lead off with the economic impact, and how we are going to preserve the economic impact, and then we go to Linda's format from there. Absolutely right.

MS. TOMASZEWSKI: Could you put-- Is that part of the findings also though? So wouldn't that be right at the beginning of the findings?

MR. ROWAN: Yes.

MR. McNAMARA: It should be, yes.

MS. NAGLE: Jack, we also want to cover the history -- Commissioner Elliott's report -- about how we keep losing airports. So that's the reason for airports being able to transfer their development rights.

MR. McNAMARA: That's right. Of course, Jack's report indicating that generally it was real estate taxes and the opportunity cost of owning an airport. If you have an opportunity-- If you elect the opportunity to run an airport, your cost is that you aren't selling your land for many millions more than you'll make upgrading an airport. Right. And that's pretty much the gist of your report--

MR. ELLIOTT: Right.

MR. McNAMARA: --that people were getting out of the airport business because of high taxes and opportunity costs.

MR. ELLIOTT: A lot of work and not much profit. And it's interesting to note that there are several airports that were sold and the land has remained fallow. I think Flanders is an example. I don't think that they've ever built there. I don't think anything has ever been built on East Hanover. It was unprofitable to run those airports. It was just no sense staying there. They all needed tremendous investments in order for the operator to stay there and continue operations. There are some others, but they don't immediately come to mind, but those are two. Also, Totowa-Wayne -- one building was put up on that land, and I think about 85 percent to 90 percent of the land has never been used. But he was put out by taxes because the city wanted to get rid of him. They wanted the land developed and developed to the extent of one commercial building and not a terribly big commercial building.

MR. McNAMARA: While I have the floor, I might ask your indulgence to just listen to one other calculation that I put together. I'm concerned to know if the State were to pay for our general aviation airport system and to bring it up to standards -- what that would cost? Because the benefit of purchasing development rights becomes very apparent when you can see how much you can actually save. I have essentially taken the land that is owned privately and dedicated it to general aviation airports. But essentially, here's what I've done. I've started off by saying that the model, self-sustaining airport would be one of 500 acres.

If you look at Teterboro, Morristown, Newark, Atlantic City -- Atlantic City is out of sight on acreage -- but they-- Atlantic City has 5000, Newark has 2000, Trenton has 1300, Millville has 900, Morristown has 600, Cape May has about 1000, Solberg has 700, Allaire has 850. You can see that if you're going to have an airport on which businesses that will pay rent can locate and you're going to have the clear area that's required for an instrument landing system, which essentially is 750 feet on either side of center line for the full length of the runway, you're going to have to have -- I think just on clear areas with a precision approach on your main runway and a nonprecision approach on your crosswind runway, you're going to have, which is a 500 foot either side of center line, about 130 acres given just to land that can't be touched.

Then you have to have aircraft parking areas, hanger areas, terminal areas, ramp areas, fueling areas, larger places for fuel storage areas, and then you have to have room for other businesses that can come on the airport and pay rent other than just the rent of aircraft storage and maintenance.

So for that purpose, I took a figure which was a little bit smaller than these other airports and said it was 500 acres. And I took that and multiplied it times the 38 airports and subtracted from it the 4500 acres that are already privately owned and purchase that at a rate that I set at 40,000 an acre.

Oh, I also purchased, for the State in this scenario, the 4500 acres against at 40,000 an acre. And on each airport, I put down $1 million worth of improvements. I just was doing this last night, and I typed it on a page that I didn't bring with me, so I don't have the breakdown of those numbers. But the total of the numbers, $1.1 billion, if the State wanted to create 48 500-acre airports-- Oh, did I mention that I added, in addition improvements to each facility, in the nature of $5 million worth of improvements to each facility? And the total cost of that came up to 1.1 billion. So if you're going to have 48 airports with substantial main runways and crosswind runways and 500 acres, the total cost would be 1.1 billion of which, it's not probable, but at least possible, the Federal government would pay 90 percent, maybe in this state, with an obligation of 110 million, which would be $22 million a year over five years in a capital improvement program, which is certainly within the realm of possibility.

If the Federal government wouldn't come in for that amount, the State would, of course, have to undergo -- probably not develop 48 airports and come in at a lesser level. But the improvements -- the capital improvements -- the State would have to make to have a sufficient airport system are not beyond the ability of the State. And with what we would recommend in terms of this purchase of development rights, which is even a better system, I think, it keeps the airport owners who are there now, there, and gives them for the first time a real fighting chance to get a competitive return on their investment. And these are the people who want to be in that business. They've demonstrated that for some time, in some cases for generations. So it's a better arrangement to do it with the purchase of development rights. And with the purchase of development rights, you're going to be saving an enormous amount -- maybe I would think probably another 20 percent at least -- on the purchase of the first 4000, 4500 acres.

MR. ELLIOTT: I'd like to point out, I don't think every airport has land available for development rights. I don't think Trenton-Robbinsville has any land, it's a narrow strip of land. Or on base, which is Somerset, I don't think they have any land available for development rights.

MR. McNAMARA: My calculations-- I'm aware of that, but my calculations more or less said this. Take Somerset Airport, I believe it sits on--

MR. ELLIOTT: Seventy-eight or something.

MR. McNAMARA: It sits on 210 acres. In my scenario, we would go there, we'd have to buy another 300 acres. Condemn and take 300 acres of surrounding land.

MR. ELLIOTT: Yes, you have to talk to Mr. Forbes about that.

MR. HINES: Yes, I was going to say--

MR. McNAMARA: Yes, you'd have to talk to somebody about it. This is the way the State does things. This is why the State has the right of condemnation. It's how they build highways and do other works for the public purposes. You would buy the 210 acres from the airport owner for $40,000 and acre. You'd buy the other 290 acres from surrounding land owners, put down a 7000-foot runway, put down a crosswind, put down some taxiways, ramps, etc., and end up with an airport.

MR. ELLIOTT: When you talk about a 7000-foot runway, what you're telling the public, which is generally opposed, and the communities, which is strongly opposed to airports, is that we want to put jetports all over the place. In the first place, I don't think we need a jetport on every corner. This has been toned down some, because I think the original reports say there should be an airport with a 7000-foot main runway, 4000-foot cross runway in every state -- every county. There is no need for a jetport in every county, and there is not enough demand by corporate aircraft for that many jetports. You're not going to have a 7000-foot runway in an area where maybe there's one company with a jet. Number one, it isn't needed. Number two, it would arouse tremendous opposition from local communities and from the general public, which is anti-aviation to start with. I don't know why we would need a jetport in every county.

MR. McNAMARA: Well, we agreed at our last meeting that we wouldn't say in every county.

MR. ELLIOTT: No, but it says strategically located, and I don't know what that means.

MR. McNAMARA: My personal feeling is to the contrary. I think that, one, that is where business is going. It isn't there right now except in some selected cases. But the manufacture of corporate jets, or as Jack Alcot (phonetic spelling) refers to them business aircraft, is currently outstripping either the manufacture of Part 121, the major airline aircraft or the regional airline aircraft. It's the major element of aircraft manufacture today. More and more, we're going to see the use of them. And more and more, as companies come to want to use them, they're going to locate their plants, their warehouses, their storage facilities close to airports.

We don't have to go far with Hank sitting here to have somebody tell us about the value of having an airport close to the plant. And in New

Jersey throughout our history -- I took some time and read the history of New Jersey and especially the transportation history of the State of New Jersey. New Jersey has always been a roadway. It started as a roadway between New York and Philadelphia. And it became a roadway between the North and the South. And every time we had a new means of transportation introduced, whether it was a colonial road over an Indian path, a toll road, a railroad, a trolley line, or a highway, industry grew up along the right-of-way. And today industry, transportation, especially with companies that are going to provide jobs, transportation is going to the business aircraft. And the state that's going to get those jobs is the state that is going to provide the facilities for those aircraft. And the counties that are going to get those jobs are the counties that have the facilities for those aircraft.

MR. HINES: Jack, there's no doubt that we could use airports in some locations of a larger size on what we have. But those counties that want those airports, that should have those airports have to be convinced that it's in their best interest to have the airport. Some of the counties down in South Jersey, there's plenty of open land there and a lot of undeveloped land. Somewhere down the line, it's going to have to be developed, and they're going to have to put in airports that will attract the business aircraft.

A 7000-foot runway scares me. I don't think you need a 7000-foot runway with today's aircraft. I think the range should be anywhere from 4 to 7 at max. A 4000-foot runway can handle a lot of business aircraft, and in some communities, that may be all you need. So the land requirement that we're talking about, it should be arranged.

MR. McNAMARA: Do you know why I selected 7000, Pete?

MR. HINES: If that detracts an airline -- if you want to put an airline in there -- a small airline.

MR. McNAMARA: No, not for that. As a matter of fact, I don't mind-- As a matter of fact, what my recommendation -- my personal recommendation -- as one Commissioner would be, is that the 7000-foot runway be limited to a 100,000-pound weight-bearing capacity. It could take a Global Express or a G-5, but it couldn't take a 737 or a A-320, which the corporate version of the A-320 would be the A-319. They weigh in at 140,000 pounds and up.

MR. HINES: So you're going to put a weight limitation on it?

MR. McNAMARA: I'd put a weight--

MR. HINES: Seven thousand feet, though, would be in your opinion on a safety factor for the airport.

MR. McNAMARA: Absolutely. And a noise reduction factor.

MR. HINES: And a noise reduction factor. All right.

Now then, I'm sort of bothered by your scenario that you developed here with all this land. This concept we're now coming up with -- that you're putting on the table--

MR. McNAMARA: This is my concept. You don't have to be bothered by it.

MR. HINES: Well, I know that, but what I'm saying is, isn't it a little bit late in the day to put that concept on the table for inclusion--

MR. McNAMARA: Oh.

MR. HINES: --with a limited number of Commissioners here?

MR. McNAMARA: You may have-- Well, you certainly have a point, and I questioned it myself. But then I asked myself what's the point of having a Commission that works on something for four years-- You're always going to have another idea as you begin to write these reports, you're going to always come up with the thing you overlooked. And what's the point of having the Commission overlook something? I mean, as the Chairman of the Commission, I don't mind if something that I propose is not accepted by my fellow Commissioners, but I would mind if there was something that should have been considered by this Commission before we dissolve and it wasn't. And I don't think that we're going to get too late so that we can't consider things that are worthy of consideration.

MR. HINES: Well, that's possible, Jack. The only point, I guess, I'm trying to make is at some point here we got to put this program to the legislators and get some feedback from them or get some-- Hopefully, they can move on it. There's always going to be new concepts and what have you. Those can be addressed. But if we keep on coming up with new concepts at every meeting, we'll be here forever. I think we ought to get something done.

MR. McNAMARA: Well, this isn't a new concept at this meeting.

MR. HINES: Pardon?

MR. McNAMARA: I say, this isn't a new concept at this meeting. This is a-- The concept of recommending a major airport for each county is an old concept.

MR. HINES: Well, that came up, and we pretty much, I thought, struck it down.

MR. McNAMARA: No, I think what was said was instead of recommending a major airport for each county, the better thing would be for-- And by the way, we didn't recommend a major airport for each county. What we recommended is a plan that we devise a plan such that the plan would provide a major airport for each county. And what was said was that rather than do it that way, that a plan should be devised locating real business airports where it was determined they should be located. And I think that's where this is.

My number of 7000 feet, Pete, was in an attempt to service the corporate fleet, the business fleet, on a 90-degree day. We in New Jersey have something that we can sell -- that we can recommend ourselves -- we're sea level. Corporate aircraft can do here what they can't do in Colorado and in the mountain states. It doesn't make any sense to me to build a 6000-foot runway or a 5500-foot runway and achieve a runway that will service the corporate aircraft or the business aircraft on a standard day and not provide for a way to service it on-- Essentially what I'm saying is, you only go another 1500 feet and you can service them on a typical summer day, and you don't run into that scenario that everyone in the corporate flight departments joke about, which is the captain and the copilot got home for dinner, but the chairman and the vice-president were left out standing on the ramp.

New Jersey doesn't have to be that way because we've got a carte blanche to design however we want. I think it is our responsibility to say to the Legislature what-- The Legislature cannot be expected to be technically proficient. We are technically proficient. And I have taken the manuals from all of the Bombardiere (phonetic spelling) aircraft to all of the Cessna aircraft, I have consulted with the DeSo (phonetic spelling) engineers and the Isrejet (phonetic spelling) engineers. I've got the Raytheon manuals, and I'll either consult with or receive the manuals for the Gulfstream aircraft. And I think that, you know, I'm capable of going through those things and that, as a professional -- in that we are responsible to tell the Legislature what these aircraft are going to need in terms of airport facilities so that they can operate on a typical summer day.

MR. HINES: Okay. I just want to add one thing to this thing. We are trying to convince, as we agreed -- that we want to inform the legislators of the economic impact of airports. Then we want to explain to them what we think has to be done. We're asking for economic development rights, should the airport be able to sell its economic development rights. We're asking for tax abatement. We're asking for the continuation of the grant program from the Transportation Fund. And now we're asking -- now the State has stepped in-- We're suggesting anyway for closing that the State step in and buy up all this property around the state to put these 7000-foot runway airports.

MR. McNAMARA: No. We not going--

MR. HINES: Maybe I'm missing your point here then.

MR. McNAMARA: No. All I did-- My first comment was to tell you that if the State were to step in and build 48 airports on 500 acres of land each that the price tag would be 1.1 billion. I'm not recommending that.

MR. HINES: Okay.

MR. McNAMARA: But what I'm trying to do is establish that number so that when we make our recommendations, we might be able to demonstrate what is saved from that. Another state, Florida, would do that. Florida was spending -- a couple of years ago they were spending 100 million of their own money every year -- not Federal money, but their own money -- in their airport development program. We're not recommending that New Jersey go that way. We have a much better recommendation, and it's better for a lot of reasons, one of which it saves money. Hopefully, maybe with this we might get some idea of how much money can be saved, and that's the purchase of development rights.

Does that make sense, Pete?

MR. HINES: Yes, it does. I just don't want us to go-- I really don't feel we should go too far overboard in what we're asking for because they might look at it and say, "What the hell is all this about?" and just toss it aside. I think we got to present them with a package with a few items strong enough that they will buy off on it and will give us some attention. We start spending billions of dollars or millions of dollars -- whatever the case might be -- in this day and age, I'm not so sure that the State is willing to go that far, particularly, if we're going to talk about putting airports in various counties, or what have you, even though we say strategically located. My own opinion if we can get the purchase of development rights or even get the classification of airports -- get the airports classified as we do with railroads and give them that kind of tax relief. I think that would be a tremendous aid to retaining our airports and also the -- possibly the building of new airports someplace.

I don't know. I wish somebody else would say something here. I'm--

MR. McNAMARA: One thing is--

MR. HINES: I feel I'm here by myself.

MR. McNAMARA: We have not been very good about getting Federal dollars that are available for aviation development. We've sort of come from the bottom up to about almost the middle of the pack over the last, say, five years.

MR. ELLIOTT: But it's five years I think we've done a tremendous job.

MR. McNAMARA: Yes, but when Jack Penn came on, we started to get some improvement in that picture. But prior to that, we were last or second to last.

MR. ELLIOTT: Right. That's due strictly to Jack Penn's efforts.

MR. McNAMARA: Exactly, and-- But, except for Jack -- Jack's record, New Jersey's record is deplorable.

MR. ELLIOTT: I couldn't agree more.

MR. McNAMARA: And I don't think it hurts to recommend that we take advantage of that, because otherwise we're paying those taxes. New Jersey is, I know, contributing more per square foot in this country than any other state in terms of taxes, and we ought to get some of it back.

MR. ELLIOTT: I think it's important to be realistic.

MR. McNAMARA: I agree. I agree.

MR. ELLIOTT: Because if we're not realistic, we will have no credibility, and they will discount anything we say.

MR. McNAMARA: That's what Pete's saying, I think.

MR. ELLIOTT: From that point of view, let me point something out. Right here in Trenton, in the state Capitol, we have an airport that has been there for decades that can handle not only business jets, but commercial aviation, and it is a severely underused facility. It's been there decades, and it hasn't brought in the business. It hasn't done what we're talking about an airport doing. It hasn't done that. I think it's something for us to consider. Is it realistic to say we need more airports like that scattered around that are not going to make money and not going to be utilized? Why isn't this utilized if an airport in that category is what we need economically?

MR. McNAMARA: Well, first of all--

MS. TOMASZEWSKI: Can I jump in on that?

MR. ELLIOTT: Yes, sure.

MR. McNAMARA: Please do.

MS. TOMASZEWSKI: I was at a meeting yesterday that was held-- There's a task force working with the new director of the airport as well, with the county officials, the State officials. They're going to be looking at all the aspects of-- also in Eastwind Airlines -- and there is going to be a lot more activity and work promoting that airport. They see the value. Eastwind sees the value of it. The State and county do, also. So that it's coming about. I think part of it might have been the nature of the management. I don't know. I don't know enough about the whole situation, but it is seen as important and there needs to be a lot more promotion.

MR. McNAMARA: Where was this meeting?

MS. TOMASZEWSKI: It was yesterday at the airport.

MR. McNAMARA: At Trenton-Mercer Airport?

MS. TOMASZEWSKI: Yes.

MR. McNAMARA: And it was a meeting of the--

MS. TOMASZEWSKI: The Chamber of Commerce coordinated it with DOT. Our Department representatives were there from the Commerce and Economic Development and several other members of the task force at a county and local level.

MR. HINES: Are you on that committee, Charlotte?

MS. TOMASZEWSKI: Pardon?

MR. HINES: Are you on that committee now?

MS. TOMASZEWSKI: I am because I am a regional representative for Economic Development, and my region includes Mercer County; that's Union County, Hunterdon County, Somerset, and Mercer. So from that standpoint, I'm really the liaison person. We have just established, in the Department of Commerce, a new unit, which is called the Office of Account Management, and we regionalize, plus we have other account managers that are industry focused. We don't have one that is focused on the air industry. I've been trying to lobby for that, too. So that might be a possibility at some point.

But our executive director has been very helpful with some problems that they had at the airport and made direct contact with FAA for some of the equipment that they needed to have approved and got very fast action on that -- that's Jerry Jansen (phonetic spelling). He's excellent at getting things moving. We see it as a key to economic development throughout the state to working with the--

MR. HINES: Really, the unfortunate thing is that it took Eastwind to say they're reducing the schedule before anybody started giving it attention.

MS. TOMASZEWSKI: Well, that wasn't all that the president said. What was quoted was not the complete quote, surprise, surprise.

MR. HINES: No, he'd like to stay and all that, but this has gone-- I'm from that airport, so for many years-- This is old history really.

MS. TOMASZEWSKI: Yes.

MR. HINES: They're going to do it. And as soon as the county gets involved, as far as I'm concerned, it dies. I think when you mention management, I think that's the basic problem with that airport.

MS. TOMASZEWSKI: Well, they gave an example of, I guess, Lehigh Valley.

MR. HINES: That's off the subject really. I'm sorry.

MS. TOMASZEWSKI: I know it's off the subject, but-- Apparently, until it became an Authority nothing much happened with that airport until it was independent and could work independently and keep the funds and go for other funding. Lehigh Valley was sort of in that position, too. I personally have seen what has happened in Virginia at Manassas, and I don't know whether they set up an authority for Manassas. I think they did. And that is a tremendous competition for anything that we have here. They've got huge hangers and space for -- that they haven't even developed yet for new buildings. I mean, all major roadways coming in there, it's a huge major interchange. I think Route 66--

MR. McNAMARA: Sixty.

MS. TOMASZEWSKI: Yes, 60. But it's major, major development with the state of Virginia and the county and local-- I think they're extending rail out there, too. So it is really a major east coast development.

MR. McNAMARA: If we don't do it, these other states are doing it.

MR. HINES: Well, they're all doing it now, Jack.

MS. TOMASZEWSKI: I think we need to show examples of that kind of development.

MS. NAGLE: That's right. That's what I was going to say. We have the reports, don't we, of the sister states and what they've done--

MR. McNAMARA: Absolutely.

MS. NAGLE: --and let the legislators decide. Say, North Carolina gets this money, Florida gets this money, and New Jersey has gotten this.

MR. McNAMARA: You know, right now at Trenton, used or not used, there are Ronson, as you know, because Pete used to be the head of Ronson, Unisys, Amerata-Hess, Dow Jones, Johnson and Johnson, Pfeiser, and Merck.

MR. HINES: Yes.

MR. McNAMARA: These are providing some jobs.

MS. TOMASZEWSKI: There's a new development coming out there, too.

MR. McNAMARA: And it could be that all across the State of New Jersey we've never done much to promote an airport in our entire history. If we had some of these guys from North Carolina or Wisconsin or Virginia or Pennsylvania or Florida in here promoting our airport system, we might have a different story on utilization at Trenton. The one thing that we are all in agreement about is, if it ever ignites -- 20 years from now it ignites and we become desperate to have airports that we're not going to be able to go forward and get the land and develop the airports as easily as we can do it today.

MR. ELLIOTT: That's a key point.

MR. HINES: Okay, Jack, that's true. And what I want to follow up on here with the comment that Charlotte made -- again, I go back to the term she used as management, and I think she had a reason for saying that and to mention Manassas as possibly having an authority.

MS. TOMASZEWSKI: I'm not sure of that.

MR. HINES: We're not sure of that. Most airports that do have authorities have for the most part done very well or had put under some kind of a management structure other than the local officials being involved. And you can spend all the money you want putting up airports, but some of these owners of these airports, if the management is lacking and hasn't the desire to develop the airport, you can spend all the money you want and nothing's going to happen. You have to have something like an authority--

MR. McNAMARA: Don't you think that's addressed somewhat in the purchase of development rights scenario?

MR. HINES: No.

MR. McNAMARA: Because you keep-- For instance, we go to the Solbergs. I know the Solbergs are as greedy as any other person because I used to get a bill from them every month.

MS. TOMASZEWSKI: Greedy -- that's businesslike, isn't it? (laughter)

MS. NAGLE: It's called survival -- try to survive.

MR. McNAMARA: And that bill when I paid it went in their pockets. Right?

MR. HINES: All right.

MR. McNAMARA: If we go to them and we buy their development rights, we first of all are saving the state a lot of money. We are keeping that airport from perpetuity. And one of the really great things about it, I think, is that we're keeping the Solbergs there. The Solbergs want that airport. I mean, there are two generations going on -- three generations now. They want that airport. They want it to be a successful airport, and I know that they want to make money.

MS. TOMASZEWSKI: From the standpoint of economic development, it can also be very important that someone who wants to run an airport or own the airport or buy the airport has the security to know that if they come in and put money in and bring in professional management -- if the people want, if it goes to another hand -- you're going to get people in there who feel they've got the guarantee that someone's not going to come up to them afterwards and hassle them about the airport. So you have more likely that in some instances you might have other people wanting to buy the airport and run it, too. So that's another possibility.

MS. NAGLE: Well, it's like a farmer selling his farm.

MS. TOMASZEWSKI: That's right.

MS. NAGLE: Someone else can come in and now buy that farm and run it.

MS. TOMASZEWSKI: That's right -- with security.

MR. McNAMARA: My point is simply this. If you have a private individual, private entrepreneur in there running it, your chances are better that the airport is going to develop and become successful than they are if you have a community or a city government running it. Because the city government's incentive is low.

I'll tell you, if you look at Essex County Airport, I was told the other day -- is this correct, Jack? -- that there's not a single turbine aircraft that's based there, except perhaps for some helicopters?

MR. ELLIOTT: It may be. If there are any, there are very few.

MR. McNAMARA: And I was talking with the attorney for the Essex County Improvement Authority, which, of course, owns and operates the airport, about a particular section of the airport -- a land lease on a particular section of the airport. And he said to me, you know, "Essex County Airport is just one of the assets of the Essex County Improvement Authority." He said, "We're a major business, and this airport is just one of the -- and that little piece is one of the least significant pieces." And it was by way of, I guess, what we were doing was offering a lease back to them. And they say, "That's really too small for us to be worried about." And that sort of attitude about an airport is not the kind of attitude that's going to tend to promote it and maximize what that airport can do. And I think--

Isn't that your point, Pete? Isn't that what you were saying earlier that at Trenton the management there is--

MR. HINES: I think it's owned by the county, and the airport's been there since 1951, ′50, ′51. And in 48 years, nothing has happened -- 47 years. The point being is that anytime you try to deal with the county there, again, go back to the-- It's a political body. And a political body trying to run an airport is more interested in how the local community is going to vote at the next election. And item one, as far as that is concerned is, they're all politicians. Item two, I don't know of any government agency that operates efficiently.

Forgive me, Charlotte.

MS. TOMASZEWSKI: That's okay.

MR. McNAMARA: Okay.

MR. HINES: So I'd rather stay away from the government agencies and whether it be preferably a private entrepreneur going in, if he knows he's got the wherewithal to help to build the airport, develop it, and what have you. Yes. An authority if necessary, yes. I think an authority -- some excellent authorities out there run pretty good airports. And I think that keeps it out of the political sphere and what is necessary for the development of airports here in this state in particular because of this home rule that is so strong.

MS. TOMASZEWSKI: I have a question. I think it's alluded to in the summary here about the zone of notification.

MR. McNAMARA: Yes.

MS. TOMASZEWSKI: This-- Is there, in the planning and zoning legislation, a requirement for a buffer around the airports to be maintained by the municipality?

MR. McNAMARA: There are different kinds of buffers. Yes, there are clear zones in which only certain types of uses are allowed.

MS. TOMASZEWSKI: I've noticed particularly in--

MR. McNAMARA: And there's a notification zone also--

MS. TOMASZEWSKI: Right. Right.

MR. McNAMARA: --that if you're going to buy a residence inside a certain radius of an airport, the broker has to give notice.

MS. TOMASZEWSKI: But one of the things that's happening, not just in South Jersey, but even into Delaware, is that there's just a lot of development of private housing around very, very close to the airports. And I don't know whether they're disregarding it on a local level and just allowing the development to come through, because I'm not aware how far out it's supposed to go. But I just think that once those home are built, forget it. And if that can be looked at and reinforced or enforced or redeveloped or-- So that's something that where you're not purchasing the land and where you don't have development rights there still has to be a buffer that makes some sense around there also. Because that's what creates a lot of the problems is that the housing comes up just much too close to where the airport is.

Specifically, I'm looking at South Jersey Regional, which is where I fly from and still a student. But just in the time that I've been taking lessons, they've been building up all around it. To me, it looks like -- it's just too close. We've got farmland across roads that could be bought up or at least restricted in some way.

MR. ELLIOTT: Well, South Jersey has bought up a lot of land, and they also are surrounded by more open land, I believe, than any other airport in the state.

MS. TOMASZEWSKI: Well, he still hasn't bought up all the land he needs to--

MR. ELLIOTT: Well, he's used development rights to acquire that.

MS. TOMASZEWSKI: Okay. Well, I'm not familiar with everything that's happening there, but I know that there is good development pretty close to the airport.

MR. McNAMARA: That's South Jersey?

MS. TOMASZEWSKI: Brand-new home, big homes. Yes.

MR. ELLIOTT: But he's protected a lot.

MR. McNAMARA: And he's--

MS. TOMASZEWSKI: But I don't know whether the--

MR. McNAMARA: Hopefully, he's got--

MS. TOMASZEWSKI: --buffer has been followed by the municipality. That's what I'm concerned about.

MR. ELLIOTT: Every municipality now recognizes, I believe, and I think the last one to recognize the law was Bedminster. But after they recognized the law, they then by municipal decree amended the State law which is being contested now because it's not legal. But I think every other community has recognized the safety zones.

MS. NAGLE: Readington still doesn't--

MR. ELLIOTT: What's that?

MS. NAGLE: Readington still doesn't recognize it.

MR. ELLIOTT: They don't. Okay. They were one of the last two communities that refused to recognize it.

MS. TOMASZEWSKI: I just wonder if the buffer is-- My question, too, is that the buffer, if they are following it, is the buffer enough?

MR. McNAMARA: Well, there's a question--

MS. TOMASZEWSKI: That's a question.

MR. McNAMARA: It's a good question. And the question is what the buffer should be?

MS. TOMASZEWSKI: Right.

MR. McNAMARA: There are different reasons for making a buffer. One is to not build obstructions in the paths of the aircraft. Another might be to keep residences and children's playgrounds out of what might be an accident zone. Another would be to keep schools away from airports because now there's a study that indicates that children can't pay attention when airplanes go over.

One of our lady Assemblymen, I believe, from Union -- or Senator -- had a concept that we should take the LDN footprint, the noise footprint, and design a zone more or less based on noise around an airport.

Now, what we've got in place is pretty much the clear zone zoning. And is it a three-mile notice area, Suzie, do you know?

MR. ELLIOTT: That's what's proposed here.

MR. McNAMARA: When we amended the law to make it the Safety Zoning Act, we put in that notice provision. Did it go out a mile or--

MS. NAGLE: I don't know.

MR. McNAMARA: It may be just a mile now, and what we're recommending is that it go out to three miles. And that's so that people can't later come into court and say, "We're here. We didn't move to the nuisance because we didn't have any notice of the nuisance," for whatever legal value that has.

MS. TOMASZEWSKI: I mean, well, when I'm turning on base for South Jersey, you've got brand-new houses right underneath you. That's a problem.

MR. McNAMARA: Let's--

MR. ROWAN: Jack?

MR. McNAMARA: Yes, Hank.

MR. ROWAN: It might be worth recognizing that there are two types of developments. I kind of agree with Pete that if you go in with a bay-and-plus (phonetic spelling) program -- if you're going to discourage an awful lot of the legislators who recognize a bay-and-plus to be a whole year's tax budget. There are two types of developments around an airport. One is housing, which is very undesirable because of the complaints of the residents or whatnot, and the other is industry, which is very desirable.

MS. TOMASZEWSKI: That's good, yes.

MR. ROWAN: Over in Pennsylvania, in places like Brandywine, which was restructured and built up as a beautiful airport, the land around Brandywine is selling for $70,000 to $100,000 an acre for industrial development. I also agree with Pete that I don't think you need 500 -- the State to buy the development rights to 500 acres. Because if I owned an airport and had maybe 100 acres of runway and clearance, I could sell the rest of it to industrial developers, not housing now, but industrial developers for a lot more than the $40,000 an acre that you're suggesting. So if you own an airport and if the State were to buy a couple 100 acres of development rights or land use or whatever you want to call it and the owner was allowed to sell the rest in a sensible industrial development, you just have a number of 48, if you go that far, beautiful industrial complexes.

You know, an airport is to industry like a golf course is to residents, if you want to think of it that way. Because there's just enough industries that use aviation, want to use aviation, that want to be near an airport. So I think we could go in with a much smaller program to buy the development rights for certain parts of the airport and then allow the owners to sell off the other development only for industries, owned industrially in some manner as they see fit. And I think we'd be dealing then with about half of the State budget.

I kind of agree, too, that we don't need necessarily in this day and age -- and I may not be looking far enough ahead -- 48 7000-foot runways. We have 3850 feet in Rancocas, and we fly our jet in and out of there. It's a little shorter than I like, but it's okay if it's not too icy.

MR. McNAMARA: But you don't have your BFL on a hot day, do you, Hank?

MR. ROWAN: Yes. We can get off up to 90 degrees full loaded in a 31. Now, a 31 is a short-field jet, and it won't go across the country. The Lear 45 coming out is about 300 or 400 feet, I believe, fully loaded on a 90-degree day. You may have it there.

MR. McNAMARA: I do. Forty-five-eighty.

MR. ROWAN: Okay. But they're putting bigger and more powerful engines on jets. Secondly, I don't think you need necessarily a--

MR. McNAMARA: On a 90-degree day, 45-80.

MR. ROWAN: Yes, right. I don't think you need the full capacity of the airport for jets. I think you always need cross runways. We only have one runway. Brandywine is one runway. Out in Detroit, there's a Troy-Oakland Airport right in downtown Detroit that is one runway and probably doesn't occupy more than -- certainly not even 100 acres of ground. It's right in there amongst the buildings, and you come right in over a warehouse or a factory to land. It's probably only-- I doubt if it's 5000 feet. I think it's about 4500 feet, and it serves some jet traffic -- not all the jets.

So I think the 500 acres per airport of development rights purchased by the State and 7000-foot runways on 48 airports may be just enough to scare away some legislators, and we may want to back off that in our recommendation. Another thing that will happen is, if an airport develops and there's a reason for 7000-foot runways and if the land development around it is not houses, but is industry, then the airport could be expanded at some future date without the State having to foot the bill up front, so to speak. I mean, the State could step in later and say, "Okay, let's buy some more land and extend this runway because it's economically appropriate in this area." But I don't think you need it all.

So I guess the message of all that conversation is that I think we should not go in with too big a financial recommendation. I think we ought to think in terms of the industrial development being as valuable or more valuable to the airport owner than the need for the State to buy it. But we do have to zone in some manner so that you can't build houses under all the runways that are on all the approaches.

MR. McNAMARA: Let me just say for the record, once and for all, I am not recommending 48 7000-foot runway airports.

MR. ROWAN: Oh, okay. It sounded like you were.

MR. McNAMARA: I am recommending an airport, if you will, a model airport. If we're going to build an airport in New Jersey, even if it's one, it should have a 7000-foot main runway and a 4000-foot crosswind. To build to less than that is to build an aiport that can't be used by all of business aviation on a 90-degree day. And we might as well build it so that they can use it.

What I am recommending in addition to that is that a plan be made where the model airports will be located in the State of New Jersey. It might be a plan made by the Department of Commerce. I had originally made the recommendation that the governor of Ohio made much to Ohio's benefit, which was to locate a major airport in every county. That the Commission thought was beyond the scope of what the Commission should be recommending. Whether it was needed in every county -- at our last meeting, our one in December -- we didn't know. The Commission said they don't know that an airport's needed in every county. In December, we all felt that it was appropriate to recommend that a plan be made that would determine where we should locate these airports.

Now, even if there were one in every county, that still would only be 21, okay, because that's all the counties we have.

MR. ELLIOTT: Some counties have no airports.

MR. McNAMARA: All I'm saying is we are not sensitive to the value of business airports here.

MR. ROWAN: Right.

MR. McNAMARA: We don't learn the lesson of Teterboro where they have 200 corporate jets parked. We don't for some reason-- We have our Mercer County that we -- that the county doesn't go out and develop. So we don't have a good idea of what these things are worth and that we ought to become sensitive to that.

New Jersey, as a state historically, is a state whose industries develops around transportation. During World War II, we were called the component state, because we made so many components that achieved glory in tanks and airplanes and guns in other places. But we could do that, because we had-- The railroads all had terminuses right here in New Jersey. Our railroads go all over the country. The railroad is becoming to a certain extent a less significant transportation means for components. I know that a substantial amount-- We all know the great increase in air freight. I know, I may be the only one, but I've read these magazines, I've read these statistics, I know that the manufacture of corporate jets exceeds the manufacture of either the aircraft used by the national and international airlines, and it exceeds also the manufacture of regional jets. So I know where corporations are going with their travel, and we aren't thinking.

Do you realize that in the State of New Jersey we say we have 48 general aviation airports, but of that 48, 23 have runways of less than 3000 feet, and of the remaining 30 -- what would it be, 23 from 48 would be 25 -- the remaining 25, if you cut out Newark and Atlantic City, I believe there are only 4 that can accommodate the corporate fleet on a 90-degree day with both runway lengths and weight-bearing capacity? I mean, we are-- In terms of the needs of corporate aviation today, New Jersey is dysfunctional.

MR. ROWAN: Agreed.

MR. McNAMARA: And I don't think, as a Commission, we can know that and not say something about it.

Essentially, what I'm saying is, make a plan. Make a plan and think about when the State of New Jersey in the year 2020 is going to be a state of 10.5 million to 11 million people -- is going to need 25 percent more jobs than it has and think about how aviation should be developed to accommodate that.

MR. ROWAN: Right.

MR. McNAMARA: In terms of building 48 airports of 500 acres with 7000-foot runways, that wasn't my recommendation.

MR. ROWAN: Okay.

MS. TOMASZEWSKI: But you need to set up the conditions so that if that needs to be done, it can be done.

MR. ROWAN: Right.

MS. TOMASZEWSKI: So all of those conditions--

MR. McNAMARA: Well, yes, what Hank says is correct that we have to-- If we can't do it-- I'm sure we're going to have to do it by steps, and one step may be to recommend industrial zoning around airports, which--

MS. NAGLE: Can't we pick up on the--

MR. McNAMARA: --goes out a certain distance from the airport--

MS. NAGLE: --Safety Act?

MR. McNAMARA: --so that there won't be residential units.

MS. NAGLE: The Safety Act already talks about -- that certain zoning is recommended and just pick up on that. We can refer to that if we think that's enough. It says commercial and industrial light-office manufacturing, I think.

MR. McNAMARA: Yes. The Safety Act does provide for industrial zoning and light office zoning in certain areas of the clear area, I guess or off to the side of the airport.

MS. NAGLE: The safety area, right, not the clear.

MR. McNAMARA: Safety area.

Let me just talk about one thing that's fairly important. We've got to have some resolution of it. The second action item that Linda set forth is amend the New Jersey tax law to balance the real estate tax burden on privately owned airports, exempting paved runway and taxiways dedicated to aviation uses. And she puts in parenthesis, railroad example, in establishing a tax base on supporting lands and buildings at a rate equal to farm assessment. Equality across the state would be mandated.

My comment on this is it's a little bit convoluted, and I don't think Linda's at fault for that. If the railroad example is slightly different from what she set forth here-- The railroad example requires -- it can be done by a act of the Legislature without an amendment to the constitution. Let me just see if I could just summarize.

Reading from the McCarter-English Report some pertinent provisions, "This option would require legislation exempting general aviation airport property from taxation and general aviation airport corporations from the New Jersey corporation business tax." Let's leave aside the corporation business tax considerations for this discussion. "This proposal is similar to the tax scheme applied to railroads in New Jersey" -- I'm on the top of Page 10 -- "Property owned by a railroad and not used for railroad purposes is taxed by the local taxing district. However, railroad real property used for railroad purposes is exempt from local tax, and instead such property is subject to a State property and franchise tax."

Now, railroad property is classified in three classifications. Class I they call the main stem. It's a railroad that tracks, and those things are pertinent to the roadbed. Class II is real estate used for railroad purposes. Class III is facilities used in passenger service. Now, the property tax is not imposed on Class I and Class III property. Class II property is subject to a State tax. And the State tax for the railroad is 4.75 for each $100 -- almost a 5 percent tax. However, it is important to note here that that's only on the Class II property. Class I and III have no tax at all. The Class III property has to include buildings -- facilities used in passenger service. This would have to be buildings like terminals, terminal parking areas for public transportation, and probably baggage handling facilities if they are separate from terminals, and so on. The Class I property-- Then I would say equate the Class III property in our airport scenario to terminals, public parking of automobiles, and probably I would include fueling areas and transient parking for aircraft.

Main stem type property on an airport would certainly be runways, taxiways, have to be transient parking, and it would also have to be-- Well, Class II property, I guess, you would have to have-- A question on this Class I property, I suppose it would have to include the clear area that's mandated by law or Federal regulation. If you have a precision approach or a nonprecision approach and you can't use certain of your land because you have to keep it clear or if under the law of the State of New Jersey, you have clear area that you can't use because of the runway, it's tantamount to being the runway. And that land should then be completely free of taxation.

Class II property would then be any other property, whether it be just land or land with buildings on it that was owned by the airport. And that under the railroad example would pay a rate to the State. And the State would make some refunding arrangement to the -- for replacement revenue to the municipality.

I've spoken enough on it. Does anybody disagree with my interpretation of it?

MS. TOMASZEWSKI: Where would freight come in? For example, it says Class II would be, you know, facilities used for passenger service. Well, if we're trying to--

MR. McNAMARA: I think that freight--

MS. TOMASZEWSKI: Wouldn't that also be including--

MR. McNAMARA: Hangers that are used for storage of aircraft, buildings that are rented to whomever but are rented and they're paying rent to the airport owner are all going to be property owned by the airport and not used for airport purposes and taxed by the local taxing district. Okay. I think that in the railroad example the Legislature must have felt in this that -- and I don't know the history of this statute -- but it must have felt that-- I do know some of the history in railroading, and I had to write a paper on it once for the foreign service school. Freight was always a profitable operation, whereas passengers were not. It must have assumed that if it were a profitable operation that it could afford the tax.

Pete.

MR. HINES: Jack, in reading this report here-- Well, first of all, as far as the taxes are concerned, yes, there's no property tax on the Class II. However, there is a franchise tax later on, which is 10 percent of the operating income of the railroad, as I understand it, in lieu of the property tax.

MR. McNAMARA: In lieu of the corporation franchise tax.

MR. HINES: Yes, whatever, yes. But then again you have the communities and the municipalities and what have you -- they have the right to assess the railroads for any -- on the Class I and III property, as I understand it, for any improvements they make.

MR. McNAMARA: For benefits -- assessed for benefits, right.

MR. HINES: Okay.

MR. McNAMARA: For sewer, water, and roads.

MR. HINES: But more importantly here in this particular report that McCarter-English made here -- I think what comes out of it is that the Legislature is empowered to establish a class of property.

MR. McNAMARA: Yes.

MR. HINES: And rather than to try to get airports included in the Railroad Act, which I don't think it's going to be possible, but if we can encourage or propose to the Legislature that we do approve a new class for airports, that would be fine. Then we also then have to-- All the airport owners would have to then realize that any tax imposed on them just has to be equitable to all. In other words, we want tax planning. All airports would have to pay on the same basis.

MR. McNAMARA: The biggest problem with this tax picture is that the equity is clear in the argument that a private individual providing a public-use airport should pay the same tax as a public entity providing a public-use airport, and that, if you ask me, is where I would come down. But where that comes down is that Teterboro, Essex County, I'm sure Mercer County, Morris County have an obligation to pay no tax at all on all of their land.

MR. HINES: No. How do you see that?

MR. McNAMARA: Well, I know that Teterboro and Essex County have none. Essex County makes a-- We had testimony to that effect. They would make $100,000 payment annually to Fairfield. At Teterboro, the Port Authority owns Teterboro, and all the businesses on Teterboro, I guess, can exist without having to pay real estate taxes.

MR. HINES: Yes, I heard that testimony, too, but is that right? The surrounding communities that testified before us claimed that providing all these services and not getting anything in return.

MR. McNAMARA: Right or wrong, it's a good question. However, is it right that they shouldn't pay? People who are privately providing the same thing should pay.

MR. HINES: Well, maybe if some of these airports that aren't paying now -- these several airports that aren't paying now -- if they were required to pay, it would go down better with the surrounding communities.

MR. McNAMARA: There's no question about that, I'm sure.

MR. HINES: Now, the Port Authority has the clout, but--

MR. McNAMARA: But I don't think that's a recommendation that-- We can't recommend that the Port Authority pay taxes because legally that's beyond the scope of what our Legislature can do.

MR. HINES: Well, if we're proposing airports as a separate class, what are we proposing then -- that the Railway Act be amended to include airports or something like that?

MR. McNAMARA: No. I think that when we get to this point, we should define exactly what we think should be taxed and not taxed and let the Office of Legislative Services draft it. Rich Bagger said, you know, we've got people that draft statutes. You just tell us clearly what you want. And I think that's the proper way to do it. It might be-- I'd leave that pretty much up to him whether he wants to amend the Railway Act or create a new statute for aviation -- is something that they ought to determine.

MR. HINES: But it's going to be a State law.

MR. McNAMARA: Pardon.

MR. HINES: A State tax law with respect to airports.

MR. McNAMARA: Right. Create a class of general aviation airports.

MR. HINES: Okay -- of general aviation airports. But now we're saying we going to exclude these several airports that are not paying now?

MS. NAGLE: Would be privately owned public-use airports.

MR. HINES: Are you talking about privately owned public-use airports?

MS. NAGLE: Isn't that what we're talking about?

MR. HINES: Is that what we were talking about? What are we talking about here?

MR. McNAMARA: Well--

MS. TOMASZEWSKI: You'd have to recommend in lieu of -- the others pay in lieu of, but it's only a recommendation, right?

MR. McNAMARA: You got me, Pete. I don't know. I know what I'm talking about. I'm talking about making them equal. Make the private ones equal to the public ones. Whether I'm recommending that the public ones should somehow be made to pay taxes to the State, no, I'm not really recommending that, for two reasons: one, I think it's a futile recommendation. I don't think the Port Authority -- the Legislature can't make the Port Authority pay taxes. They have to rescind agreements long -- that have been in standing since 1921 with the state of New York.

MR. HINES: Well, in all fairness then, what we ought to propose is that the airports be exempt from all taxes.

MR. McNAMARA: I think maybe that's where it comes.

MR. HINES: Yes. Why should they have the competitive advantage over the privately owned public-use airports or the small municipally owned public-use airport?

MS. TOMASZEWSKI: But then you've got to make a point with the municipalities of what the advantage is.

MR. McNAMARA: I know that Phil Engle has suggested, and Linda Castner has suggested, that that exemption should be limited only to nonincome-generating assets. That won't make them equal. Of course, Phil is the one that has the best deal of all, right?

MS. NAGLE: Well, he does pay money to the municipalities.

MR. McNAMARA: Pardon?

MS. NAGLE: Teterboro does, not Phil, Teterboro does pay money to the municipalities. It was fees that were paid. It was just not property taxes.

MS. TOMASZEWSKI: Do the publicly owned airports who've given in lieu of tax payment to the municipalities?

MS. NAGLE: They give them -- it was like--

MR. McNAMARA: We don't know what each arrangement is. We do that, Essex County does, and I do believe that Teterboro does.

MS. NAGLE: Well, too, Moonachie, right?

MR. McNAMARA: Yes.

MS. NAGLE: We had the representative from Moonachie.

MR. McNAMARA: They-- Didn't we just have that fellow in here from Moonachie, or was I just talking to him?

MS. NAGLE: Well, he was here earlier, you know, we've received testimony from him. And I asked that question, what do you get?

MR. McNAMARA: That's right, I was just reading his testimony, and they do get a payment from Teterboro, which he does not feel is an adequate payment. In fact, he's the mayor of Moonachie, and he felt -- frankly, he regretted that the, I guess, Teterboro had added 500 acres from Moonachie. And he regretted that they had taken those 500 acres off the tax rolls. What was paid back, he didn't think was adequate. They did pay something back, but he said it might make a contribution toward fire and police protection, but it doesn't in any way compensate us for what we lost in terms of the taxes we otherwise would have been receiving.

But anyway, Teterboro doesn't pay. Essex County has-- The Improvement Authority, I guess, has an agreement with Fairfield to pay something in lieu of taxes. It may be the only way that we can come down is just to say that airports are going to be tax free -- all their structures, all their improvements, and all their land. That's in terms of real estate taxes.

I'd like to hear somebody else's ideas on this.

MS. NAGLE: I thought we had talked about treating privately owned public-use airports like farms and that the farms have a benefit to the whole state, and airports do, as well, so they should get a special assessment.

MR. McNAMARA: Well--

MS. NAGLE: I thought we had talked about just doing something simple like that -- not that it's simple but--

MR. McNAMARA: --the problem with that would be that in farmland assessment, as I understand it, you get an assessment for the land that's used for farming purposes at the value of farming land, but the buildings that are on it are assessed as regular buildings.

MS. NAGLE: It's still better than a lot of--

MR. McNAMARA: Well, not when you think about it for a second. Any airport can get a farmland assessment. Any airport worth its salt can get a farmland assessment on its undeveloped real property. But the runway and taxiway can be $1 million worth of assets or $1 million worth of improvements. And at a 2.5 percent tax, that's $25,000 or $2000 a month of additional taxes they're paying. Their terminal could be another half million dollar building, and now you've taken it up to $3000 a month. And all you're doing is providing things for the public, but under the farmland scenario, you'd be taxed on them.

MS. NAGLE: Well, you don't like-- You find fault with the way Linda Castner proposed this?

MR. McNAMARA: Well, that's what I say. I think that where Linda is going is in the direction of instead of having a complete abatement of taxes to have perhaps the income-generating real property -- whether it be just land or improvements or both -- taxed but to have the nonincome-generating land improvements free from tax. That does not make privately owned public-use airports equal to publicly owned public-use airports. But I think that's where she's going. That's the reason I want this discussion because I'd like to-- This is pretty much our big, unresolved question.

MR. ELLIOTT: I thought we had agreed that it would be harmful for privately owned airports to be tax free or asked to be tax free. I thought we had agreed on that -- that they would have tax-free portions of the airport and in other areas taxed a special rate comparable, for example, to farmland assessment. But that to ask for the airport to be tax free would bring the wrath of every host community down. It would never get passed. It would wind up in putting us in a negative light.

MR. McNAMARA: We never agreed on it, but we did discuss it.

MR. ELLIOTT: Well, Linda I think said that she had strong feelings against airports being tax free.

MR. McNAMARA: There was strong sentiment both ways.

MS. NAGLE: I think if you asked--

MR. McNAMARA: Understand, Linda was very strong -- incomprehensibly to me-- I mean, she's one of these tax pickers. She did not want to have the taxes totally abated.

MR. ELLIOTT: Right.

MR. McNAMARA: And for that reason -- for your reason.

MS. NAGLE: I don't know that that's typical. If we were to survey all of the privately owned airports, I don't think that you would find them in agreement with Linda, because the property taxes, I mean, are a severe hardship.

I know Danny Walker testified he eats $1000 a week -- he pays in property taxes, and a lot of that money is very difficult to come by with the revenues that you receive.

MR. ELLIOTT: Well, a privately owned airport is still a profit-making enterprise. And to declare that a profit-making enterprise should be exempted from taxes is not going to be met with favor I don't think by the legislators. And there is certainly no equality between a privately owned airport and a publicly owned airport. Publicly owned airports all charge landing fees, some of which I consider excessive, but they do it. And I don't think there's a privately owned airport, with the exception of Allaire, that charges a landing fee. So the publicly owned airports have a lot of advantages -- competitive advantages -- over privately run facilities. Privately owned facilities certainly deserve consideration. There should certainly be more equality, but how to achieve it asking for tax-free status is -- I don't think going to win any favor and is never going to be approved.

MR. McNAMARA: Well, let me point out that the railroads are all privately owned -- well, at least they were when this thing was adopted -- and the railroad, which I guess means the land of the roadbed, the tracks, the appurtenances, which are probably bridges, and so on, everything appurtenant to the roadbed, was tax free, and all facilities used in passenger service, which had to be terminals, parking areas at least, were tax free. So you didn't even start taxing until you got beyond-- I'd have to say, if you equate that to an airport, to get beyond the runway, the taxiway, the ramp area, the terminal, and the parking area for cars, and also the clear area that you must maintain with the runways, that's all tax free. Then you would get on to other real estate, and they pay a tax to the State on the other real estate. They don't pay a tax to the municipality under the railroad design.

MS. NAGLE: The State would in turn reimburse--

MR. McNAMARA: The State would have a revenue replacement program with the municipality.

MS. NAGLE: It's just like highways or roads only we're providing the land as well.

MR. McNAMARA: Right. I mean, that's true that highways don't pay any taxes. They're a means of public transportation.

MR. ELLIOTT: They're not privately owned.

MS. NAGLE: No, but that's a bonus.

MR. ELLIOTT: It's what?

MS. NAGLE: It's a bonus.

MR. McNAMARA: What she's saying is that the public has to buy the land--

MS. NAGLE: Right.

MR. McNAMARA: --to have a highway.

MS. NAGLE: Right.

MR. McNAMARA: They don't have to buy the land to have a public-use airport.

MS. TOMASZEWSKI: And in some places they have to pay a toll.

MS. NAGLE: In 65 percent of the cases.

MS. TOMASZEWSKI: Set up an authority and pay a toll for your airport.

MR. ELLIOTT: The big problem is that the bulk of the population uses the highway and a very small minority uses the airport. That's where your problem is because nobody understands or wants to understand the need for air transportation.

MS. TOMASZEWSKI: It goes back to the-- I think a whole-- I would assume that some piece of this meets-- One of the recommendations that deals with the public is really an education focus, and that keeps coming up. I think that needs a special focus--

MR. McNAMARA: I agree.

MS. TOMASZEWSKI: --that we're not talking about right now. But if you're going back to saying that it's an economic advantage to have the airport in your community, then I think it does behoove to allow certain tax-- You know, you can't have no taxes at all, unless it's publicly owned. There has to be some advantage that the community can see.

MR. McNAMARA: Let me just point out that we had a number of communities come in and give testimony, and I don't remember-- We asked each one of them -- and we also did a survey of these, all communities that hosted airports -- where we mailed them a questionnaire and received it back. I don't remember one of them that said that the taxes that were paid by the airport constituted significant revenues. Generally, it was exactly the opposite, and only one of them, as I recall, indicated that the airport had a significant economic impact on their community. But in terms of revenues in taxes, it was not a significant contribution to the community. It made me feel that if you went and said that every one of these airports is tax free from now on that the economic privation suffered by the community would be minimal.

MR. ELLIOTT: Probably true--

MS. TOMASZEWSKI: But did they--

MR. ELLIOTT: --but the mental attitude--

MS. TOMASZEWSKI: Right.

MR. ELLIOTT: --is what you have to deal with.

MS. TOMASZEWSKI: But what about the cost of-- Were there any costs to the communities for sewer service, for fire, for whatever else?

MS. NAGLE: Police probably is--

MS. TOMASZEWSKI: Did they include that into their cost figure?

MR. McNAMARA: Everybody in the community derives the benefit of the public services of the police, the fire, the emergency squads, etc. I don't know that any one of the communities addressed whether or not an airport was paying the assessment for sewer, water, and roadways. Yes, they always seek police and fire and emergency services, but I don't know where that takes us.

MS. TOMASZEWSKI: Yes.

MR. McNAMARA: In terms of the community, as I say, they don't feel that airports pay substantial taxes or that the contribution made by the airport in taxes is a significant amount to the community.

MS. NAGLE: I think from the airports that we've heard from -- the privately owned -- they all complained about property taxes. And in your report, one of the reasons that the airports close is because of property taxes.

MR. ELLIOTT: That's right.

MS. NAGLE: So for us not to tell the Legislature that we need property tax relief for privately owned airports that is public use would be improper.

MR. ELLIOTT: No. We are not saying that. We do need property tax relief, but not complete.

MR. McNAMARA: I think we all are in agreement that we need to have property tax relief. What we are not in agreement about is what form. Should it be the railroad form or should it be complete tax relief or should it be tax relief on assets that don't generate income. I guess those are the three choices we have.

I think what I'd like to do is just poll who's here. We've got to come to a decision about this. What we have is the railroad example. We have the income-generating assets test, and we have the complete tax relief, which is sort of the, we'll call it, publicly owned airport test, or if you're going to equate the privately owned airport to the public airport.

Let me just start at one end and go around -- get everybody to make a suggestion.

Charlotte, if you feel like you would like to abstain, you may.

MS. TOMASZEWSKI: Okay, thank you.

MS. NAGLE: I think it should be that privately owned public-use airports should be tax exempt for the public-use areas such as the runways, the taxiways, the clear zones, any land that's deemed necessary to keep clear because of Federal or standard regulations -- no separation of runways and taxiways -- public ramp areas, any areas that are open to the public all the time should be tax exempt. And then I believe there should be a reduced assessment for the remaining land just like farms pay a reduced tax, and this way it will encourage privately owned public-use airports to remain open just like the state wants to do for farms.

MR. ELLIOTT: I agree with Suzie entirely, and I do think there ought to be a separate category for airports. It should not be based on railroads. They are two separate activities, and we're writing an aviation report, and there should be a category in there for taxation of aviation facilities.

MR. McNAMARA: Pete.

MR. HINES: I agree with Suzanne, but I think I have to amend a little bit that we do include aboveground structures that are revenue producing should be taxed.

MS. NAGLE: For being tax exempt? No.

MR. HINES: No. Should be taxed.

MS. NAGLE: Right.

MR. HINES: Did you include that? Okay, I'm sorry, I didn't pick that up. I would agree with Suzanne that anything revenue producing should be taxed.

MR. McNAMARA: Pete, you add a new term, which is aboveground structures, which I assume means not runways or taxiways or ramp areas.

MR. HINES: I'm talking about the hangers -- the income-producing hangers -- the offices, whatever it might be. The terminal area, though, a terminal area for public use-- That particular space, whatever that percentage is of the entire structure, as far as I'm concerned, should be exempt because it's a public-use area. If we're going to be consistent with general public-use areas versus revenue-generating areas, that can be allocated.

MR. McNAMARA: Hank.

MR. ROWAN: If I could get back to my initial recommendation of the airport land development rights to be essentially purchased by the State, the owner of the airport still owns the land and can sell it as an airport, but he's lost the commercial development of the parts that use the airport. I think they should be paying taxes at the farm assessment level at a reduced rate because they can no longer sell that land for development. I think if you have these properties totally tax exempt, you're going to have so much resentment from the rest of the township that you lose more than you gain. So I do believe that the State should be encouraged to buy the development rights for certain parts of the airports, leave the development rights for industry with the owner of the airport if he wishes, and tax him somewhat in line with the Farm Assessment Act. That's going to prevent public resentment for the airport, and yes, the taxes on farm-assessed land are so low that they really don't affect the business of an airport very much. So that would be my overall view.

Now, if the airport owner wants to not sell his development rights and hang on to them, then I do believe, as others do here, that they ought to be taxed at a much lower rate than industrial land. But I'm afraid if you say all these airport facilities are exempt, I think you'll get enough resentment from the community that it will be negative as opposed to positive. Maybe not, you may have a better feel for that than I do, but that is what I believe would happen. The resentment for the airport and the noise of the airplanes and all the other things that we ran into in our surveys would be exaggerated by tax-free status. But paying some taxes, people can accept that. A little lower taxes because it's publicly used. But no tax at all is harder for the public to swallow.

We have nearby us a number of county buildings, including a welfare building and a library and whatnot, and there's a fair amount of resentment in the area that the county should be tax free, if you will. So I think totally tax-free land for any purpose tends to harbor resentment, and therefore, I would recommend a reduced tax break that would not be burdensome to the airport owner, but would allow the community to accept the airport as a value to them, and yes, they're paying taxes.

When all is said and done, the community doesn't know how much tax is paid or not paid. They don't even know what the Farm Assessment Act does for the average farmer. So they're happy to know that the farmer is paying taxes, even though it's about a tenth of the rate of a landowner.

MR. McNAMARA: Hank, let me ask you some questions about your plan.

MR. ROWAN: Okay.

MR. McNAMARA: In your plan, a million dollars worth of runway and taxiway improvements -- just the macadam and the stone, and so on -- how would that be assessed?

MR. ROWAN: I believe it's assessed at a premium as developed land. Not a million dollars because we didn't spend that much on it, but we didn't build it according to the State and/or Federal or public-use airport regulations either. We built it adequately for our--

MR. McNAMARA: I'm not asking about your property.

MR. ROWAN: Oh, I'm sorry.

MR. McNAMARA: I'm sorry. Your plan, not your plant.

MR. ROWAN: Plant. My plan rather than plant. Okay.

MR. McNAMARA: And your plan for an airport assessment rate, we're talking about every structure on the airport now, including the hangers where aircraft are stored, including -- say everything that would be on Teterboro Airport -- we're not talking about Teterboro Airport, but if it were privately owned, everything that's there would be assessed at an airport assessment rate.

MR. ROWAN: Right.

MR. McNAMARA: What would-- How would one determine-- How would an assessor determine the value of the runway or the value of a terminal building or the value of a hanger in which aircraft are stored? Those three things.

MR. ROWAN: Well, I think they would determine them at the construction cost and take a fraction of that just as the farm assessor does. He takes the value of the land as farmland. The minute you designate the land can only be used for airport use, then you automatically have a lower value.

There's some confusion in what I've said. I'll admit to land that -- for where the development rights had been purchased by the State and land where the airport owner has decided not to sell to the State. And you could make the argument that if they don't sell the development rights to the State, then they have land which is fully developable, and therefore, maybe that would encourage people to sell their development rights to the State as opposed to hanging on to them and close the airport and sell to somebody else.

MR. McNAMARA: My problem is that in our McCarter-English memorandum, they delineate the three approaches that an assessor takes: an income approach, a cost approach, and a sales approach. The responsibility of the assessor is to assess at the highest and best use. Now, what we're saying is you have to assess at an airport use. I suppose what that means is he is assessing at an income basis, because farmland assessment clearly is not done on a cost basis. You buy New Jersey land at say $40,000 an acre. You have 100 acres of it to farm. You've got $4 million invested. That's the real value.

MR. ROWAN: Right.

MR. McNAMARA: So it can't be cost.

MR. ROWAN: Right.

MR. McNAMARA: It can't be a sales approach, because sales is just the flipside of cost.

MR. ROWAN: Right.

MR. McNAMARA: So it's got to be an income approach.

MR. ROWAN: So assess at the lower of the three instead of the higher.

MR. McNAMARA: The only thing that's going to change in the assessment is the assessment. The tax rate is going to remain the same, right?

MR. ROWAN: Yes.

MR. McNAMARA: If the tax rate in the municipality is 2 percent, the airport is going to pay the 2 percent on the assessment.

MR. ROWAN: Okay.

MR. McNAMARA: So we look at an income approach for the airport, and in the farmland case they look at-- Well, I know one thing-- I guess they must look at the income that the farmer makes. I know that they get a return each year of the farm products that were sold and how much were sold and how much were earned from the sale of them.

MR. ROWAN: Well, that's only for the minimum earnings to allow the farm assessment to apply.

MR. McNAMARA: Do you know that for a fact? Do you know that the assessor never sees that report?

MR. ROWAN: He does see that report, but he does not assess the land--

MR. McNAMARA: Based on it.

MR. ROWAN: --based on the value of the crops. I have some land under the Farm Assessment Act is why I know.

MR. McNAMARA: So do I and I--

MR. ROWAN: And I fill out a form every year, and it goes to the assessor.

MR. McNAMARA: Right.

MR. ROWAN: But if I meet the minimum criteria for farmland, he has to assess the entire area including the supporting woods as farmland.

MR. McNAMARA: Now, who sets the rates at which he assesses that?

MR. ROWAN: I believe it's set by State law, but I don't know that, Jack. I presume the legislators have decreed that the land that meets the Farm Assessment Act standards is assessed at according to the value of the farmland -- value of the land as farmland.

MR. McNAMARA: It's set-- So what you're saying is that in your airport scenario, you would have the State determine the value of an acre of airport land. Now, in your farmland assessment-- In farmland assessment, of course, buildings are not exempt from taxation. Is that your understanding?

MR. ROWAN: I'm not sure if -- the farm buildings may be. I'm not real sure. Houses on the farm -- the farmhouse -- and its supporting living quarters are not exempt. They pay full developable land taxes. But I think farm buildings to store tractors, and whatnot, may be assessed at lower rates. I'm not sure of that, Jack, to be honest with you.

MR. McNAMARA: But in our airport example, we would have to have a State entity determine the value of an airport acre on a statewide basis. I suppose a square foot of improved building for an airport would have to be given some value. I suppose there are different kinds of buildings, terminals, hangers, maintenance hangers, and storage hangers. Then also, they would have to assess runway and taxiway and ramp areas. They have to-- In having assessed all of that, the airport owner would pay the tax on that basis.

MR. ROWAN: That would be my vision that those buildings, and whatnot, that are used by the airport as public use -- buildings, runways, parking areas, and so forth -- would be assessed according to some airport assessment act. The buildings that are built and rented to businesses, for example, a radio repair shop or even a maintenance shop where it is not used for public-use aircraft, but rather for the maintenance part of it, might pay full industrial taxes.

MR. McNAMARA: Yes.

MR. ROWAN: I haven't thought that through.

MR. McNAMARA: In your farmland area that you own, have you noticed a different attitude about farmland assessment in your municipality and by your tax assessor?

MR. ROWAN: They certainly keep tightening up the requirements. I mean, they're not as liberal about what you actually raise. In fact, I understand there is some movement to raise the value of the crops that you grow from a given amount of land from-- I don't know what the numbers are, but, let's say, $50 an acre to $100 an acre or $500 an acre or some such thing.

MR. McNAMARA: I've noticed this, too. I file a farmland return, too. The reason I've mentioned that is we could make a recommendation to go with an airport assessment scheme and find it frustrated right in the beginning with some agency in the bureau of revenue realizing that they made some mistakes in the Farmland Assessment Program by going -- not realizing it, but at least feeling it -- too low and then assessing these airport improvements at a higher assessment, and it kind of gets out of the hands of the Legislature. And, then, you've got the local tax assessor pushing up on that.

MR. ROWAN: Well, that depends on how the legislation might be written. Obviously, we're not going to get anywhere without legislation, and that has to be carefully written. I would comment that if this Commission tries to write the legislation in our report we'll never get done. I think we have to make the recommendations, and I think as Linda's or as Suzanne's-- Is it Suzanne's or Linda?

MS. NAGLE: I'm Suzanne.

MR. McNAMARA: Suzie. This is Suzanne.

MR. ROWAN: This is Suzie.

MR. McNAMARA: And Linda is the other one.

MS. NAGLE: She wrote the-- Linda wrote this.

MR. McNAMARA: Linda -- not you, Charlotte.

MS. TOMASZEWSKI: Not me, no.

MR. McNAMARA: Linda Castner sits just on the other side of Suzie.

MR. ROWAN: Yes. Anyway, I think this report coupled with the emphasis on buying the development rights is about all we can do. And we cannot write the legislation. That's what we are debating here for really days or hours, and we're not going to get it done if we try to write the legislation.

MR. McNAMARA: I'm not headed in that direction.

MR. ROWAN: No. I know you're not, but we tend to debate that with the details that we're putting in. I don't think that we can come up with that kind of detail out of a study like we've made, but rather this-- I think this is excellent -- this report. I think if we cover those concepts, then it's up to the legislators to write legislation that does the job. And I think that's the best we can do with our challenge here -- our charge.

MS. TOMASZEWSKI: I think that the report needs to just-- Also, clearly note the stumbling blocks so that they be addressed by the legislators when they're developing the legislation.

MR. McNAMARA: I would like to ask Suzie just a question about your scheme. In your scheme, storage hangers paying rent would be subject to taxation?

MS. NAGLE: Anything that generated income.

MR. McNAMARA: The area of the terminal building that was used for a maintenance shop?

MS. NAGLE: Because that wouldn't be open to the public, it would just be people who are paying to use it, right?

MR. McNAMARA: Okay. The area of the terminal building that was used as a flight school?

MS. NAGLE: That's hard, because in our situation, it's both. It's public and used for flight school. Maybe it's the same at Ronson, also. It's a common area, right? Isn't it?

MR. HINES: No. Our reception area is separate from the flight school area.

MS. NAGLE: Oh, it is?

MR. HINES: Yes.

MS. NAGLE: Okay. Well, in ours and, I think, in a lot of airports that would be difficult to determine.

MR. HINES: Smaller airports -- it would be difficult.

MR. McNAMARA: Is there a reason to distinguish between the traveling public who is a passenger in an aircraft who doesn’t own the aircraft and one who is a passenger who does own the aircraft? Is there a reason to distinguish between the traveling public and a flight student?

MR. HINES: A flight student is a customer. It’s your customer if he’s your student. But if he’s a transient student, he’s public.

MR. McNAMARA: Buys fuel.

MR. HINES: Buys fuel, so does the transient. I think we’re getting it real complicated myself. As far as I’m concerned, the runway and the taxiway and the ramps and what have you, just like a private street, like a public street, the property owner doesn’t pay for that portion of the street in front of him. The runway and the taxiway and the ramp are there for the general public. As far as I’m concerned, that’s tax exempt. It shouldn’t be included in the tax assessment for the property owner.

I agree with Henry, though, as far as the land, which is not necessary for that airport, for that runway, and the taxiway, and what have you, that purchase rights either be obtained for that, that the development rights be obtained or sold -- whatever you want to call it -- unless the property owner wants to keep it for himself and not take that kind of a settlement. He wants to sell it for industrial use. If he does want to sell it for industrial use, that's his privilege. Then, he has to pay the rate for highest and best use for that particular land.

As far as any other structures are concerned or any other facilities are concerned that are revenue producing, they're taxed. Hangers are normally taxed at the warehouse rate, because they're normally storage hangers just like you store stuff in a warehouse. You get taxed at that rate. An office building, you have office space, that would be taxed at another rate. And the tax assessor determines that.

Those would be tax-producing areas. The land which is not necessary for the runway, taxiway, and ramp -- the land area that will not be used for that should be taxed. You have the rights sold or be taxed at the highest and best use, whatever that might be. The runway and the land necessary for that runway, as far as I'm concerned, should not be taxed just like any road in a city or municipality.

MR. McNAMARA: Okay. The reason I get detailed about this is because we all-- This has got to be rewritten. Everything has to be-- We're not to a point of having it finished. I want to make certain in the next writing that we get-- This has been a thorny issue for us for several meetings. And I want now to get it rendered exactly in accord with at least a consensus here.

I believe the consensus here is to have the following assets on the airport not taxed: the runway, the ramp area, the terminal area, the land that is committed to clear areas on either side or either end of the runway for any State or Federal regulatory reason. And any land that is set aside for future airport development, I suppose, would also -- future, I guess, runway development or future safety improvements, however you want to call that --

would also be beyond taxation. The public automobile parking area and the driveways coming in would be exempt from taxation.

This would leave maintenance hangers, storage hangers, restaurants, hotels, any other building or business that's on that airport would be subject to taxation, and any additional land on that airport subject to what might be called an airport assessment. Now, that's a consensus.

That doesn't pick up on what you said. I'm not trying to repeat what you said, Hank, because I know that that's not what you said.

Is that what you're saying, Suzie?

MS. NAGLE: Yes, and I would include taxiways.

MR. McNAMARA: And taxiways.

MR. ELLIOTT: I agree with that.

MR. McNAMARA: And you, Pete?

MR. HINES: Yes, I agree except for the area -- the side areas there that you said in low assessment-- I would agree then with Henry that that area that's not necessary and not being used in any way and not required to be set aside for any purpose-- That area there -- either the owner of the property would have the right to sell development -- the development rights on it or keep it for himself for industrial development.

MR. McNAMARA: Okay. By the way, this taxing scheme does not mitigate against a sale of development rights. That still is a primary recommendation of this Commission. And the great benefit of the sale of development rights to the airport owner is that they can realize or take back right now a substantial amount of the capital they have in the venture and put that some place else and now operate an airport on a lesser capital base that the benefit to the state is obvious. It's got an airport in perpetuity.

MR. HINES: Jack, he may feel that he could use that land better for industrial development and make more money at it rather than to sell his rights to it. Is that the conflict?

MR. McNAMARA: There's no question that just because we recommend it and just because the Legislature follows our recommendation and adopts a law providing for this that the airport owner still might not sell his development rights. It's still a free country.

MR. HINES: Yes, I think we have to keep that carrot out there, though, for that property to be taxed for its highest and best use--

MR. McNAMARA: Unless they do.

MR. HINES: --if we're asking for the runways, taxiways, and ramp areas to be exempt. If we're saying, okay, if the buildings that are revenue-generating areas, you can tax, the runways and taxiways, you can't tax. But now in all this other land -- these other 200, 300 acres in some cases -- we want a low assessment on that.

MS. NAGLE: But they could just put it in farmland assessment, so--

MR. HINES: Or put it in farmland assessment, right. If you want to develop as a farm, grow crops, let them grow crops.

MR. McNAMARA: I would rather see it in an airport assessment because--

MR. ELLIOTT: Airport assessment, and then they could still grow crops if they want to.

MR. McNAMARA: They can grow crops, but if they're not subject to, you know, it's-- There's a colossal jump in your taxes. I mean, you could put an airport out of business in a year. It could put an airport out of business immediately. Suppose you had 200 to 300 acres sitting there subject to a farmland assessment, and you're paying perhaps $1000 a year on that land as taxes, and in one year you didn't grow the crops -- you had a bad crop-- You didn't grow the quantity of crops you needed to get your assessment. Now you've got rollback taxes, which I believe go back two years. So you've got three years of taxes at increased rates, which those rates might jump from 1000 up to 25,000. For three years, you would have $75,000 that you would owe. You could put an airport out of business with this.

MR. ROWAN: I don't think the Farm Assessment Act is such that if you have a crop failure, you have to go back to industrial taxes.

MR. HINES: I think it's two out of five years, isn't it?

MR. ROWAN: I don't know. I don't remember.

MR. HINES: I think it's two out of five.

MR. McNAMARA: I don't know about a crop failure, but I do know if you don't show that you've got that requisite gross income from your farm operation in a given year that you're going to owe the normal tax -- highest and best-use tax -- plus you've got a two-year rollback.

MR. ROWAN: That's true, but I don't think it applies if you just don't grow the crop. I think you can leave land fallow for a year -- any farm that's normal practice. I don't know. I really don't know, so I shouldn't talk.

MR. McNAMARA: I've never heard of that.

MR. ROWAN: We should investigate.

MR. McNAMARA: But in any event--

MR. ROWAN: Let me just tell you this, because I think it's important. I don't think you're going to preserve airports by reducing taxes. As long as the airport owner has the ability to sell that land for industrial development, it sits there as a hazard to closing the airport maybe not with a present generation, but with the next generation. That's my view. It may or may not be accurate, and your views may be more accurate than mine. And, therefore, I think that the State ought to encourage the sale of the land for airport use, and if there were no tax abatement if they don't make the sale, then there would be even greater pressure on them to make the sale now and early. And that might be to the advantage of the state if we really want to develop airports.

I don't want to talk against your interests, because I don't know what they might be. But I look at my business and the family interest in it, and if I kick off, the family may have zero interest in the business, and it might get sold or whatnot. And I think the same is true of airports. So I think what the legislation ought to do is to encourage today's airport owners to sell development rights. The State owns them, and now there is no tax on them because its State land or at least there's very little tax, because there's no value for development. I don't have a lot of objection if there were no real estate tax abatement or reduction if they didn't sell the development rights, because I think if we don't have the State buy the development rights, the airports are going to keep on disappearing.

So I think that's the key to this whole two-year, three-year study, whatever we've had in this thing is to encourage the Legislature to arrange with laws to buy the development rights. That's ideal for the airport owner that wants to run an airport -- is ideal for the airport owner that doesn't want to run an airport.

MR. McNAMARA: Are you concerned at all that we get one shot at making our recommendations to the Legislature?

MR. ROWAN: Absolutely.

MR. McNAMARA: And if the Legislature says, "Well, we can't go with another one of these purchase-of-development-rights programs, we don't have the money for that, and we're not going to have that for years. So forget about that." Now, we don't have the purchase of development rights, and we don't have the tax abatement either.

MR. ROWAN: You make a good point, Jack. You got me on that one. But, I say again, if the State doesn't buy development rights, they're not going to have airports.

MR. McNAMARA: I agree. I agree with that.

MR. ROWAN: It's as simple as that. And I'm not talking about next year, I'm talking about in the next 20 years. You say airports have been disappearing at the rate of one a year, I think, is what your report said.

MR. McNAMARA: Yes.

MR. ROWAN: And so we have -- what? -- 48 airports is the number now?

MR. McNAMARA: Forty-eight GA airports now.

MR. ROWAN: In theory, in 48 years, we have no airports, and 48 years isn't very long.

MR. McNAMARA: And I would think that it's going to be-- I think the general feeling of the Commission is that it will be much faster than that. If something doesn't come out of this effort, which every private airport owner knows about-- We have 35 privately owned airports. If something doesn't come out of this effort in the nature of purchase of development rights, tax abatement, and several other things, that these privately owned airport owners are just going to throw in the towel. They've been struggling for years.

MR. ROWAN: But, Jack, look at the-- If you reduce the taxes, you may cause a particular airport owner to continue for a few years, but if you don't buy the land, he's eventually going to sell it for $2 million worth of development or what have you or whatever the number is. In other words, if the State elects not to buy the land -- the development rights to the land, the airport use of the land -- then the State is saying, "We don't want airports, get rid of them, they're gone."

MR. McNAMARA: Well, I think that we have another thing that we're recommending, and that is that any airport that receives -- and it might be a good time to get onto this topic -- a State grant would have to, as part of that contract, give the State a right of first refusal on the sale of the airport.

MR. ROWAN: That's fair.

MR. McNAMARA: Now, at least the State won't lose the airport without notice. It will not only receive the notice, but it will receive that notice of what has to be conclusively presumed to be a fair market value price, because it was negotiated between a willing buyer and seller. Now, the State either has to step up to the plate and say, "We want airports or we don't," but it will at least have notice.

MR. ROWAN: That's good thinking and is certainly better than just the pure buy them or not that I talked of earlier. So, yes, I like that.

MR. McNAMARA: And use that to police the-- They'll get the reduced taxation, hopefully, and if they don't go with the sale of development rights, at least that will police that situation such that they will. Then the State can get in there-- And maybe just have the Legislature-- I don't know if you can do it by law. It might be questionable to just say that no privately owned public-use airport can be sold without giving the State a right to purchase it, but we could even recommend that. Although, that's met with some resistance among the Commission. That particular way of doing it has met with some resistance.

MR. ROWAN: You know, that's probably semi-unconstitutional--

MR. McNAMARA: Yes, I think it is, as a taking.

MR. ROWAN: --but if they took grant money to improve the airport or if they accepted a lower tax arrangement for several years, they would have to offer first refusal to the State. I mean, that could be a condition--

MR. McNAMARA: That's a good idea.

MR. ROWAN: --which, I think, once again, would cause them to want to sell development rights now. If an airport operator can continue to operate and they feel the land value is going up -- they're going to get more money later -- then they might take the tax reduction now and continue to run the airport hoping to get more from the State or development rights later. But again, if they have taken State aid in the form of grants to improve the airport or in the state of tax reduction, then they would have to sign up under a program of first refusal. That would be good. I like your suggestion there.

MR. McNAMARA: Okay.

MS. TOMASZEWSKI: I wonder if there's something--

Oh, I'm sorry.

MR. ELLIOTT: There's a point not clear in my mind I want to clear up. If the airport decides to sell its development rights to the State, after the State buys that land and owns it, somebody comes along and says, "I want to build on that land. I want to build a plant." Does the State sell it to that person to build a plant, and is that then returned to tax rolls?

MR. ROWAN: No.

MR. McNAMARA: It would have to be a very complicated situation, because there are two owners of that land after the State buys the development rights. The State owns the development rights, and the original airport owner still owns the land, but he can only use it as an airport. What he's really done is entered a contract to use his own lands exclusively for the use of an airport. Now, if a guy comes and wants to buy the plant, he's going to have to make a deal with the airport operator or owner, and he's going to have to make a deal with the State. It's not impossible that that will happen, but it couldn't possibly happen unless the State agreed to it.

MS. TOMASZEWSKI: I think there's a model from the Pinelands Commission that needs to be -- through the development bank. Are you familiar with that? I don't know all the operation of it, but the State does buy the development rights, and it goes into the bank that then other developers can use around the state. They buy those development rights to use some place else where they can be used--

MR. ELLIOTT: That's transfer.

MS. TOMASZEWSKI: --either in the Pinelands or--

MS. NAGLE: Like a higher density?

MR. McNAMARA: Yes.

MS. TOMASZEWSKI: Yes, for higher density, whatever.

MR. McNAMARA: TDRs.

MS. TOMASZEWSKI: Right, yes. If someone wants to come in and develop a factory on that property, they would have to buy back the development rights from the State in order to do that, I think.

MR. McNAMARA: They would. They have to.

MS. TOMASZEWSKI: You see, so they would have to buy back development rights in order to do this, because it pays back the State for what the State paid for those development rights.

MR. ROWAN: Yes, but we don't want the State to be free to just buy back development rights and close the airports either.

MR. McNAMARA: I think the guy who--

MS. TOMASZEWSKI: Well, it's for logical development.

MR. McNAMARA: --wanted to buy that-- The guy who wanted to do what Jack is saying, he may be able to make a deal with the airport owner -- that's probable. But when he went to deal with the State, I don't know if he'd find anyone. Where do you start dealing?

MR. ELLIOTT: How can you turn to somebody that wants to build a plant there, because the airport is there? Let's say, he wanted to do what Hank does. He wanted to have his own plant and a hanger there and use that airport.

MR. ROWAN: Well, the land around the airport would be developable then and very valuable land. And I would expect the airport owner to hang on to those development rights -- maybe farm it to keep the taxes down now but be able to sell those later.

MR. McNAMARA: Well, wait a minute. Whoa, whoa, whoa, whoa, whoa, whoa. An airport necessarily has got-- I mean, a guy who has sold his development rights and he's retained the rights to operate an airport necessarily has got a right to locate on that airport anything that is approved for his zoning. If a factory wants to come and locate there and pay him rent--

MS. TOMASZEWSKI: Then, you wouldn't have to do anything.

MR. McNAMARA: There's no deal that you have to make with the State. They've got the right to do that, so long as the airport is not jeopardized.

MS. TOMASZEWSKI: They're not going to put a housing development.

MR. McNAMARA: We remember how Morristown got started and what it looks like today. I think that would happen with Solberg. They could sell their development rights, and they could have office buildings and restaurants and hotels, etc., right on the airport, and the State would never get involved in those transactions.

MR. ROWAN: Well, my view would be that the State would buy the land that's critical to airport use -- the runways, the parking areas, and things.

MR. McNAMARA: Yes.

MR. ROWAN: If the State is going to try and buy 500 acres per airport, it's not going to fly because of cost. But if the State is buying the development rights to the specific airport areas and that has to remain airport, and the owner can sell the development rights for industry to the other land on the airport, then you have the best of both worlds in the hands of both parties. If the law is properly written, the State would not have the right to change its mind and sell the airport back to industry.

Somewhat like the conservancies, I've considered giving the development rights of my farmland to the Rancocas Conservancy, who that as a private party, if it goes on in perpetuity, makes sure that it's never developed. No condominiums on my farm. The Rancocas Conservancy is doing that along the Rancocas. The Nature Conservancy does it nationwide, and they own those rights. The counties also have programs in place for development rights, and the State has the Green Acres Program in place for development rights. So a lot of programs, a lot of precedent on -- once the rights are purchased by the State or some other private party that pursues those things, they can never be developed again. But I think we have to encourage the sale of the development rights to the land that is essential to the airport.

MR. McNAMARA: The runway, taxiway--

MR. ROWAN: And I don't think we should suggest to the State that they go in and buy 500 acres, because they don't have enough money.

Suzanne, do you want to comment on that? I'm talking about your family's economics here.

MS. NAGLE: As long as what Jack says. I mean, if it's all encompassing, all of these different things that you could possibly want to do.

MR. McNAMARA: Well, I actually like Hank's idea better. I like it where the State comes and buys essential airport assets -- runway, taxiway, ramp areas, clear areas, and terminal.

MS. NAGLE: Actually buys it or buys the so-called--

MR. McNAMARA: Buys the development rights for it.

MR. ROWAN: Buys the development rights to it.

MR. ELLIOTT: But that's not really developable land.

MR. McNAMARA: It is if they close the airport

MR. ROWAN: It is if they close the airport and tear up the runways. They can put factories right there.

MS. TOMASZEWSKI: Or just tear it up and build houses.

MR. McNAMARA: Now, all the rest of the land the airport owner is free to -- like you say, if the factory wants to locate on the airport, they're free to make that deal.

MR. ROWAN: Yes. That's prime land. That also increases the value to the airport owner of the land. Because as I've said earlier--

MR. McNAMARA: Absolutely.

MR. ROWAN: --factories like airports and airport locations much like residentials like golf courses. So it would enhance the value of the land that an airport owner kept in my mind and yet assure to the state that we have that as an airport forever. In my mind, that's the best of both worlds for both parties.

MS. TOMASZEWSKI: Jack, I have a question.

MR. McNAMARA: Go.

MS. TOMASZEWSKI: In any of the studies that you have done, have you gotten information on any comparable tax laws in other states or what they've done to help their airports?

MR. McNAMARA: Yes.

MS. TOMASZEWSKI: I mean, is this similar to legislation in other states? Although the constitution could be different here than in Virginia, for example, of what can be legislated, but we do have-- Is this coming out of that kind of recommendations from what other states have done?

MR. McNAMARA: Yes, part of it is. You've got to understand that New Jersey is unique--

MS. TOMASZEWSKI: I know.

MR. McNAMARA: --in that 85 percent of our airports are owned by private individuals.

MS. TOMASZEWSKI: Yes, most of the other ones are government owned.

MR. McNAMARA: Or owned by some public entity, so they don't run into a taxing problem and a sale-development rights problem.

MS. TOMASZEWSKI: Even like Massachusetts or Rhode Island?

MR. McNAMARA: Well, there are some other states that do have privately owned airports. As a matter of fact, I think Delaware exceeds us, but then they only have three or four airports.

MS. TOMASZEWSKI: Right, right.

MR. McNAMARA: Yes. In certain other states where there are privately owned airports, there is precedent for abating taxes on airports or having some kind of tax incentive program to sort of equate the publicly owned airport with the privately owned airport. I don't know off the top of my head -- I plan to be reviewing those surveys--

MR. ROWAN: I'll be back. (leaves room)

MR. McNAMARA: --whether there are any purchase of development rights programs in other states.

MS. TOMASZEWSKI: I think that's the best way to go. I was just curious about what other states have done in terms of their tax law.

MR. McNAMARA: Charlotte, when we distribute the report-- You haven't seen this yet (indicating report), but this is the report of this Commission in its first draft form. But you can see, it has been brutally reviewed. You will see in there these studies, and this will help you come up to speed on these things.

I really wanted to have the discussion on the taxation today, which I think is achieved. We do not have a quorum to vote anything today, but I don't plan to revisit the issue of this tax matter again, unless a substantial number of Commissioners want to.

I don't have any other issues that I think need to be discussed, and I open that up to you, to my fellow Commissioners, now to raise any issues they want. I will make these comments. The report-- I don't think anybody pointed this out -- maybe just one person did -- the report was deficient in terms of not having incorporated sufficient reference to the witnesses who testified on land values and from the Chamber of Commerce -- the various

Chambers of Commerce that we had. As soon as it's corrected, the report will be printed again -- thanks to the endless help that we've received from OLS -- and then mailed to you.

MR. HINES: Jack, are we going to include anything about the sales tax issue in the recommendations here?

MR. McNAMARA: Yes, definitely. That's what this was all about -- the sales tax issue.

MR. HINES: The sales tax issue.

MR. McNAMARA: I'm sorry.

MS. TOMASZEWSKI: That's a whole other--

MR. HINES: I reported to you that, of course, Delaware has no tax on aircraft repairs and maintenance. Now, Connecticut has come up with a similar law.

MR. McNAMARA: Connecticut just did it, right?

MR. HINES: Yes. You know, they're on either side of us here. If we're trying to attract business aircraft to locate here in New Jersey, I think that's an issue that should be somehow brought up.

MR. McNAMARA: Yes, I think-- Bring it up, Pete, and just expound on it for a minute.

MR. HINES: It's a very simple thing really. Here we have in the State of New Jersey -- a corporation goes out and buys a $15 million aircraft and has to pay a $90,000 tax on it. You can go to Connecticut and buy it, base it there for six months, then bring it to New Jersey, doesn't have to pay anything. Same thing with Delaware.

MS. NAGLE: They only have to keep it there for six months?

MR. HINES: Six months out of the state.

MS. NAGLE: Oh, every year six months out of the state.

MR. HINES: He can rotate it out anytime he wants to, but these aircraft are mobile. They can go wherever they want. And many of these corporations that can afford those kinds of aircraft, they have plants at different places, just keep switching aircraft back and forth, if they wanted to. Well, say, what's to gain by not-- What is there to gain? Well, I think that right now there's a lot to gain. Delaware has virtually more than about 40 percent to 50 percent of all the corporate aircraft registered in the state of Delaware. And they're not based there, but people go out and buy these airplanes -- multimillion-dollar aircraft -- and don't pay any sales tax. Yet, in New Jersey, you do. Particularly in Connecticut, though, I understand they've also excluded repairs and maintenance.

MR. McNAMARA: Does Connecticut have a limit, though?

MR. HINES: Six thousand pounds, I believe.

MR. McNAMARA: Everything over 6000 is tax exempt.

MR. HINES: They're addressing the business crowd, the business aircraft, the corporate crowd. I mentioned to you in my comments and notes before that to discourage people from buying airplanes and basing here in New Jersey with that tax, I think, is foolish, because that tax is a one-occurrence type thing. Whereas, if you get the aircraft to base here, you've got your fuel sales, you've got your taxes collected from the fuel sales, you've got your employment, your income taxes, sales taxes, everything else coming out of it.

MR. McNAMARA: Flight departments get located here.

MR. HINES: Flight departments, everything, new construction.

MR. McNAMARA: Warehouses grow up next to flight departments, everything.

MR. HINES: So this is a disincentive. Our sales tax program related to business aircraft is a disincentive.

MR. McNAMARA: I agree. I think that, Hank, while you were out, Pete brought up this business of sales tax. Delaware and Connecticut have programs already to not tax--

MR. ROWAN: I fully agree with them. We paid on the Lear, I think, 200-and-some-odd thousand dollars tax. I didn't want to go the Delaware route, because we were really here and--

MS. NAGLE: We thank you.

MR. ROWAN: --I'd rather pay taxes, but we thought about it. We thought hard about it.

MR. HINES: Thank you, Henry, because I said a $15 million jet paid $90,000. It's a $900,000 tax.

MR. McNAMARA: Right.

MR. ROWAN: We paid a quarter million dollars taxes when we bought our Lear. That hurt, but we decided not to go the Delaware route -- we looked at it real hard.

MR. McNAMARA: Well now, Pete--

MR. ROWAN: Maybe that was a mistake.

MR. McNAMARA: Pete, there is a-- I think that this is a very valid concern. However, some Commissioners have raised the question of whether we should be introducing new concepts late in the game.

MR. HINES: I, for one, did that, yes.

MR. McNAMARA: Despite that, I think we ought to pursue this one.

MR. HINES: My comments were sent to you on August 17 regarding that. August 17 I sent that.

MS. NAGLE: So in Delaware and Connecticut, there's no sales tax for aircraft parts either?

MR. HINES: Sale of aircraft or repairs and maintenance.

MS. TOMASZEWSKI: Delaware doesn't have a sales tax period.

MS. NAGLE: Oh.

MR. McNAMARA: I think that-- I'm familiar with this problem firsthand, because our sales tax has become the cause of the creation of corporate uses in taxes that are-- Just to give you an example. A company goes to buy a $10 million aircraft. They're looking at $900,000 in taxes -- sales taxes -- if they are going to base it in New Jersey. They can get around paying sales taxes if they're going to buy a piece of rental equipment and then pay taxes on each rental. They can also avoid sales taxes if they're going to be a common carrier, but put that one aside. They usually opt for the situation of creating a corporation to own the aircraft as a rental asset, a piece of rental equipment, and rent it from the corporation that owns it as they need it and pay the taxes on it. It becomes an enormous inconvenience. It's a real nightmare. You've got lawyers involved and accountants involved. And then you get them trying to rent it, because the law requires it, to people other than affiliated companies or employees of affiliated companies or shareholders of the owning company, and you're now running into enormous insurance premiums. Everything mitigates against bringing an aircraft into the State of

New Jersey and basing it here because of that sales tax. It's become an enormously complicated arrangement.

If you're talking about preserving public-use airports, the best way to preserve them is to make them profitable for the people who own them. If you can locate corporate flight departments on them, that's the way you make them profitable.

Is there anybody who has other thoughts on the sales tax issue?

MR. ROWAN: I think it's a good point. I didn't hear the original proposal, but I think it ought to be included just as a line item in our report. Absolutely.

MR. McNAMARA: Charlotte.

MS. TOMASZEWSKI: No. I think there has to be some kind of redress for that -- for the sales tax. There has to be--

MR. ROWAN: Jack, along that line and maybe Pete mentioned it--

MR. McNAMARA: Jack, you're in agreement?

MR. ELLIOTT: I'm in agreement with Pete.

MR. ROWAN: --there's no sales tax on a piece of machinery to go in a plant, I don't believe. You buy a $100,000 milling machine, and there's no sales tax, because it's used in business. Well, an aircraft for business is the same thing exactly, and the tax could fall to that same law.

MR. HINES: I believe, Henry, though, it has to be directly involved in the production of--

MS. TOMASZEWSKI: Manufacturing process.

MR. HINES: --taxable equipment, taxable product, or something.

MR. ROWAN: Well, yes. We use our aircraft to bring in customers to buy furnaces that we produce, and it's bringing revenue to New Jersey every time we bring a customer in.

MR. McNAMARA: I want your tax accountant. (laughter)

MR. HINES: I think there's a use tax on, Henry, myself. The components of what you're producing -- what your final product comes out as -- would not be taxed.

MS. TOMASZEWSKI: Yes. There's a difference between machinery and--

MR. ROWAN: There's no tax on machinery--

MS. TOMASZEWSKI: That's because it's used in a manufacturing process.

MR. ROWAN: --used in manufacturing?

MS. TOMASZEWSKI: Yes. But the airplane is not used in the manufacturing process.

MR. ROWAN: Well, all I'm saying is--

MS. TOMASZEWSKI: You want something similar.

MR. ROWAN: --it's used to create revenue for New Jersey, same as a piece of machinery and could fall into that same-- In other words, to change a law is pretty major. Let's not tax aircraft. But to say that aircraft are considered owned by corporations, at least, or considered production machinery or producing assets, is fairly easy.

MR. HINES: Oh, I know, but we're offsetting that, Henry, by saying that by bringing these corporations in there and exempt them from the sales tax, but you're bringing them in here and they have to pay corporate and personal income taxes, corporate business taxes, personal income taxes, property taxes, and anything else they do in the State of New Jersey including employment and what have you. So there's an offset to it. Right now, they're not getting the $900,000, and they're not getting the--

MS. TOMASZEWSKI: Right.

MR. ROWAN: Right.

MR. HINES: --employees here. They're not getting anything.

MR. ROWAN: No.

MR. HINES: So let's get something.

MR. ROWAN: No. I agree with you. Wholeheartedly, I agree with you. Sounded like I didn't, but I said the wrong thing.

MR. HINES: We'll get it passed, and you go out and buy a new airplane.

MR. ROWAN: Yes, right. Can't afford to with the taxes today, unless we do it in Delaware.

MS. TOMASZEWSKI: I was looking at the sales tax on the fuels before -- looking at the comparison to different states on the aviation fuel.

MR. McNAMARA: In that McCarter-English Report?

MS. TOMASZEWSKI: Yes.

MR. McNAMARA: Yes. There is another unconstitutional law, but I don't think anybody wants to challenge it.

That concludes my concerns for this meeting. What we needed was to get some good direction on writing -- that one portion of the report with respect to the tax matters. We've covered sale of development rights, sales tax, and I've gotten some very useful guidance with respect to the program of recommending a plan for our model airport. I will tone down the statement and try and hide it so you guys won't find it (laughter), but it will be there.

MS. TOMASZEWSKI: Or you can put it in as an option, right.

MR. ELLIOTT: Jack, I have a concern with one of Linda's actions. And that's on Page 3, the second one down, which would appear to eliminate -- require the elimination of home rule. I think that's the quickest way to destroy everything we're doing.

MR. McNAMARA: Where are we? On Page--

MR. ELLIOTT: Three. Second one down, "Amend all laws regulating land, land use, and environmental protection to provide that the New Jersey Department of Transportation shall administer these regulations respecting any land within the airport zone." Now, that takes land use out of the purview of the home community, and I don't think any of them are going to sit still for that. It deals with home rule which this state accepted as a fact of life for as long as anyone can remember. Right now, the DOT has the last word, which is fine. You give them a chance to debate it, argue it, and say anything they want, but in the final analysis, the DOT makes the final decision. I don't see anything wrong with that. The way this is worded would seem to say that the host community has nothing to say about the airport zoning. And I mean, that would bring tremendous opposition from all the host communities.

MS. TOMASZEWSKI: I don't even know whether that could fly with other State departments either or is that even constitutional.

MR. McNAMARA: Let me ask you a few questions. The DOT does not have the last word on this. The DOT has the last word on-- If you're making a runway extension, safety improvement, an improvement to your airport that's related to aircraft operations, the DOT has the last word on that.

The problem with privately owned airports is they can't make enough money off of servicing aircraft to stay in business. They have to get money from some other source. Often they can't make enough money off of renting hanger space or tie-down space to stay in business. They are denied by their host municipality the right to operate what would ordinarily be considered airport-compatible businesses such as a rent-a-car operation or a restaurant or a FedEx warehouse -- office space for people who are in a business where they need to travel quickly. That sort of thing these airport owners are not allowed to have by their municipality.

MR. ELLIOTT: Says here that "this would amend all laws regulating land use."

MR. McNAMARA: No. What it says here is "amend municipal land-use law" -- which is simply the name of the law -- to create an airport zone.

MR. ELLIOTT: We already have an airport zone.

MR. McNAMARA: No, we don't. We have an airport safety zone, but we don't have an airport zone that-- And that airport zone is, by the way, in the municipal land-use law. So what we would do is amend that airport zone provision of the municipal land-use law to perhaps expand it a little bit more to cover more of the airport and provide for airport-related uses. Make airport-related uses permissible within it.

MR. ELLIOTT: Are there airport-related uses now nonpermissible?

MR. McNAMARA: Oh, yes. Do you think Danny Walker could have a rent a car -- put up a building to rent a car and have Hertz on his airport? Do you think Bedminster would allow that?

MR. ELLIOTT: Probably it would-- Bedminster refuses to recognize any law they disagree with -- any State law they disagree with.

MR. McNAMARA: The Solbergs have close to 700 acres over there.

MR. ELLIOTT: They don't recognize the safety zone, and Readington doesn't.

MR. McNAMARA: And I'll bet that Readington wouldn't allow them to have-- I mean, they have a grandfathered restaurant, but I'll bet they wouldn't allow them to have a rent-a-car operation there. I don't think they would allow you to have anything, would they?

MS. NAGLE: No comment.

MR. McNAMARA: Okay. That's not a fair question. I'm sorry. I retract it.

We saw Readington come in here, and for an entire hour all the representative of Readington would do is read a one-page resolution adopted by the Council of Readington that the airport should -- that they were against airport expansion. So they have a 700-acre park with a 3000-foot paved runway on it, and the Solbergs can't do a thing with it. Well, that doesn't inure toward keeping that airport there.

MR. ELLIOTT: Well, I do think that-- I am concerned with the reaction we'd get if we took any measures that were conceived as anti-home rule.

MR. McNAMARA: Well, when they put in a road -- when they put in Interstate 287 and Interstate 78 through the Far Hills, Bedminster area, they weren't concerned about home rule.

MR. ELLIOTT: It's an entirely different situation when you come to airports. When you come to airports, home rule wrote rules. And in roads, no it doesn't. It's two different situations.

MR. McNAMARA: Well, maybe we have to adjust our thinking on that as a state then.

MR. ELLIOTT: It's not that I disagree with what she's saying. It's just that I feel it has to be very carefully couched in terms that do not appear to be taking home rule away from the host community.

MR. McNAMARA: Next.

MR. HINES: Say it, Jack, like you're going to say -- put it right into the text there like you're going to do with your concept. It would be hard to find. (laughter)

MR. McNAMARA: Does anybody else have any other business to come before this Commission today?

Okay, the meeting is adjourned.

(MEETING ADJOURNED)