Airports try creative ways to generate revenue

General aviation and commercial airports are continually faced with the challenge of doing more with fewer dollars. Add to that the increasing costs of construction, reduced public funding, and periodic economic downturns, and it’s easy to understand why airports need to be creative when seeking additional ways to generate revenue.

In the past, the primary sources of airport revenue have been fuel sales, hangar leases, and agricultural leases and grants. The information that follows is meant to help you consider other resources your airport might possess that could generate additional revenue.

Airport land is an asset
Airport operators control if and how the land on an airport is developed. Some potential ideas for both new and existing projects:

- Evaluate existing lease agreements and perform condition reviews as those agreements expire and as facilities revert back to the airport. Make improvements as needed to ensure your land or facility is attractive to new tenants.
- Financing a new project at a public airport on leased land can be challenging, especially when this is a new idea, or at airports with less available property. Consider the benefits the airport can offer a potential builder.
- Above all, any development should benefit the airport. A good first step is to talk to other airport managers to hear what they are doing and share information. (AirTAP can be a good clearinghouse for those ideas and a place to network.) In addition, solicit existing tenants and airport users for ideas.

Leasing and use agreements
Small airports employ many types of airport leasing and use agreements—for commercial and non-commercial operations, and for aviation- and non-aviation-related operations such as manufacturing, warehousing, freight forwarding, and farming on airport land. Commercial land use should be carried out through coordinated planning efforts, mindful of FAA restrictions on development.

Regardless of the type of lease, the application and enforcement must be consistent. Airport sponsors of federally obligated airports must also ensure that certain grant obligations are met.

Following are other considerations for developing innovative leasing arrangements:

- Minimum standards. For commercial operations based at GA airports, the airport operator normally enters into a lease arrangement with a commercial operator that outlines criteria—which must be reasonable and fair—for the business operations, services, and buildings that help offset the cost of operating the airport and won’t result in a revenue loss. Even locally, no set guidelines or standards specify what individual airports should charge tenants, but rates should reflect the cost of providing the facility or infrastructure as well as maintaining and administering it, recovering capital expenditures, and any other costs associated with airport operation. It’s not always practical, however, to charge users for only those facilities they use or services they receive. Many airport users also benefit from common-use areas of the airport as well as airport-maintained airside facilities and navigational aids. An airport operator can establish rates for common-use areas such as terminal, airfield, and buildings and grounds charges.

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An Airport’s Story: Bemidji Regional Airport

Located just outside of Bemidji, Minn.—a town of nearly 14,000 people—the Bemidji Regional Airport covers an area of 1,740 acres and is owned and operated by the Bemidji Airport Authority. The airport began as a 160-acre all-way field dedicated in 1932 and added commercial service in 1952. Formerly known as the Bemidji/Beltrami County Airport, the airport had been nearly completely renovated, and that almost $30 million had been invested, and that almost $30 million had gone into the project. “The airport was reaching the end of its life expectancy as far as infrastructure and capability,” he says. “It was going to have to change, and we did that.”

Part of the renovation project included the removal and replacement of the airport’s two asphalt runways. The nearly 20-year-old terminal was renovated and almost doubled in size, and the airport’s weather reporting system was upgraded.

One of Van Leeuwan’s first tasks as airport manager was to help create legislation that would allow airports in Minnesota to be owned and operated by airport authorities rather than municipal agencies, which he says allows financial operations to be more stable and self-sustaining. The Minnesota Legislature passed the bill and in 2009 the airport transitioned into the ownership of the Bemidji Airport Authority, a five-member committee with independent funding responsibilities. Some of the biggest changes affecting small airports are shifts in aviation, he says: “Hobbyists are becoming business trips.”

Van Leeuwan says that as the priorities of airports become profit-oriented, the next round of Bemidji Regional Airport leadership will most likely focus on how to foster economic development of the airport rather than physical development. Van Leeuwan, who plans to work as an airport management consultant in Tennessee, says the most rewarding part of his 11 years at the Bemidji Regional Airport was overseeing the airport’s improvements. “I enjoyed the opportunity to improve the airport and to serve the community,” he says.

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