Chapter 5

BUSINESS PLAN

Chapter 4 identified Airport capital improvements required to accommodate the forecast growth in aviation activity. Any development on the premises of the Byron Airport, including aviation and non-aviation development, shall comply with the Contra Costa County Airport Land Use Commission’s Airport Land Use Compatibility Plan for the Byron Airport that is in effect at the time the development is proposed, and shall be subject to the applicable Airport Land Use Compatibility Plan land use compatibility zones in which the development occurs.

The primary objectives of the business plan presented in this chapter are to:

1. Identify potential business opportunities that could enhance the financial performance of the Airport enterprise (specifically by providing revenue generation in excess of investment requirement) and contribute to economic development in the region,

2. Evaluate alternative approaches to the business development process,

3. Provide a financial pro forma analysis identifying net financial implications of both (a) minimum required investments and (b) potential “high side” investments, and


Figure 5-1 illustrates the business plan concept—comprising identification of opportunities, evaluation of financial resources and tradeoffs, and guidelines for future investments.
The following sections present information related to the development of a business plan for Byron Airport.

POTENTIAL OPPORTUNITIES

The potential opportunities for business development at the Airport relate first of all to the forecast aviation activity presented in Chapter 3, but also to other property development opportunities not necessarily directly related to forecast aviation activity. This section presents background information on business development at other comparable airports, as well as information related specifically to the potential at Byron Airport.

Typical Airport Business Development Track

In most cases, general aviation airports that have successfully developed business activities have followed an airport development “track” characterized by successive development of activities over time. While the pace and magnitude of development varies, it is generally the case that there is an incremental development of new activities and developments, each building on the success of the last.

Figure 5-2 illustrates a typical general aviation airport business development track, including examples of airports currently in the various stages of development.
The typical business development track is further described as follows:

1. The initial development comprises recreational and training operations using single-engine and multi-engine aircraft, with basic hangar and tie-down facilities.

2. As aircraft operations and based aircraft increase, there is a requirement for support facilities, including fuel, fixed-base operators and specialty aviation companies.

3. As the airport develops significant aviation infrastructure, this supports more sophisticated types of general aviation, including air taxi and corporate activity, as well as limited regional passenger and air cargo activity.

4. Growth in aeronautical activity, often in conjunction with off-airport land development, gives rise to non-aeronautical commercial activity at the Airport.

This development track profile is important to keep in mind in developing the business plan for Byron Airport. In particular, there needs to be prioritization of realistic near-term opportunities that can lead to future developments.

In addition, the likely incremental development of opportunities over time needs to be related to the overall strategic objectives of the County with regard to Airport development. Certain actions may not produce significant Airport revenue in the near-term, but could contribute to future developments that would generate economic impact for the region surrounding the Airport. For example, investing in site preparation for warehousing or industrial park activity may not have an immediate payoff in terms of Airport revenue, but could enhance the possibility of developing more regional economic activity and cargo feeder services in the future.

**Comparative Airport Development Case Studies**

This section summarizes comparative airport developments, for airports that are at more advanced stages of their development track.

1. **Double Eagle II, NM.** Albuquerque International Sunport, the airport operator, has developed this 4,261-acre airport, including obtaining grant funding (in 2002) for $5.5 million of water and sewer infrastructure. In 2000, Eclipse Aviation selected the airport as their manufacturing site. The Airport is currently undertaking a commercial development plan to add additional non-aeronautical tenants and is reviewing marketing and land management options.
2. **Scottsdale, AZ.** Scottsdale Municipal Airport hosts the Scottsdale Airpark, which opened in 1984 and initially comprised 400 acres, expanded to 2,300 acres by 1997 and currently occupies a 2,700-acre site employing 44,000 people at 2,200 companies. In 2002, there were approximately 640 based aircraft at the airport, of which it was estimated that over 100 are business jets. Of these 640 based aircraft, approximately 120 are aircraft based in airpark lots with taxiway access. Key factors associated with Scottsdale’s growth include:

- The significant economic growth of the Phoenix MSA in the 1980s and 1990s;
- Use of mixed commercial and light industrial development; and
- The strong GA environment present in Arizona.

3. **Airpark Business Center, Hollister, CA.** This 90-acre private development (with a further 150 acres being added by other developers in the near future) offers land for sale and has just started marketing, and expects to charge a premium of between $2 and $4 per acre sold for lots with airport access.

4. **McClellan Business Park, CA.** McClellan Park LLC, comprising parties including Morgan Stanley and Industrial Realty Group, has developed.

5. **Morristown, NJ.** Morristown Municipal Airport, located west of New York City focuses on serving corporate jet aircraft. The airport has contracted with a private company to lease out hangar, office and fuel facilities, where tenants are able to purchase wholesale fuel.

6. **DuPage, IL.** DuPage Airport is a general aviation reliever for Chicago O’Hare International airport and the third busiest airport, in terms of operations, in Illinois. The Airport has 450 based aircraft, of which 90 are turboprops and corporate jets. DuPage is an example of a general aviation airport that serves a large metropolitan area, that relies principally on aeronautical activity. There is an on-airport Flight Center that accommodates mainly aviation businesses and a proposed County Technology Park.

While the conditions at these case study airports are each unique, they provide useful examples of the types of development activities that could be pursued at Byron Airport.
Available Airport Property

In considering potential business development, it is important to understand the property that is available for development. A certain amount of airport property must be reserved for long-term aviation needs. Other property will be available for airport-related development that can contribute to airport enterprise financial performance.

The Airport has significant land available for development, as summarized in Table 5-1.

<table>
<thead>
<tr>
<th>Use</th>
<th>Size (acres)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developed/unavailable</td>
<td></td>
</tr>
<tr>
<td>Aircraft storage</td>
<td>10</td>
</tr>
<tr>
<td>Aircraft parking</td>
<td>4</td>
</tr>
<tr>
<td>Biologically sensitive areas</td>
<td>814</td>
</tr>
<tr>
<td>Airfield/other</td>
<td>258</td>
</tr>
<tr>
<td>Subtotal</td>
<td>1,086</td>
</tr>
<tr>
<td>Undeveloped</td>
<td></td>
</tr>
<tr>
<td>Reserved for aviation use</td>
<td>96</td>
</tr>
<tr>
<td>Reserved for airport-related use</td>
<td>125</td>
</tr>
<tr>
<td>Subtotal</td>
<td>221</td>
</tr>
<tr>
<td>Total</td>
<td>1,307</td>
</tr>
</tbody>
</table>


As shown, the amount of property reserved for future aviation use (96 acres) is substantially greater than the amount currently dedicated to aviation use (14 acres for aircraft parking and storage). Also as shown, the amount of property available for airport-related use (125 acres) is significant.

There will be no shortage of Airport property available for either aviation-related or other development opportunities. As a result, the County should aggressively market the property for the types of potential activities described below in the section “Potential New Business Activities.”

Figure 5-3 summarizes the land use data shown in Table 5-1.
Regional Airport Competition

In developing the Airport business plan, management needs to consider the expected impacts of other regional airport development. Table 5-2 summarizes key regional competition parameters. As shown, certain competing airports are in superior economic growth environments and have closer proximity to freeways and other road access. In contrast, the Airport, while not currently in a significant economic growth environment and with limited ground access, does have significant available space.

<table>
<thead>
<tr>
<th>Airport</th>
<th>Longest runway</th>
<th>Key parameters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Byron Airport</td>
<td>4,500 x 100</td>
<td>Available space</td>
</tr>
<tr>
<td>Concord Buchanan Field</td>
<td>5,010 x 150</td>
<td>Economic growth</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Freeway proximity</td>
</tr>
<tr>
<td>Hayward Executive</td>
<td>5,024 x 150</td>
<td>Economic growth</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Freeway proximity</td>
</tr>
<tr>
<td>Livermore Municipal</td>
<td>5,253 x 100</td>
<td>Economic growth</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Freeway proximity</td>
</tr>
<tr>
<td>Modesto City-County Airport</td>
<td>5,911 x 150</td>
<td>Economic growth</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Freeway proximity</td>
</tr>
<tr>
<td>Oakland International</td>
<td>10,000 x 150</td>
<td>Economic growth</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Scheduled airline service</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Freeway proximity</td>
</tr>
<tr>
<td>Stockton Metropolitan</td>
<td>9,650 x 150</td>
<td>Economic growth</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Freeway proximity</td>
</tr>
<tr>
<td>Tracy Municipal</td>
<td>3,680 x 100</td>
<td>Available space</td>
</tr>
</tbody>
</table>

Regional Development Conditions

As discussed in the earlier Chapter 3 (Aviation Activity Forecasts), the development of activity at Byron Airport is related substantially to conditions in the broader region surrounding the Airport. County decisions regarding regional growth and development will influence the demand for and interest in development of both aviation and non-aviation activities at the Airport.

Certain key regional development conditions are important to consider in relation to the likelihood of business development at the Airport:

1. Urban Development—The current Urban Limit Line, shown on Figure 5-4, restricts potential economic growth in the region around the Airport. However, it is expected that in the near-term there will continue to be opportunities for development within the Urban Limit Line. The current Urban Limit Line is due to be re-evaluated in 2010. An extension of the Urban Limit Line would permit additional development in the proximity of the Airport, which in turn would contribute to new business activities on the Airport.

2. Regional Utilities—The existing regional utilities (e.g., water and power) are sufficient to support basic growth in aviation activity at the Airport, but would not be sufficient to support significant new business development at the Airport. Airport development alone would not be sufficient to support the costs of regional utility upgrades. Broader regional development would make regional utility upgrades financially feasible, and would also support development of activities at the Airport. Figure 5-5 summarizes the required regional utility development.

3. Regional Road Network—The existing regional road network imposes constraints on development of activities at the Airport. As with utilities, broader regional development would be required to both (a) provide the impetus for road network improvements and (b) thereby support development of business activities at the Airport. Figure 5-6 summarizes the required regional road development.
Figure 5-4

URBAN LIMIT LINE

Legend

Legend

Urban Limit Line
Location to be confirmed

Existing Zoning
Byron Airport
Property Boundary
Habitat Management
Lands Boundary
Public/Semi-Public Land
Agricultural Land
Delta Recreation and Resources
Lane Use and Zoning
Not Shown

Zoning Definitions

A-2 General Agriculture
A-3 Heavy Agriculture
A-4 Agriculture Reserve
F-R Forestry Recreation
H-1 Heavy Industrial
L-1 Light Industrial

Sources of Information:

Contra Costa County General Plan, 1999
Contra Costa County Airport Land Use Compatibility Plan, 2000
Land use, zoning and urban limit line are based upon electronic draft
originating from county staff. The electronic draft version has not been
approved by county.

Byron Airport Master Plan
Existing Land Use
and Zoning

Figure

2
Figure 5-5
REGIONAL UTILITIES

Information shown on this exhibit is obtained from discussions with various utility providers and is of preliminary nature only.

BYRON SANITARY DISTRICT SEWAGE TREATMENT FACILITY
- 2 Evaporation ponds (6ac)
- 4 Evaporation ponds (10ac)
- Area available for plant expansion (10ac)

Potential Sewer Connection
Byron Sanitary District end of line location. Potential point of sewer connection. Significant plant improvements needed before connection can be made. Plant outfall at Discovery Bay maybe required for plant upgrades.

Existing Electrical Connection
Upgrade existing PG&E electrical connection to handle future electrical loads.

Potential Natural Gas Connection
PG&E high pressure gas transmission line location. Tap into pipeline at any point along the line. A pressure reduction station is required.

Potential Water Source
Byron Bethany Irrigation District pump location. Pump and pipeline required to bring the raw water to the airport area. Treatment plant required on airport property to make water potable.

Note: Byron Airport currently has PG&E electric service and SBC communication services.

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BUC523
Development Areas
Potential New Business Activities

While there are certain challenges identified above (e.g., regional airport competition and local infrastructure), the Airport has the opportunity to benefit from new business activities that would contribute to both financial self-sufficiency and regional economic growth. There is considerable population growth occurring in the vicinity of the Airport, as well as a general “eastward migration” of San Francisco Bay Area business activities. In this respect, the Airport is well-situated geographically to benefit from potential new activities.

Potential new activities that should be targeted as part of an Airport business plan can be broadly categorized as either (1) aviation, or (2) nonaeronautical. These are discussed further below.

Aviation. Aviation-related opportunities include continued support for the existing general aviation activity at the Airport and potential new aviation services. Examples of particular business development targets are as follows:

1. Hangar Development—Hangar development for general aviation aircraft storage is a means of generating additional Airport revenue in response to growing demand. Many airports in the greater Bay Area are constrained in their ability to accommodate additional general aviation aircraft storage, and Byron Airport could capitalize on this condition. A later section of this business plan addresses alternatives for financing hangar development.

2. Fixed Base Operators—The development of full-service fixed-base operator (FBO) operations at the Airport is a means of both generating Airport revenue and attracting additional general aviation activity. This is particularly important for attracting the higher-end corporate aviation, as FBOs provide valuable service and maintenance functions desired by these users. FBO development could also be an advantage in attracting new commercial service such as cargo feeder service—an established FBO at the Airport could provide a “base of operations” for a cargo operator until such time as the cargo operator had enough business to warrant development of a stand-alone cargo facility.

3. Specialty Aviation Services—Basic aviation services such as aircraft fueling and maintenance are typically provided by FBOs. However, there are more specialty aviation services that could be attracted to the Airport. Examples include aircraft sales and specialized maintenance. With the potential for the development of higher-end corporate aviation activity at the Airport, there is also the potential for development of specialty aviation services that would cater to these higher-end users.
4. Air Cargo—It is not expected that there would be demand for significant air carrier cargo service at the Airport during the master plan horizon, but there could be development of cargo feeder service using turboprop or regional jet aircraft. In contrast to general aviation developments, the development of air cargo activity would likely be more important to regional economic growth objectives than to Airport revenue development. That is, new cargo activity would not necessarily result in significant new leasing of Airport property, but could result in additional jobs in the surrounding area and enhanced ability to attract new companies that rely on air shipping.

**Nonaeronautical.** Nonaeronautical opportunities are not directly related to aviation—that is, not involving the operation or service or aircraft—but may be indirectly related in terms of the attraction to an airport location. The earlier section of this chapter identified general aviation airports that have been successful in attracting nonaeronautical activity, such as industrial parks, warehousing, etc. This type of activity can contribute to both Airport revenue generation—the leasing of property not otherwise needed for aviation uses—and regional economic development—the attraction of new businesses. The development of nonaeronautical businesses on the Airport could also enhance the potential to realize additional aviation activity—for example, corporate aviation (conducting business at an Airport industrial park) or cargo (taking advantage of the co-location of business at the Airport).

The financial pro forma analysis presented in the next section identifies specific assumptions and financial implications of these potential developments.

**FINANCIAL PRO FORMA ANALYSIS**

This section presents a pro forma analysis of the potential revenue development from new activities at the Airport that could contribute to (a) greater financial self-sufficiency and (b) support for broader regional economic development initiatives.

**Property Development Assumptions**

Nonaeronautical property development analysis, particularly where there is no existing development track record, requires development of assumptions to support a financial pro forma analysis. Table 5-3 shows high and low case property absorption assumptions.
### Table 5-3
**PROPERTY ABSORPTION ASSUMPTIONS**
**Byron Airport**

<table>
<thead>
<tr>
<th>Development type</th>
<th>Year</th>
<th>Approach</th>
<th>High case</th>
<th>Low case</th>
</tr>
</thead>
<tbody>
<tr>
<td>FBO and specialty</td>
<td>2008</td>
<td>Third party</td>
<td>150,000</td>
<td>--</td>
</tr>
<tr>
<td>Aviation lease</td>
<td>2013</td>
<td>Third party</td>
<td>150,000</td>
<td>150,000</td>
</tr>
<tr>
<td></td>
<td>2018</td>
<td>Third party</td>
<td>150,000</td>
<td>--</td>
</tr>
<tr>
<td>Hangar lease</td>
<td>2008</td>
<td>Third party or airport operator</td>
<td>110,000</td>
<td>--</td>
</tr>
<tr>
<td></td>
<td>2013</td>
<td>Third party or airport operator</td>
<td>110,000</td>
<td>110,000</td>
</tr>
<tr>
<td></td>
<td>2018</td>
<td>Third party or airport operator</td>
<td>110,000</td>
<td>--</td>
</tr>
<tr>
<td>Air cargo facility</td>
<td>2013</td>
<td>Third party</td>
<td>110,000</td>
<td>--</td>
</tr>
<tr>
<td></td>
<td>2018</td>
<td>Third party</td>
<td>110,000</td>
<td>--</td>
</tr>
<tr>
<td>Nonaeronautical</td>
<td>2023</td>
<td>Third party</td>
<td>598,000</td>
<td>78,000</td>
</tr>
</tbody>
</table>


### High and Low Case Assumptions

The assumptions for each case comprise:

**Low End (Status Quo)**

- No change in regional development conditions
- No change in regional utilities and road infrastructure
- Modest growth in Airport aviation activity
- Limited interest in nonaeronautical development

**High End**

- Regional policy changes permitting and enabling development in the Airport environs
- Development of regional utilities and road infrastructure
- Higher growth in Airport aviation activity
- Significantly more developer/investor interest in nonaeronautical activities
Rationale Behind Assumptions

The following section describes the rationale behind the key assumptions.

**Aeronautical Absorption Rates.** The aeronautical absorption rates are assumed based on what could be considered a reasonable time interval for the development of each type of aeronautical facility. The size of each facility is assumed on the following:

- **Fixed base operator and specialty aviation lease.** It was considered reasonable that each lease should be about 3 acres (about 150,000 square feet), a typical area for a medium-sized facility of this type.
- **Hangar lease.** 110,000 square feet was estimated to be reasonable for an approximately 30-space row hangar or T-hangar development.
- **Air cargo facility.** 110,000 square feet was estimated to be reasonable for an air cargo feeder facility lease, which would comprise apron space for two regional/commuter aircraft (e.g., Cessna C-208), a sort shed, office and parking space.

**Nonaeronautical Absorption Rates.** It is assumed in the high case that there would be significant economic development in eastern Contra Costa County, whereas in the low case it is assumed that the economy of this area would not grow significantly beyond its current level, i.e., principally agricultural activity with little commercial activity. The assumed absorption rate was 5 acres and one acre annually in the high and low cases, respectively. The evolution of county-wide economic and urban development policies will impact the potential for or likelihood of realizing either the high case or the low case.

**Ground Rental Rates.** Typical ground rental rates for general aviation airports were used in developing the financial projection of Airport revenues.
Financial Projections

Based upon the above assumptions, together with the high and low projections of aircraft operations shown in Chapter 3, Table 5-4 and Figure 5-7 summarize projected high and low revenue.

Table 5-4

<table>
<thead>
<tr>
<th>Revenue category</th>
<th>Historical 2003</th>
<th>Projected 2008</th>
<th>Projected 2013</th>
<th>Projected 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HIGH CASE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Aeronautical</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Landing fees</td>
<td>$ --</td>
<td>$ --</td>
<td>$ 2,600</td>
<td>$ 27,000</td>
</tr>
<tr>
<td>Fuel flowage</td>
<td>95,054</td>
<td>110,600</td>
<td>127,800</td>
<td>152,500</td>
</tr>
<tr>
<td>Aircraft storage</td>
<td>124,439</td>
<td>285,500</td>
<td>446,600</td>
<td>608,100</td>
</tr>
<tr>
<td>FBO/specialty rental</td>
<td>--</td>
<td>75,000</td>
<td>150,000</td>
<td>225,000</td>
</tr>
<tr>
<td>Air cargo facility</td>
<td>--</td>
<td>--</td>
<td>33,000</td>
<td>66,000</td>
</tr>
<tr>
<td>Other aeronautical</td>
<td>59,470</td>
<td>62,400</td>
<td>65,600</td>
<td>69,700</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>$278,963</td>
<td>$533,500</td>
<td>$825,600</td>
<td>$1,148,300</td>
</tr>
<tr>
<td><strong>Nonaeronautical</strong></td>
<td>18,980</td>
<td>39,600</td>
<td>197,100</td>
<td>522,800</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$297,942</td>
<td>$573,100</td>
<td>$1,022,700</td>
<td>$1,671,100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Revenue category</th>
<th>Historical 2003</th>
<th>Projected 2008</th>
<th>Projected 2013</th>
<th>Projected 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LOW CASE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Aeronautical</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Landing fees</td>
<td>$ --</td>
<td>$ --</td>
<td>$ --</td>
<td>$ --</td>
</tr>
<tr>
<td>Fuel flowage</td>
<td>95,054</td>
<td>96,200</td>
<td>98,600</td>
<td>102,200</td>
</tr>
<tr>
<td>Aircraft storage</td>
<td>124,439</td>
<td>124,500</td>
<td>284,400</td>
<td>284,800</td>
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<tr>
<td>FBO/specialty rental</td>
<td>--</td>
<td>--</td>
<td>75,000</td>
<td>75,000</td>
</tr>
<tr>
<td>Air cargo facility</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Other aeronautical</td>
<td>59,470</td>
<td>59,700</td>
<td>60,200</td>
<td>60,600</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>$278,963</td>
<td>$280,400</td>
<td>$518,200</td>
<td>$522,600</td>
</tr>
<tr>
<td><strong>Nonaeronautical</strong></td>
<td>18,980</td>
<td>21,100</td>
<td>42,800</td>
<td>87,400</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$297,942</td>
<td>$301,500</td>
<td>$561,000</td>
<td>$610,000</td>
</tr>
</tbody>
</table>

Application of Revenues

Figure 5-8 summarizes low case projected revenues compared to the current level (2003) of O&M expenses, and Figure 5-9 summarizes high case projected revenues compared to the current level of O&M expenses. As shown, the low case, which assumes no significant revenue development at the airport, would not support a significant amount of new investment. The high case revenue assumptions, however, would support the potential to finance new developments.

Although we need to consider the entire Airport System financial enterprise, an objective should be to develop revenue-generating activities at Byron to support required investments there.

The next section discusses strategies to plans to implement possible business development.
Figure 5-8
LOW CASE APPLICATION OF REVENUES
Byron Airport

Figure 5-9
HIGH CASE APPLICATION OF REVENUES
Byron Airport
BUSINESS DEVELOPMENT MANAGEMENT AND IMPLEMENTATION PLAN

Representative Implementation Plan

Figure 5-10 summarizes a typical business development implementation plan. As discussed earlier, given the uncertainty associated with regional economic development, it is important to have a flexible implementation plan that allows the County to respond to business development opportunities as they arise. Key components of the implementation plan include:

1. Initial market research
2. Site analysis, including assessment of inventory, land use, utilities issues
3. Financial analysis, including the pro forma analysis; and
4. Lease analysis.

It is recommended that the County develop a proactive approach to business development, which includes identifying investments and approaches that could generate new revenue and activity that would otherwise not occur. The first implementation task of the Byron Airport Master Plan should be the rezoning of the Airport to Planned Unit Development to provide a zoning code that supports the goals and strategies of the Master Plan.

Potential Developer Support

There are potential developers who would likely have an interest in conducting aeronautical and nonaeronautical development. Examples of such developers, many of who have significant on-Airport experience, are listed below.

1. **AFCO.** AFCO focus on air cargo facility developments, a recent example being a new facility at Baton Rouge Metropolitan Airport, with the objective of encouraging service through facility improvements.

2. **Aeroterm.** Aeroterm provide development, leasing, property management and construction for air cargo, fixed base operator, hangar, flight kitchen, office and ground service equipment facilities. They also provide equity investment, lending and hybrid capitalization for transactions. Aeroterm have grown their business from acquiring and refurbishing smaller buildings, at smaller airports, to more significant developments such as the recent acquisition of a 1.2 million square foot development at Ontario International Airport, and also operate facilities at airports serving Austin, Fort Myers, New Orleans, Norfolk, amongst others.
LEIGH FISHER ASSOCIATES

Potential Development Areas

Aeronautical  Nonaeronautical  Overall

Initial Market Research
- Air cargo
- General aviation
- Nonaeronautical
- Rental rates

Site Analysis
- Inventory
- Development plan
- Current uses
- Development opportunities
- Land use
- Utilities

Financial Analysis
- Current net revenues
- Management approach
- Breakeven analysis
- Sensitivity analysis
- Funding sources

Lease Analysis
- Lease policy
- Rate development
- Minimum standards
- Range of lease terms

Evaluate Development Scenarios
- Air cargo
- General aviation
- Nonaeronautical
- Rental rates

Develop RFP Process
- Incorporate analysis of best outcome
- Establish timeline and actions

Obtain Market Interest
- Airport developer, joint venture, master developer, individual lease

Finalize Lease Structure
- Lease policy
- Rate development
- Minimum standards
- Range of lease terms
- Regulatory analysis

Incorporate Marketing Feedback
- Plan revisions

Develop Implementation Strategy
- Airport developer, joint venture, master developer, individual lease
- Market approach
- Target markets
- Ownership/disposition structure
- Land use
- Utilities

Strategy Implementation
- Implement RFP selection process or select preferred bidder
- Conduct negotiations
- Contingency management
- Closing

BUSINESS DEVELOPMENT IMPLEMENTATION PLAN
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3. **The Lynxs Group.** The Lynxs Group is developer of distribution space emphasizing in on airport facilities, including services and management related to these facilities. Lynxs operate at airports including Anchorage, Austin, Sacramento Mather, March GlobalPort, Stewart. Lynxs’ approach at the former March Air Force Base was to form a public/private partnership with the municipality, undertaking marketing and regulatory work and attempting to develop the manufacturing base, to which end Phillips Electronics were attracted as a tenant. No air service has yet been developed at the Airport.

4. **Colliers International Property Consultants, Inc.** Colliers are a commercial real estate consulting firm, providing property representation/agency, development, project management and consulting services, amongst others. Colliers work with the Scottsdale Airpark and were recently engaged by Eagle Mountain Properties to develop airpark properties and nonaeronautical land surrounding the Jake Garn Airport near Provo, Utah.

5. **Trammell Crow Company.** Trammell Crow is a real estate services firm providing services including building management, brokerage, and development and project management. Their Airport group has developed facilities including office buildings, air cargo facilities, industrial build-to-suit facilities, foreign trade zone developments, air freight forwarder complexes and maintenance hangars. They have developed air cargo facilities at airports serving Dallas, Houston and Portland.

6. **Airport Property Specialists.** Airport Property Specialists, based at Scottsdale Airport, specialize in airport and airport real estate, ranging from services in sales and leasing of office, industrial, and hangar space, tenant representation, property management, development and construction, and consulting. Many of their clients include general aviation airports and fixed based operators and specialty aviation companies.

7. **McCuen Properties.** McCuen Properties is the marketing firm for Mather Airport, purchasing and developing principally business park properties at that airport. A recent development is a 36-acre business park, where the developer purchased land and the County of Sacramento will make utilities and frontage improvements, including concrete curbs, gutters, sidewalks and street lighting.

### Management Issues

**Business Development Approaches.** There is a range of approaches that can be used to support airport business development. The main choice is whether to continue direct management of Airport properties or to employ a master developer or real estate agent for nonaeronautical commercial properties.
Table 5-5 summarizes the main airport development approaches, which comprise either an airport management approach, where Airport management would develop, lease and supervise land parcels, or a private developer approach, where the Airport would lease out or contract out the management of the land to a private developer.

<table>
<thead>
<tr>
<th>Task complexity</th>
<th>Risk/reward ratio</th>
<th>Airport control</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airport develops, leases and supervises parcels</td>
<td>High</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Buchanan DuPage Provo</td>
</tr>
<tr>
<td>Private developer</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Brown Field (a) Morristown Scottsdale</td>
</tr>
</tbody>
</table>

(a) Privatization, not implemented.

The primary advantages to the airport management approach are:

- Direct County Airport management control over projects.
- Increases potential returns to County (but with some risk).

The primary advantages to the developer approach are:

- Reduces task complexity through delegation of certain tasks to the developer.
- Reduces risk to County.
- Reduces or eliminates requirement for up-front capital investment by the County.

**Management Issue Example: Hangar Development.** As part of the business plan analysis, a breakeven analysis was conducted for a potential hangar development to assess different management approaches. A hangar development was selected given that:

- In general, there is a shortage of hangar space in the Bay Area, and therefore it would be more likely that demand would occur for such a facility;
Hangar development is a common initial step along the airport business development track, generating additional based aircraft that may in the future require further support facilities.

Figure 5-11 summarizes the results of a breakeven analysis for a hypothetical 30-space row or T-hangar development. As shown, assuming that the County could lease the development at an improved ground rental rate of between $1.45 and $2.40 per square foot (the improved ground rental rates for FBO facilities at the Airport and Buchanan Field, respectively), then construction costs of between approximately $1.9 million (at the $1.45 per square foot rate) and $3.1 million (at the $2.40 per square foot rate) would result in a breakeven for the County.
**Potential Incentives.** To increase the likelihood of new business development, the County could consider incentives for business interests that may wish to develop activity at the Airport. There is precedent for these types of incentives at both commercial-service and general aviation airports in the United States. Incentives can take various forms, and can be broadly categorized as either (a) “direct” financial incentives, or (b) “indirect” incentives. Direct incentives involve providing a financial payment or benefit, such as: assisting with marketing, tax breaks, or reduced rent. Indirect incentives are less tangible financially, and examples include: favorable lease terms (e.g., first right on option to develop additional property), and exclusivity of business opportunities. Any potential incentives need to be considered in the following context:

1. Do the incentives produce activity that would not otherwise occur? It is obviously not advisable to provide incentives that simply lower the cost for businesses that would otherwise have chosen to develop activity at the Airport.

2. Do the incentives “pay their way”? That is, is the value of the incentives more than offset by the value of new business activity?

3. What is the impact on timing of activity? That is, if incentives simply accelerate the timing of developments that would otherwise occur later, is it worthwhile economically to invest in this acceleration?

There is no “single answer” to the question of using incentives to attract new business activity. Each potential development needs to be evaluated in relation to the considerations listed above. However, the County’s objectives will influence the evaluation of potential use of incentives. Greater emphasis on regional economic development objectives will translate into a desire to be more liberal in the use of incentives to attract new businesses. The use of direct or indirect incentives should be assessed for improving the marketability of the Byron Airport.

**Off-Airport Development Issues**

As discussed earlier in the section “Regional Development Preconditions,” other key off-Airport development issues that could affect the business plan include:

- Development of off-Airport utilities; specifically, these utilities developments would comprise:
  1. Electrical: upgrade existing connection
  2. Communications: install cable and switch
  3. Natural gas: tap pipeline and construct pressure reduction station
4. Water: pipeline extension and treatment plant

5. Sewer: pipeline extension and plant upgrade

- Development of the regional road structure, specifically (1) Vasco Road, which provides connection to the south of the Airport (which would include the Armstrong Road connection to Vasco Road) and (2) Highway 4, which provides connection to the north of the Airport.

- Potential changes to the Urban Limit Line (ULL), which could permit more rapid economic development in eastern Contra Costa County.

While these issues are not exclusively the responsibility of the Airport, they are integral to potential Airport development, and therefore to the broader objective of regional economic development. Therefore, these issues must be considered as an important component of the Airport business plan.

Recommendations related to off-Airport development include:

1. Coordinate with County agencies to determine ways to bring improved utilities to the Airport in a manner that would be consistent with overall County growth objectives. For example, if electrical upgrades are necessary for general growth in population and business activity in the eastern region of the County, work with the appropriate County agencies to ensure that there is an efficient and cost-effective way to further extend electrical utilities to key Airport sites to support potential new development. Also, develop cost-sharing proposals that would be reasonable for both off-Airport and on-Airport beneficiaries.

2. Participate in discussions of regional road improvements in order to advance the interests of the Airport in developing improved access.

3. Continue collaboration with relevant parties relative to potential modifications to the Urban Limit Line in 2010. The key objective would be to identify modifications that would permit additional commercial development in the vicinity of the Airport and therefore enhance the potential for the Airport to attract new businesses to support such commercial development.

**Implementation Action Plan**

This section summarizes the transition from analysis to an action plan. As shown earlier on Figure 5-10, the County has completed the Business Plan Analysis phase of the implementation plan and is ready to start the Business Plan Implementation
phase. Key initial actions at this stage would build on the analysis described earlier in this chapter and include:

- Evaluate development scenarios, including the financial impacts to the County of the various business development approaches and categories of aeronautical and non-aeronautical development. This would include confirming the preferred approach in terms of either (a) County development, (b) third-party development, or (c) a blended approach.

- Determine appropriate development parameters, considering factors such as utility/infrastructure constraints.

- Determine preferred developments in relation to: (a) activities that would support aviation development at the Airport and (b) activities that would contribute to general regional economic development.

- Obtain market interest and/or develop an RFP process. This would include an ongoing development marketing effort, whether through active solicitation or development of longer-term relationships with interested parties. Ways to maintain an effective ongoing marketing process adjustable to the business environment at the time could include:
  a. Develop a market attraction program, designed to produce information required to inform and generate interest.
  b. Issue periodic RFPs for the best prospect developments in the short-term. The County could issue RFPs semi-annually for developments that at the time are considered to have the highest likely demand and economic value to the Airport. At present, these developments would be hangars, followed by FBOs.
  c. As an alternative to an RFP process, the County could contact or advertise to known airport businesses that may have an interest in either moving to the Airport or establishing an additional business there. The County may make use of its existing network of aeronautical and non-aeronautical business relationships through its ownership of Buchanan Field.

- Consider possible incentives to developers for initiation of new on-Airport activities. This would include evaluating the returns in relation to the value of incentives.

- Incorporate marketing feedback to refine the assessment of market interest and/or RFP development process.

- Complete the lease analysis and finalize the lease structure for expected developments.

- Develop the implementation strategy.