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**GAO**

United States  
General Accounting Office  
Washington, D.C. 20548



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Resources, Community, and  
Economic Development Division

B-248357

April 30, 1992

The Honorable Dennis M. Hertel  
House of Representatives

Dear Mr. Hertel:

In a December 2, 1991, letter, you asked for information about the city of Detroit's plans to request airport grant funding from the Federal Aviation Administration (FAA). Two potential requests are involved. For one project, almost \$16 million would be requested to remove, for safety reasons, certain structures on the periphery of the Detroit City Airport. The second project is significantly larger and would expand the airport, in part by constructing a new 7,200-foot runway, at a total cost estimated by the city at about \$152 million. This amount includes the \$16 million for the first project. To help finance this cost, the city intends to request that FAA grant about \$112 million over the life of the project from the Airport Improvement Program (AIP). FAA officials estimate that the city will not submit its grant application before late 1993, after the completion and analysis of an environmental impact statement.

Your letter asked us about the relationship between these two projects. You noted that by obtaining funding for the first project, the city might be taking the first steps toward the second project. You were concerned that this would circumvent FAA's normal processes and requirements for reviewing and approving such airport development. We explained the differences between these two projects to you in a briefing on February 6, 1992. As you requested, this letter summarizes that briefing.

During the briefing, you asked us for more details about the second and larger airport improvement project that the city of Detroit is proposing to FAA. Specifically, you asked whether FAA was likely to support the city's plans in the amount currently being requested, considering typical AIP funding levels provided to other airports and alternative uses of AIP funds in Michigan and the

GAO/RCED-92-169R, Detroit City Airport

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surrounding states. While we cannot address the likelihood or magnitude of FAA's support, the second part of this letter provides information relevant to your question.

THE CITY'S APPLICATION FOR FEDERAL FUNDS TO REMOVE STRUCTURES

Your December letter notes that FAA determined long ago that certain houses and commercial buildings on the periphery of the Detroit City Airport did not pose a flight safety hazard; FAA therefore allowed the structures to remain in place by granting a waiver from its airport design standard. You questioned whether FAA should spend \$16 million in federal funds to eliminate something that FAA apparently did not consider hazardous. FAA's position, however, is that the structures pose a hazard and should be removed. According to the Assistant Manager of FAA's Airports District Office near Detroit, although these waivers--which FAA renewed in 1988--are still in effect today, FAA informed the city that the waivers are temporary. Furthermore, FAA expects the city to improve the operational efficiency and safety of the airport by eliminating the hazard these structures pose.

You were also concerned that the city's intention to remove these structures was not an independent project to improve airport safety and efficiency, but rather the first step toward the larger development project to construct a new runway and make other improvements at the airport. According to FAA, these structures should be removed as soon as possible, regardless of any future decision on construction of a new runway. However, if the structures are removed, the cost of the new runway could be reduced by \$16 million because that portion of the work will already have been completed.

What remains to be seen is whether FAA will approve a grant for the project to remove the structures. FAA informed the Detroit City Council that all approvals are subject to the application's complying with various legal provisions, such as those in the National Environmental Policy Act and the Uniform Relocation and Land Acquisition Policies Act. FAA further stated that all applications for grant funds are considered with others on the basis of priority needs. Furthermore, Detroit's application is currently being reviewed by the Michigan Bureau of Aeronautics, which must approve the application before FAA will review it.

FEDERAL FUNDING OF AIRPORT  
DEVELOPMENT

On the issue of whether FAA will support the city of Detroit's request for \$112 million in AIP funding, we cannot predict what decisions FAA will make. However, the following points provide background and comparative information on FAA's recent history of and plans for funding projects to enhance systemwide airport capacity. FAA uses formal documents called letters of intent (LOI) to commit to expending funds over a multiyear period for such projects once they are approved. The LOI states that reimbursement will be made on a given schedule as federal funds become available.

-- The city of Detroit plans to ask that the federal share of development costs for expanding the airport be about \$112 million, or 74 percent, out of a total of \$152 million. For other airports, recent LOIs have committed the federal share of the cost of an airport development program in the range of 20-30 percent.<sup>1</sup> Some examples are Pittsburgh, 20 percent; Denver, 27 percent; Dallas/Fort Worth, 30 percent; and Austin, 25 percent.

An exception occurred for development at the Louisville, Kentucky, airport, where the federal share was about 58 percent. Total federal participation amounted to \$143.9 million, including \$126.4 million under an LOI and \$17.5 million granted under an earlier agreement. An FAA airport office official said that a percentage share of this magnitude is a rare occurrence.

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<sup>1</sup>The total development program at an airport is generally subdivided into many individual projects, one or more of which, if eligible, could be funded by the AIP. According to the AIP Handbook (FAA Order 5100.38A), when the AIP funds one of these projects, the federal share must be at least 75 percent and can be as high as 90 percent, depending on the airport's traffic level and the purpose of the project. But because the AIP rarely, if ever, funds all of an airport's projects, the federal commitment to the total development program is usually much less than 75 percent.

- Of the \$1.9 billion expected to be available for airport development grants in fiscal year 1993, about \$990 million is available in a category called discretionary funds. The remaining \$910 million is available through formula grants--that is, grants made to specific airports on the basis of the number of passenger enplanements. Of the total discretionary funding, FAA will set aside about \$308 million for capacity, safety, security, and noise projects at primary and reliever airports. FAA's policy is to make one-half of this set-aside, or about \$154 million, available for LOI commitments to enhance national airport system capacity in 1993. Because 1993 commitments for existing LOIs already total \$130 million, only \$24 million in discretionary funds, plus an estimated \$80 million to \$100 million in formula grants for the requesting airports, remains to address anticipated requests for LOI commitments in 1993. FAA estimates that these requests will total almost \$220 million. Thus, a shortfall of approximately \$100 million exists in the AIP's ability to meet anticipated LOI requests.
- FAA is anticipating about 40 new requests for LOIs from airports around the country. Except for an anticipated request of \$13.5 million annually from the Philadelphia airport, the city of Detroit's request for \$11.2 million annually for the next 10 years is the largest yearly request of the 40 anticipated LOIs. Under program guidelines for issuing LOIs, an airport should commit all of its formula grants over the life of the LOI to the capacity project. In Detroit City Airport's case, formula grants based on passenger enplanements in 1990 amount to about \$1.6 million in fiscal year 1992 and are estimated to amount to about \$1.7 million in fiscal year 1993. This means the federal share of Detroit's request would be almost \$10 million annually.
- Of the 40 anticipated requests for LOIs nationwide, Detroit's request--at \$112 million--is the fifth largest in total amount. However, three of the four anticipated larger requests are from medium or large hub airports (Philadelphia, Cincinnati, and Memphis) that are among the country's top 35 airports in the number of enplanements. (FAA classifies Detroit City Airport as a small hub.) The other larger request is from a proposed new airport in northwest Arkansas.

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-- Detroit's potential request of \$112 million over 10 years exceeds expected requests from other airports in the region. FAA expects five other airports in the Great Lakes Region to request LOIs as well. The total for these five requests is \$193 million, of which the two largest would come from Scott Air Force Base (\$100 million) and Indianapolis airport (\$50 million).

Should you need additional details on past or proposed development projects, FAA's Office of Airport Planning and Programming is prepared to assist you in this matter.

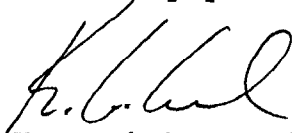
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As agreed with your office and the offices of Representatives Barbara Rose Collins and Bob Carr, we will continue to brief you periodically on the status of the city of Detroit's proposal to expand the Detroit City Airport. We will begin to include in those briefings information on the status of the new proposal to remove structures adjacent to the existing runway that could be hazardous to flight.

In addition, unless you publicly announce its contents earlier, we plan no further distribution of this letter until 15 days after its date. At that time, we will send copies to the appropriate congressional committees, the Secretary of Transportation, the Director of the Office of Management and Budget, and other interested parties. We will make copies available to others on request.

If you have further questions, please call me at 275-1000.

Sincerely yours,



Kenneth M. Mead  
Director, Transportation Issues

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