



# Federal Aviation Administration

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## Memorandum

Date: February 29, 2008

To: Manager, Airports Division. Northwest Mountain Region, ANM-600  
Manager, Denver Airports District Office, DEN-600  
Manager, Helena Airports District Office, HLN-600  
Manager, Seattle Airports District Office, SEA-600

From: Manager, Planning, Environmental and Financial Programs Branch, ANM-610

Subject: GUIDANCE: RGL 08-01, Eligibility of Revenue-Producing Facilities

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Background: "Vision100 – Century of Aviation Reauthorization Act," included a provision that allowed the use of Federal AIP funds for revenue-producing facilities, such as hangars or fuel farms. Specifically, the law states "The Secretary may decide that the costs of revenue producing aeronautical support facilities, including fuel farms and hangars, are allowable for an airport development project at a nonprimary airport if the Government's share of such costs is paid only with funds apportioned to the airport sponsor under section 47114 (d)(3)(A) and if the Secretary determines that the sponsor has made adequate provision for financing airside needs of the airport."

Project funding: The Federal share of the cost of these revenue-producing facilities can only be funded with nonprimary entitlements. State apportionment or discretionary funds cannot be used for the Federal share of these project costs.

Types of facilities: Although the statute permits other, non-defined, revenue-producing projects, FAA's current policy limits general eligibility to those items spelled out in statute: hangars and fueling facilities. Other revenue-producing facility proposals, such as aircraft wash racks will be examined on a case-by-case basis. Please note, that this provision does not supersede other prohibitions of law, such as revenue-producing parking lots. The intent of the program is to make airports as self-sufficient as possible by supporting the construction of new facilities. However, the acquisition of existing facilities will be considered on a case-by-case basis and requires approval from FAA headquarters.

Airside development needs: The law requires that the FAA must determine if the sponsor has made adequate provision for funding the airport's airside needs before a grant may be issued for the construction of any revenue-producing facility. This is left to the judgment of the ADO manager. Airside needs include, but are not limited to the development or proper maintenance of runways, taxiways, associated safety areas, aprons, airport lighting, marking and signing, and the acquisition of land adjacent to these facilities required by current standards for separation and obstruction clearance. (See paragraph 701 a. of Order 5100.38C).

In order for the airside needs determination to be made, the sponsor must provide documentation outlining the airport's airside development needs and a financial plan for addressing those needs. The

financial plan can include AIP funding. However, AIP (particularly discretionary and state apportionment funds) should not be relied on as the primary means for financing airside needs, during this time frame, to avoid any appearance that the FAA is subsidizing low priority work by permitting the use of entitlements to fund revenue-producing facilities. In addition, if an airport's capital improvement plan identifies a need for discretionary or state apportionment funding in the three years following the year of the proposed revenue-producing facility grant, funding for revenue-producing facilities will not be approved.

Revenue production: The intent of the law is to provide for the construction of facilities to generate additional revenue for the operation, maintenance, and development of nonprimary airports. Since a development project funded under this provision will be a revenue-producing facility, a business plan must be submitted to the ADO to determine the eligibility of the project. This plan must provide thorough justification and comprehensive documentation in order for the ADO to make a suitable eligibility determination. For these facilities, revenue is considered to be the funds remaining after the sponsor's facility costs are subtracted from the facility's rent or income and it is critical the business plan provide sufficient documentation to show that the revenue produced by the facility has been maximized to justify the proposed capital investment.

Business plan: FAA is not a for-profit organization, so we do not have a return on investment criteria, per se. However, we do require a business plan to help us ensure that:

1. Airports do not lose money on an AIP-funded revenue-producing venture - that would not be a good use of Federal resources.
2. There is some demand for the facility
3. The airport remains solvent after the venture

The business plan is not a huge financial prospectus, as the FAA is not underwriting the development, nor has profit consideration. It should simply provide the FAA enough information that we are reasonably assured that the proposed revenue-producing facility will be just that: revenue-producing after all costs (construction and maintenance) are accounted for.

Although no specific format for the business plan is required, the submitted plan must address, at a minimum, the following areas:

1. Project Description: The business plan must include a comprehensive description of the planned project, including construction details and drawings that show location of the planned project. This description must also include an estimate of costs.
2. What is the need for this facility? The business plan must show that there is sufficient demand for this facility. This justification should include documentation that supports the need, such as requests or letters of intent to rent hangar space. For fueling facilities, the documentation should provide a sound basis for the amount of fuel to be sold on an annual basis.
3. What are the costs for the facility? The business plan must provide details on annual operating costs, such as utilities, insurance, and maintenance. The plan must also describe how the sponsor will manage the facility and the incoming revenue. Equally important, the plan must address the capital costs for the facility. For example, what financial obligations or expenses will the sponsor incur to provide the sponsor's share of the project costs?
4. What revenue will this facility produce? The business plan must show that the airport will be receiving appropriate revenues from the facility. For hangars, the plan should show the rental fees for hangar space and the basis for determining those fees. Those fees should be determined by comparison to similar facilities in the area. For example, it would be inappropriate to compare a new, heated hangar to a 40 year old, unheated hangar and use that comparison as the basis for

determining rental fees. For fueling facilities, the plan should show the amount of projected fuel sales, the amount of revenue to be received from each gallon, and the basis used to determine that amount. The plan should show how the revenue earned from this facility will contribute to the self-sufficiency of the airport. The plan must identify other entities on the airport that are providing similar services and must also show any impacts to the revenue received from those entities.

5. Does the project comply with all rules and regulations? The business plan must include the sponsor's certification that the project will comply with all appropriate laws and regulations. This is particularly important in the case of fueling facilities where a variety of environmental laws and safety rules are involved. The use of Federal funds to construct or improve the facility requires that the facility and its operation comply with all applicable laws and regulations at the Federal, state, and local level.

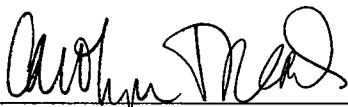
In summary, the sponsor must submit the following documents to the FAA before the project's eligibility for AIP funding can be determined:

1. Statement on airside development needs and financial plan for addressing any identified need.
2. Business plan pertaining to the proposed revenue-producing development, including project description and associated drawings.
3. Statement that the sponsor understands that, by using their nonprimary entitlement funds on a revenue-producing facility, they will receive no discretionary or state apportionment funds for the next 3 years except for extreme emergencies.

Insufficient or incomplete documentation may require additional information from the sponsor, or may result in a determination that the proposed project is ineligible for AIP funding.

Please note that the eligibility determination will be based on current AIP eligibility guidelines as described in Order 5100.38C. Also, all projects approved under this provision must be identified on an approved Airport Layout Plan, have an airspace determination, and completed environmental finding before construction. Finally, sponsors must maintain complete documentation of all revenue received from these facilities, since the FAA may periodically review those records to ensure that the airport is receiving sufficient revenue. The appropriate work codes in SOAR are:

- Hangars            ST BD MS    Addendum = "Hangar"
- Fuel Farms        OT OT FF



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