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# General Aviation... Look to the Skies

**The small airport may be your community's most underdeveloped asset.**

In these tough economic times it is wise for small and medium-sized communities to look to their community airport for economic development and job creation.

Smaller economies are learning what their more developed siblings learned long ago: Airports are tremendous economic engines that infuse local economies with huge economic impact and impressive job creation.

Your small General Aviation airport on the edge of town with a single runway, only a hundred based airplanes and maybe one or two mom-and-pop businesses is likely producing millions of dollars for the local economy. According to one economic impact analysis, the 200-acre Lompoc Airport in a sleepy community (population 42,957) along California's Central Coast is home to about 60 small, single-engine airplanes, and a sky diving and aircraft maintenance business and generates more than \$4.3 million for the local economy each year.

Airports with moderately larger developments — such as that near Stockton, Calif. (population 289,927) — fare even better. Stockton Metropolitan Airport possessed the foresight to set aside some of its land for the development of a small industrial

**The "Big Build" project at Sacramento International Airport will deliver a new landside terminal and airside concourse in 2012.**

by **BARRY RONDINELLA**  
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park and to pursue air cargo and corporate jet activity. In total, Stockton Airport manages leases for approximately 50 businesses, one airline with a small amount of cargo activity and just over 200 airplanes - including about a dozen \$20- to \$50-million corporate jets that generate significant tax revenues for the local economy (each aircraft with a value of \$27 million adds \$50,000 in tax revenues to the bottom line of a local community in California).

According to an economic impact analysis prepared by Applied Development Economics of Berkeley, Calif., in 2005 (when the airport had a more robust air cargo business than it does today), the Stockton Metropolitan Airport generated more than \$245 million in economic development annually and was responsible for the creation of more than 1,545 full time jobs with approximately \$63 million in labor income. Not too bad if you happen to be interested in job creation and paychecks.

One hour to the north of Stockton is Sacramento, the capital of California and the economic heart of the state's Central Valley. With a regional population of 2.2 million, its growth has outpaced the rest of California by 9 percent over the last 10 years. The Sacramento region is served by Sacramento International Airport, which handled more than 10 million travelers in 2007.



Currently under construction at the Airport is The Big Build, a project that will deliver a new landside terminal and airside concourse in 2012. Through construction alone, the project will generate 2,400 jobs and labor income of \$947 million for the region. This project is completely funded by airport revenues but the community will reap the benefits.



“A relatively small investment in an airport can result in a significant increase in activity and economic development.”

— Barry Rondinella, deputy director of airport operations for the Sacramento County Airport System

### Not So Small After All

Economic activity of this sort is generated by airports across the country. General Aviation's Contribution to the U.S. Economy, published by the General Aviation Manufacturers Association in 2007, estimated the economic contribution of General Aviation (non-commercial/non-military aircraft) to the U.S. economy was \$150.3 billion in 2005.

A relatively small investment in an airport can result in a significant increase in activity and economic development.

A recent newspaper story reported that Oregon's Bend Municipal Airport set aside 24 acres of land to construct 73 hangars that will house small general aviation aircraft and corporate jets alongside a 200,000-sq.-ft. industrial park. Despite current general economic woes, corporate aviation tends to better withstand economic downturns and generates significant revenues for the airport and airport-based businesses. Bend Airport plans to lease land to private developers who will then build the hangars and the industrial park. Bend Airport reports an economic impact of approximately \$580 million to the local economy, according to the news story. The expansion project is expected to add to this impact.

Other examples of innovative initiatives under way at airports in small and medium-sized communities include Fresno's development of solar power generation to produce a significant savings in utility costs and a reduced carbon footprint.

From the private business point of view, Farmington Fresh, a fresh produce packing, storage and distribution enterprise, chose a small airport on which to locate its 2-million-cubic-foot, state-of-the-art perishable packing and cold storage fa-

cility. Traditionally, perishable goods destined for distant air markets are loaded into refrigerated trucks then shipped to an airport. There, the goods are unloaded, where they remain sometimes for hours (and often on the airport's hot cargo apron) to be loaded into a climate-controlled aircraft to be shipped to the final destination.

By locating their facility at an airport, Farmington Fresh can sort, pack, load and then store perishable goods in a climate-controlled environment until the exact moment the aircraft arrives. In doing so, Farmington Fresh reasons it reduces spoilage of shipments by 20 to 30 percent. In return, the airport and community realize hundreds of jobs, ground lease revenues and economic activity and benefits.

One airport-oriented tool communities are turning to is Foreign Trade Zone (FTZ) designation. A FTZ is essentially a piece of land designated by the federal government as outside the customs duties of the United States. The benefits of this designation include lower or zero tariffs on imported and exported goods and no import/export fees for materials brought into the zone from one foreign country for assembly/manufacture into a final product for ultimate distribution in another foreign country.

Enterprises that produce or receive large amounts of imported and/or exported goods can realize significant savings by locating and operating within a FTZ. As a result many communities have sought FTZ status as a method of attracting businesses and the good paying jobs

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they bring. Locating an FTZ on an airport encourages businesses to ship international cargo directly from the airport, which then spurs even greater economic development and job creation.

Stockton Airport realized an increase in direct revenues of approximately \$180,000 annually — and significantly greater indirect and induced economic impact — by having a single daily cargo flight after it lured Menlo Worldwide to its airport, in part due to its FTZ.

#### Guidelines for Growth

The point of these examples is to demonstrate that investing in the community airport can pay significant dividends to the local economy. However, there are pitfalls to be avoided. Following these simple rules may help communities to avoid turbulence:

**Rule #1:** Hire a qualified airport executive to manage the airport and the project and to serve as liaison between the community and the Federal Aviation Administration (FAA), state aviation organizations and the myriad aviation organizations to

which airport tenants frequently belong. Some communities attempt to relegate airport development to economic specialists. However, airport development is a specialized field that requires trained professionals in this highly specific industry.

Consider that the FAA grants communities with airports a significant amount of funding for airport improvement projects. Odds are your community's airport has made use of this rich funding source. Doing so is a wise move.

However, be advised that this money does not come without strings attached. Much like buying a house or a business, accepting a grant from the FAA is contingent on the community (known as the sponsor in FAA parlance) agreeing to abide by a number of "assurances." The assurances govern things including how much money the local government can extract from the airport and when it can do so, the rental value of leased land and to whom it can be leased, and who can access the airport's runways and taxiways under what conditions. It is wise to have an aviation professional

on staff to understand how these rules are interpreted and applied by the FAA. At the very least, hire a qualified aviation consultant to guide you throughout the entire process.

**Rule #2:** Do your homework and be prepared for challenging work and a potentially long haul. The Santa Maria Public Airport District has been working for nearly twenty years to get its planned "Research Park" off the ground. The master plan and environmental documents have been in place for years, yet not a shovel full of dirt has been turned. Be sure to soberly study the business environment to determine whether a market really exists for your community's innovative airport idea.

Finally, ensure your community invests the resources (talent, treasure and testimony) necessary to see the project to completion. You'll be glad you did.

*Barry Rondinella is deputy director of airport operations for the Sacramento County Airport System in California.*

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