



## COVID-19 SPOTLIGHT

# Diversifying Airport Revenue through Non-Aeronautical Land Development

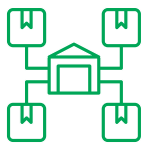
**CBRE**

# Executive Summary

COVID-19's impact on the airline industry is a reminder of the importance for all airports, regardless of size, of having a formal non-aeronautical land development plan that is implementation-ready and in support of financial self-sustainability.

Non-aeronautical land development refers to the development and ground-leasing of airport-owned property for compatible commercial uses that are physically separate from the secured runway zones and typically unrelated to serving the traveling public or aeronautical functions.

The most common types of non-aeronautical development on airport-owned properties include:



INDUSTRIAL AND  
DISTRIBUTION  
CENTER



LIGHT  
MANUFACTURING



AEROSPACE  
AND  
DEFENSE



PROFESSIONAL  
AND TECHNICAL  
SERVICES



HOTEL  
& RETAIL  
AMENITIES

## How to generate non-aeronautical revenue from airport-owned land:

1. Prepare a non-aeronautical land development plan:
  - Quantify and prioritize land available for non-aeronautical land development
  - Identify targeted industry sectors and airport-compatible land uses
  - Determine horizontal infrastructure requirements
  - Analyze high-level financial projections
2. Implement the non-aeronautical land development plan:
  - Engage a commercial real estate advisor to position the opportunity in a commercially familiar manner and market the opportunity on a national scale to create a competitive environment and maximize the economic benefit to the airport.

*“Financial self-sustainability is a requirement for all airports, and the FAA has grown increasingly more supportive of airports’ diversifying their revenues with non-aeronautical revenue from commercial land development.”*



**Karlen Beitman,**  
Non-Aeronautical  
Development Specialist,  
Mountain West  
Regional Manager, CBRE





## STEP ONE: Prepare a Non-Aeronautical Land Development Plan that is Shovel Ready

The purpose of the plan is to prioritize land for near-term development based on shovel-readiness, market feasibility and clearance from FAA and local governments to develop land for non-aeronautical uses.

The plan should accomplish these functions:

- Quantify land available for non-aeronautical land development
- Identify targeted industry sectors and land uses based on market demand, local market conditions and surrounding development context
- Determine horizontal infrastructure requirements to enable development
- Present high-level financial projections, based on land-use strategy, to project potential development cost and associated revenues
- Ensure all aeronautical needs are prioritized over any non-aeronautical uses

### What does shovel-readiness mean?

- The airport's land assets are ready for development from a regulatory perspective, with FAA clearance obtained, which can be achieved through a variety of actions such as land releases, grant assurance compliance, National Environmental Policy Act (NEPA) and Part 163.
- Horizontal infrastructure is either in place or a funding mechanism established to occur with development.
- Market demand exists for the contemplated uses and a transaction framework has been determined.

## Diagnostic Questions:

# Does your plan have the key elements for successful implementation?

### Framework

- Do you have a written mission and vision statement or guiding principles that are specific to your airport with attainable goals and objectives for non-aeronautical revenue generation?
- What funds are available for development such as infrastructure investments for shovel-readiness?
- Have you identified a budget and schedule for developing and implementing the plan?
- Do you know the local/regional/state stakeholders who need to be a part of the planning process?
- How can this plan support regional economic development activity?

### Regulatory

- Have you identified a point of contact with your local Airport District Office (ADO)?
- Is any of the land designated for non-aeronautical use on the existing Exhibit "A" and Airport Layout Plan (ALP)?
- If non-aeronautical land was not designated, have you started the process with FAA for release from aeronautical use?
- Do you know the relevant FAA Grant Assurances which control your non-aeronautical land?
- What are the local zoning regulations and how will they apply to any non-aeronautical development?
- What are the local resources for identifying development-incentive programs?



### Commonly Relevant FAA Grant Assurances

5 – Preserving Rights and Powers	23 – Exclusive Rights
19 – Operation and Maintenance	24 – Fee and Rental Structure
20 – Hazard Removal and Mitigation	25 – Airport Revenues
21 – Compatible Land Use	29 – Airport Layout Plan
22 – Economic Nondiscrimination	31 – Disposal of Land



## Diagnostic Questions:

# Does your plan have the key elements for successful implementation?

### Technical Land Planning

- What basic physical details do you know about the non-aeronautical land?
- Are there noise-mitigation initiatives that would support in acting as a buffer?
- Has the airport developed minimum standards and design requirements for development of non-aeronautical land?
- Do you have access to external consultants, which may include the following:
  - Land planner
  - Environmental consultants and NEPA experts
  - Appraisals
  - Entitlements and zoning experts
  - FAA and local legal advisors
  - Civil engineering
  - Geotechnical/materials testing
  - Cost estimating
  - Survey

### Transaction Structure

- Have you established a standard ground lease template with non-negotiable terms identified?
- Are there existing rates and charges that set the ground rental rate for non-aeronautical ground leases?
- Have you put in place a process for establishing a fair market value of the ground lease for non-aeronautical land?
- Has the airport established a policy for reversion of the improvements once a ground lease expires?
- Does the airport have a policy for the length of term allowable for non-aeronautical ground leases?





## STEP TWO: Implement the Plan

### THE ULTIMATE GOAL IS TO MAKE IT EASY FOR REAL ESTATE INVESTORS AND DEVELOPERS TO DO BUSINESS WITH THE AIRPORT

The ultimate users of non-aeronautical land are typically private-sector companies looking for real estate opportunities. An **experienced commercial real estate advisor with deep market knowledge and transaction experience is a critical tool for the airport to utilize for implementation of the plan**, given that a broker will have access to real-time transaction data and trends and is able to convey the opportunity in commercial familiar terms.

A commercial real estate advisory engaged by the airport will perform key roles:

- Evaluate feasibility of various use types on airport property based on real-time market engagement
- Value the returns and financial impact to the airport generated by development on site
- Create marketing materials that tell the story of the airport, the local area, amenities, and how the airport-adjacent location is a valuable benefit to potential users and developers
- Distribute marketing materials broadly to a network of targeted users and developers with track records of successful delivery of certain projects
- Engage with the market on the airport's behalf to discuss deal terms, desired uses, densities, entitlements, and other development considerations
- Evaluate proposals and negotiate on the airport's behalf as a fiduciary to achieve the best possible terms and risk protections for the airport

Engaging a commercial real estate advisors for implementation of the plan offers many advantages:

- Someone who is in the market transacting every day on behalf of airports, tenants, developers and investors
- Market relationships with potential users
- Experience negotiating deal terms with potential users and developers on behalf of airports and institutional users
- Access to market information to support valuations
- Compensation from lease proceeds versus out of pocket from airport
- Database of potential investors and users to market airport opportunities
- In-house professional property marketing designers and artists



# CBRE is uniquely positioned to represent airports across the U.S. as their commercial real estate advisor and has crafted creative development solutions for many of the nation's airports.

## SAMPLE CASE STUDIES



### DENVER INTERNATIONAL AIRPORT, CO

- CBRE was engaged in June of 2018 by the Denver International Airport to provide strategic advisory and brokerage services for commercial development of the 16,000 acres of non-aeronautical land owned by the airport.
- Informed key assumptions and inputs for the Strategic Land Development Plan that was adopted by the airport at the end of 2018.
- Prepared a valuation of aeronautical land and non-aeronautical land in support of receiving necessary FAA entitlements for non-aeronautical land development.
- Currently in ground-lease negotiations for 3.5-acre retail and convenience site, 50-acre industrial user and a 45-acre innovation and education campus.



### METROPOLITAN WASHINGTON AIRPORTS AUTHORITY, VA

- The Metropolitan Washington Airports Authority (MWAA) was seeking to raise revenues and monetize existing surplus assets at Washington-Dulles International Airport.
- Sold 400+ acre surplus parcel for the Authority at record pricing of roughly \$558,000 per acre, \$236.5 million in total.
- CBRE is currently negotiating the ground lease of an additional 36 acres.



### OKLAHOMA CITY AIRPORT TRUST, OK

- Currently marketing for ground lease over 1,000 acres of property for Will Rogers Airport.
- Secured 100-acre ground lease for 1.8 million SF industrial user in 2020.
- Currently in ground-lease negotiations for an additional 100 acre industrial user

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