

## **Executive Summary**

Organized by the Macatawa Area Coordinating Council (MACC), the Area Airport Authority Exploratory Committee first convened on October 29, 2004.

The Committee was charged with exploring the advisability and feasibility of forming a Michigan Community Airports Act airport authority to assume operation of Tulip City Airport from the City of Holland.

Tulip City Airport<sup>1</sup>, which began operations in 1940 as a strip of cleared earth amidst a north Allegan County cornfield, has blossomed into one of the state's premier general aviation airports. The runway was first paved in 1962. The airport was acquired by the City of Holland in 1986 from Prince Corporation and has grown steadily during the ensuing years as Holland/Zeeland's industrial employers have expanded operations locally and across the globe.

The current organizational structure at this airport excludes large segments of the area's leadership in planning, operating, and building a vital regional asset. An airport authority is the most flexible organizational structure for ownership and improvement of a community airport.

When the airport came into the City's ownership, an amendment to the Holland City Charter was adopted preventing the expenditure of any local city funds for any airport activities. This fact has made it more difficult, but not impossible, for the airport to fulfill its role among the necessary infrastructure facilities expected of commercial centers.

In a series of public meetings, the Exploratory Committee heard from employers, an aviation industry leader, representatives of two existing West Michigan airport authorities, and the general public.

The Committee also heard separate reports from those responsible for the day-to-day maintenance of the field and for managing the airport's finances and capital

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<sup>1</sup> For ease of reading, it is hereinafter referred to as "the airport" in the balance of this summary.

improvements. In addition, a researcher who helped conduct a Michigan Department of Transportation Community Benefits Assessment (CBA) of the airport in 2001 presented those findings.

The CBA found the airport's operations alone generated 358 direct and indirect jobs and \$9.9 million annually for the Holland/Zeeland economy. The ripple effect of the airport, according to this state-sanctioned impact statement, was nearly \$32 million in local output and \$30 million in state output.\*

The Committee spawned its own survey when it requested Lakeshore Advantage, a Holland/Zeeland/Saugatuck economic development organization, to survey the employer-users of the airport to determine the residential location of their employees. The response showed more than 9,000 employees of manufacturers live among all the MACC member governments. Indeed, the Zeeland area claimed the largest number of employees working for companies who identified themselves as regular users of the airport.

During their presentations, employers emphasized the importance of the airport to luring new business by bringing potential customers directly to Holland/Zeeland industrial plants. One employer credited 10 percent of its annual sales to the airport's close-in location, allowing it to efficiently ferry potential customers to its Holland Charter Township manufacturing site.

Other job providers noted the airport's importance in quickly responding to customers across the globe. Another employer emphasized the efficiency offered by Tulip City Airport-based business aircraft, thereby reducing employee time away from home and family.

A final employer said the presence of the airport and the consequent use of dedicated aircraft is a critical component in keeping the company's local manufacturing facilities competitive with lower wage, out-of-country competitors.

An aviation expert, the Dean of Western Michigan University's College of Aviation, supported the timesaving to local employers offered by the airport. He stated it's nearly as time-consuming to drive from West Michigan to major Midwest

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\* Researchers noted that this data includes only Ottawa County and does not include economical impacts in Allegan County which would have increased the economic impact dramatically.

commercial centers as it is to drive to the nearest air carrier airport and board a commercial liner for those destinations. He confirmed the inability of the so-called legacy air carriers to support the just-in-time production schedules required of Holland/Zeeland based manufacturers.

On the financial side, the Committee also learned day-to-day operations of the airport are supported by landing fees, a fuel flowage fee, and land leases. A chart showing the limited net gain from these revenue sources after operational costs are deducted was distributed to committee members. Flexibility to increase fees is limited because of the competitive pressures forced by other regional airports, most owned and operated by a cooperative government structure.

The airport's leeway to raise fuel flowage fees and landing fees is constrained by these items' prevailing charges in other nearby airports such as South Haven, Grand Haven, Muskegon, Grand Rapids, Battle Creek and Kalamazoo. Increasing these rates beyond prevailing regional rates will divert aircraft to these facilities, thereby diminishing any return that might be realized by raising these fees beyond the prevailing rates.

The Committee learned as well that all of the airport's capital improvements, including the recently completed 1,000 foot runway extension and vehicle tunnel were about 95% funded by the federal and state governments. Due to the Holland City Charter amendment, area employers, in addition to whatever local property taxes they paid, provided nearly all of the remaining five percent "local match". In other Michigan airports, this local match is provided by the airport and/or pertinent local governments.

Future needed capital expenditures are land acquisition to allow for future projects, a global welcome center to replace the 50-year old, hopelessly overcrowded and outmoded airport office, a new instrument landing system to preserve the airport's all-weather status, increased ramp space to accommodate the growth of business and personal aircraft, and a north-south runway to increase operating safety margins for recreational and business users of the airport.

Current revenues do not allow for the airport to have its own dedicated staff as do area road systems, parks and recreation systems, or even the local farmers' market. Rather, the airport's daily operations and maintenance are overseen on a part-time basis

by the fixed-base operator, Tulip City Air Service, while the policy, financial, and legal matters are the part-time responsibility of Holland's Assistant City Manager.

Unlike other airports of its size, no single individual or staff has the responsibility to operate, plan, and promote this airport.

Based on the information gleaned during its informational gathering, the Committee considered, amended and unanimously approved a Resolution of Intent that calls for the MACC member governments to convene a committee to draft the formation documents for establishing an airport authority to operate Tulip City Airport. A provision for other airports to come under the authority has been incorporated should such requests be made.

In so doing, the Committee concluded Tulip City Airport's overwhelming regional use argues persuasively that the airport, a vital component of the area's transportation infrastructure, requires regional oversight, direction, and support. In addition, the Committee heard credible information that air transportation is changing rapidly, especially as it applies to employers.

In this changed environment, general aviation airports such as Tulip City Airport will be increasingly important facilities for the communities they serve and their resident employers. This development emphasizes the need for wider regional involvement and support of area local governments in addition to the continued involvement of the private sector.

To adequately provide both operational and capital support for future economic and job growth, the Committee recommended the formation documents authorize the member governments to contribute up to one-tenth of a mill to fund the authority. In so doing, the Committee noted the state Community Airports Act empowers local governments to levy up to one full mill.

If all seven local governments participate in the authority, one-tenth of a mill would generate \$405,000, annually. This level of funding addresses existing airport deficiencies, while costing the average residential parcel just over \$0.10 a week. In the heavily industrialized jurisdictions of the City of Holland, the City of Zeeland and Holland Charter Township, the bulk of tax-support would be generated by job providers as they do now for all local government functions.

The formation of a regional airport authority is an opportunity to support a vital, community transportation asset. In the world economy of this 21<sup>st</sup> century, a strong Tulip City Airport is essential to spurring job growth for our residents and sustaining the community's economic success for this and future generations.