APPROVED

AGENDA
ACTION ITEM # 3

MEMORANDUM

TO: ROB FIX

DATE: DECEMBER 17, 2024

FROM: AARON COLLINS

COPIES: AIRPORT MANAGERS

SUBJECT: ADOPTION AND AUTHORIZATION OF THE PORT'S AIR SERVICE INCENTIVE PROGRAM FOR BELLINGHAM INTERNATIONAL AIRPORT

ACTION REQUESTED

Motion by the Port commission for adoption and authorization to the Executive Director to implement the Port's Air Service Incentive program for Bellingham International Airport (BLI).

BACKGROUND

In order to pursue air service development the Port has offered incentive programs to qualified airlines, including reimbursement of up to $150,000 in matching funds per route and an additional $75,000 in unmatched funds for marketing efforts in both the destination and local regions. It also provided waivers for landing fees, remain-over-night (RON) fees, and terminal common use and exclusive office rental fees for a period of 24 months. The programs have been effective including the recruitment of Southwest Airlines to launch service at BLI.

The proposed incentive program for <u>year-round</u> commercial service (Part 121) aims to encourage the establishment of new routes not currently served at the airport. Key features of the program include:

- **Fee Waivers:** A 100% waiver of common use terminal rent, landing fees, and remain-over-night (RON) fees for a period of 730 consecutive calendar days.
- **Marketing and Advertising Support:** $175,000 in cash provided over two years to support marketing and advertising for the new service.

For <u>seasonal</u> Part 121 commercial service, the program offers:

- **Fee Waivers:** A 100% waiver of common use terminal rent, landing fees, and remain-over-night (RON) fees for first three (3) seasons of service
- **Marketing and Advertising Support:** $110,000 in cash distributed over three years.

The total marketing cash available under the incentive program for commercial carriers is capped at **$460,000**, ensuring a balance between financial support and program sustainability.

An additional incentive includes limited marketing cash and waivers for 730 consecutive days for common-use terminal rents for <u>Part 380 Charter carriers</u>.

FINANCIAL IMPACT

Based on the airport's Key Performance Indicators tracked annually, and for the last year, 2024, each departing narrow-body jet (A319 or B737) flight with an average load factor (75% seats occupied or 117 passengers) generates $2,340 in operating revenue and $854,100 annually for one daily flight year-round. The estimated cost for providing the program would be $616 per flight, $224,840 annually if a new or existing airline were to maximally utilize the combined financial incentives, including waivers of landing and RON fees, common use terminal rent, and advertising cash for the full 24 months. The Port would realize positive revenue of $629,260 in the first year for one daily flight per day annually.

Metric	Per Flight	Annual total
Revenue	$2,340	$854,100
Program Cost	$616	$224,840
Net Revenue	$1,724	$629,260

STRATEGIC PURPOSE:

Consistent with the Port of Bellingham's mission, this Program will promote sustainable economic development, optimize transportation gateways, and manage publicly owned land and facilities to benefit Whatcom County.

RECOMMENDATION:

Approval of action requested.