

**Comment #1 – Craig D. Goodrich, Rapid City, SD**

In reference to: [https://www.rapairport.com/application/files/2315/9172/0276/20200609\\_LeasingPolicy.pdf](https://www.rapairport.com/application/files/2315/9172/0276/20200609_LeasingPolicy.pdf)

This [AOPA Article](#), states:

In its Airport Compliance Manual, Order 5190.6B, paragraph 12.3.b.(3) the FAA states that “most tenant ground leases of 30 to 35 years are sufficient to retire a tenant’s initial financing and provide a reasonable return for the tenant’s development of major facilities.” Ground leases reviewed by the AOPA Legal Services Plan typically have a 20-year initial term, with at least one 5-year renewal option. There is nowhere in the text that states the longer term ground leases are only approved for new construction.

The current draft of the Leasing Policy on Page 4, states: 1. Extension. All Tenants with Agreements expiring between August 1, 2020 and December 31, 2026 shall be offered one (1) additional final five (5) year lease. The new lease will be non-transferable.

The problem is that when a tenant sells his hangar, the lease agreement term for the new owner should be based on the value of the hangar or how much the new owner purchased the hangar for. It appears that as the draft is written now, that I could for instance, purchase a hangar built in 2000 for \$200,000.00 that has a useful life until at least 2050. It should be possible to mortgage that hangar for 30 years, but only if I could get a lease agreement for 30 years. Who can afford to throw away that much money? Under the guidance on paragraph 6. on the same page, even if the hangar was in perfect condition, so it didn’t need any improvements, the longest term lease I could get would be for 5 years, with one 5 year extension. That’s criminal!

FAA Order 5190.6B clearly implies that the person who purchases a hangar should expect a reasonable rate of return on their investment. The current policy as written is un-fair, demonstrates substantive ultra vires by the airport board, and greatly exceeds the grant assurance requirements and recommendations from the FAA. It is an abuse of power of our local airport board, and I will not stand for it.

**Comment #2 - Brad Docken**

I just wanted to add that in addition to my earlier comments submitted I agree with Craig Goodrich on all points and feel that once again the general aviation community is getting the short end of the stick. The lease term is absolutely out of sorts with reality. I invite anyone on the board or the consulting company to find a buyer to buy their home or business when it's on a such a short term land lease. It appears the board wants to stifle business and tenants at the Rapid City Regional Airport.

**Comment #3 – Jim Schroeder, GA Committee Member**

At a recent airport board meeting, 3 tenants asked for relief due to the COVID-19 pandemic. They were denied. One response from the board was that businesses on the airport should be treated the same as other businesses in Rapid City. An example was given that motels were particularly hurting. Aviation is also an industry hit hard by the pandemic. If you owned the land that a motel was on, would you be raising their rent at this time? As leases on the airport expire, I ask that any increase be delayed until we recover from the pandemic.

## Comment #4 – Patrick Gilcrease, Rapid City resident, registered voter, and GA pilot

Dear Airport Board,

As a member of the Rapid City airport general aviation (GA) community, I am deeply concerned that current and proposed Board actions will have a very negative impact on RAP general aviation. These actions include:

- Proposed and ongoing plans to tear down existing GA hangars with no concrete plans to replace them
- Fire codes and limited lease lengths that will effectively prohibit private investment in new GA hangar construction (due to poor return on investment)
- Proposed rate increases that will force a significant percentage of the GA community to relocate to other airports

In the past year or so my hangar rental fees have increased by 67%, driven by the Board's policy to force WestJet to tear down a significant number of older GA hangers with no plan to replace them. As a result I was required to move from a cheaper unheated GA hangar to an expensive commercial heated hangar space. Now, if your proposed rate increases are implemented, **these will be passed on to the GA consumer**, increasing my monthly rental rate another \$180 to \$280 per month. This puts my new hangar rent in the neighborhood of \$500/month, compared to the \$150/month I was paying just two years ago (a 230% increase!).

Contrary to the perception that "if you own an airplane, you must be rich, and you can afford whatever rate increases are passed", the reality is that many GA pilots (including myself in my single engine, four seat, 41 year old aircraft) are able to keep flying because they are frugal rather than well to do. If I am forced to pay \$500 per month to keep my plane at RAP, I WILL relocate my airplane (and most likely my place of residence as well) from Rapid City to Sturgis or another surrounding airport.

My sense from local news headlines is that an adversarial relationship has developed between the Board and WestJet. While WestJet has likely benefited from its monopoly status as the sole airport FBO operator, any efforts to impose punitive rate increases on WestJet will only be passed on to the aviation consumers. A better approach would be to adopt policies that allow and encourage others to compete with WestJet in serving the RAP aviation community.

While the direct revenues from RAP general aviation look small compared to commercial airline revenues, I would argue that the indirect economic benefits derived from a vibrant GA community are quite significant:

"Local general aviation airports produce identifiable economic benefits that exceed the tax dollars spent on operating and maintaining the facilities." *AOPA report, Economic Impact of General Aviation Airports* <https://www.aopa.org/-/media/Files/AOPA/Home/Supporting-General-Aviation/Get-Involved/Airport-Support-Network/AOPA-Resources-for-You/120112asn-ga-economic-impact.pdf>

"General aviation airports offer unmatched accessibility across Texas while providing a host of services, such as avionics installation, flight training, environmental surveys, aerial application, charter flights, and aircraft maintenance. All of these activities support jobs in the community and bolster each region's economy." *Texas Aviation Economic Impact Study, August 2018*

"Texas' general aviation airports are also critical to the state's tourism industry. Visitors to the state make frequent use of general aviation airports to enjoy the varied recreational activities – ranging from national and state parks, to major league sporting events, to hunting and fishing opportunities, to world-class resort destinations. During these trips, visitors spend money locally on food, lodging, events, and various other items." *Texas Aviation Economic Impact Study, August 2018* <http://ftp.dot.state.tx.us/pub/txdot-info/avn/tx-econ-tech.pdf>

I would urge the Board to consider the indirect economic losses to Rapid City associated with policies that serve to drive the GA community to other airports. Having one airport (RAP) that serves BOTH commercial and general aviation is economically efficient – the more expensive alternatives are either 1) maintain one commercial airport and a separate Rapid City GA airport, or 2) loss of the Rapid City GA economy to surrounding airports like Sturgis.

Thank you for your consideration.

## Comment #5 – Linda N. Rydstrom, President, Westjet Air Center, Inc.

June 18, 2020

[Via E-mail to airportweb@rcgov.org](mailto:airportweb@rcgov.org)

Rapid City Regional Airport

Board of Directors

Re: Comments and Feedback on Draft General Aviation Leasing Policy

Dear Airport Board,

We are in receipt of Toni Broom's email of June 9, 2020 containing the draft of the General Aviation Leasing Policy and welcoming comments and feedback on the same. We have reviewed the draft General Aviation Leasing Policy and, per Ms. Broom's instructions, offer the following comments:

1. Page 3: Administration Policy and Oversight: *“While the board has the ultimate policy making authority in this regard, the Airport’s Executive Director his or her designee (sic) shall interpret and enforce this leasing policy.”* While we have no comment regarding the Airport Executive Director enforcing the leasing policy, we want to voice our objection to the delegation of authority to the Airport Executive Director to interpret the leasing policy. Because interpretation of a policy is subjective, we believe that any interpretation of the leasing policy should be left to the Airport Board.
2. Page 3: Variations and Deviations: *“All requests for variances or deviations shall be made in writing in a form described by the board.”* An addendum should be added that includes the specific process and mechanisms for requesting variances or deviations. Including things like service/delivery process (i.e.: mail, personal service, etc.) as well as the mechanism and process for any hearings and/or appeals to the Board.
3. Pages 6-7: Development, Improvements, Construction and Alterations: Section 3- Leasehold Development Requirements: *“In the event the Tenant does not commence work on the Improvements within the allotted time or does not complete improvements within a six (6) month period, the Board may elect to revoke approval and the Leasehold and associated improvements will revert to the Board.”* Our comment is specific to this sentence of Section 3. When this sentence is combined with other sections of the General Aviation Leasing Policy, the overall outcome is an **unjust enrichment issue**. The Airport Board is the governing party that approves all permits, improvement, and developments on the leased land. However, the Airport Board is also the entity that gains if there is any delay in permit or development approval. Additionally, the imposition of a six-month improvement period will severely limit (if not completely eliminate) the willingness of any lender to provide capital for any improvements.

In addition to these specific objections, we would like to make an overall objection to the Airport's increase of rent rates during this time and under the current pandemic conditions. Our discussion of these potential rate increases with our customers have not been positive. These potential rate increases have been met with anger and confusion from most of our customer base. The Airport Board's decision to increase rent rates at this time may ultimately prove to be more detrimental, rather than beneficial, to the overall business operation at the Airport.

We do not have any comments for the remainder of the document because it is specific to “non-commercial” lease agreements and does not apply to Westjet's commercial lease.

Thank you for reviewing our comments on this matter. Please feel free to contact me with any questions or concerns.

## **Comment #6 – Miranda Maleki, Plane Training**

Rapid City Airport Board,

As the owner of Plane Training the new leasing policies are concerning. While I understand the need to update policies and procedures as times change I cannot support some of the proposed changes.

In the future we had hopes to expand and eventually build our own hangar. Obviously the pandemic has slowed these plans, but we know given time (years) we could continue our growth. The policies set forth in that draft document will prohibit us from obtaining financing, and knowing our asset will revert to the City in a relatively short amount of time will not allow us an opportunity to see the life of the asset through.

We also fear that business aviation will be significantly hindered as it will not be realistic to own a hangar for use of a corporate aircraft, knowing they it will revert in such a short time coupled with the impossibility of financing.

Thank you for your consideration.

## **Comment #7 – Gary O. Telkamp**

I am troubled by the reading of the General Aviation Leasing Policy Draft, particularly Page 4 and 5. We have been told time and time again that the City is not going to construct any new hangars and does not want to be in the hangar business, but as I read this it would appear to me that is not entirely true. If I am reading this correctly, it would appear that at the end of the lease the hangars will transfer to the City (without any compensation) and the City will indeed be in the hangar rental business, they just will not have built or paid for any. First right of refusal to rent a hangar that you bought and paid for and then was taken from you without compensation somehow just does not seem fair or right to me. I think this really needs to be pondered, I can see something like this happening in some countries--but Rapid City? I don't have so much of a problem with the land lease increase--but taking your hangar without compensation then to lease it back to you? That would just be plain wrong. If I am missing something here or misunderstanding what is being proposed, please correct me.

Respectfully submitted.

## Comment # 8 - Dr. Stephen Eckrich

Dear Rapid City Airport Board:

Thank you for the opportunity to comment on the recently released draft of the General Aviation Leasing Policy. It is my hope that each of you are provided all comments in their entirety prior to next Tuesday's Board meeting and not just a summary of all comments. Unfortunately, due to my own employment responsibilities, I will not be able to personally attend the meeting. I am a pilot and hangar owner at KRAP, having based my airplane there for the past twenty five years and owning the hangar for the last ten, having taken over the twenty five year lease of the previous owner. My lease will expire in 2022, so the final outcome of your decision regarding leases will be the determining factor in my future at KRAP.

The Airport Board has already sought the advice of a consultant to help establish rates and charges for leased ground at the airport, the Frasca study. I have already provided a comprehensive review of that document to the airport administration, and would hope that that was provided in its entirety to each of you; I will not repeat my comments here, but my concerns then, as now, are similar, that being a real disconnect between the comparison of ground rents and length of the term of the lease. It is clear that the proposed rate structure of 27-30 cents per square foot was derived from the Wilson appraisal. Their methodology was essentially a comparison of ground leases at multiple airports that were felt to have similar characteristics as KRAP. Not only was the lease rate of each airport listed in their report, but also the lease length. In the proposed Policy, it would appear that the lease rate resulted from a rough average of the listed airports, but the lease length was ignored. The average length of lease for the compared airports was 31 years. None of the compared airports had a lease length that was based on the cost of the hangar, the scheme that is proposed in this Policy. That scheme, basing the lease term on the cost of the structure is my primary criticism of the document.

The FAA requires that all aeronautical users are treated similarly and cannot be discriminated against. The proposal to allow those who would build large, opulent hangars longer lease terms is a clear example of economic favoritism. Both Frasca and Wilson stated in their reports that lease length needs to be of sufficient length for the lessee to account for the useful life of the hangar and recoup their investment. Useful life of a hangar as determined by the IRS is 39 years. The IRS makes no distinction between the cost of the building and its useful life. The proposed policy favors those who might build a large hangar for their business jet, or someone who chooses to build a hangar with decorative epoxy flooring, in-floor heat, and LED lighting over someone who has a hangar that is simple and functional for the safe storage of his or her homebuilt or vintage airplane, like me. The selection of various "investment costs" and their corresponding lease length as proposed in this document is arbitrary and discriminatory. It is not supported nor suggested by anything found in either the Wilson or Shaykat appraisals. Additionally, it does not account for the fact that the cost to build a hangar can vary widely, depending upon who builds it. I personally built my own hangar at a different facility several years ago for substantially less cost than that bid by a construction company. Hangar owners should not be penalized for investing their own innovation and sweat equity by being given a shorter lease length because they didn't attain some artificially derived cost point. Inflation, the national economy, even global pandemics can affect the cost to build a hangar, and price points as prescribed in the proposed Policy are arbitrary and discriminatory.

Finally, some provision needs to be given to hangar owners who are approaching the end of their lease term who have maintained, or are willing to upgrade their hangars to like-new condition. As proposed, although at the end of the lease term an owner may get a five year extension, he will ultimately be required to either remove the structure or deed it to the Airport. There is no provision for upgrading the hangar to current standards or codes other than completely dismantling it, restoring the ground to its original condition, then building a

## **Comment # 8 - Dr. Stephen Eckrich**

completely new hangar. This is neither cost effective or environmentally sound. Most hangars are fabricated from materials that, if properly maintained, will exceed the 39 year useful life ascribed to them. New concrete, new siding and roofing may be all that is needed to provide for decades more useful life in an aesthetically pleasing structure. The ability of an existing hangar to be upgraded to like new condition should be included in the Airport's leasing policy.

Ultimately, the Airport Board should strive to make KRAP a desirable place for every type of aeronautical activity. As Wilson astutely remarked in his appraisal, based aircraft are the lifeblood of the many SASO's and FBO's on an airfield. Significant economic activity is derived directly from based aircraft. Likewise, the airport should strive to attract transient aircraft to stop at KRAP for fuel stops, rest stops, and maintenance. A strong, vibrant general aviation community is essential for the continued viability of the airport. Wilson also noted the steady loss of based aircraft due to hangar demolition with no viable plans for replacement, and warned that KRAP will be adversely affected if that trend continues. The Airport Board must promote policies, and encourage an environment that enhances the growth and viability of all segments of aviation, including General Aviation.

Respectfully,  
Stephen Eckrich  
Rapid City, SD

## Comment #9 - Doug Bodine

**From:**  
**To:** [Airport Web](#)  
**Subject:** Proposed leasing policy  
**Date:** Friday, June 19, 2020 9:44:32 PM

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The proposed lease policy has provisions in it which will have serious detrimental effects to Aviation, aviation business at Rapid City and to the Rapid City airport and the community that it serves.

I strongly advocate developing a new lease policy in conjunction with the aviation community here at Rapid City, and revisiting some of the proposed changes item by item.

Charges are proposed that effectively are dual taxation, where we are being charged for things that have already been funded, or taxes have already been collected to pay for.

Fee generation and fee increases are in some cases, multiples of cost increases or economic changes in the nation.

In addition, the provision in the lease where the airport forces vacation of the property or assumes ownership of the improvements will have a grave, undesirable effect on development and investment, not only at the airport but in Rapid City. No business could survive with this as a business model, and these changes render impractical aircraft ownership for many people that would otherwise aspire to such.

There are numerous other items in the lease that need to be revisited. I, along with other members of the community are requesting a lease drafting process that involves the stakeholders, and the taxpayers funding the airport operation, not one created for a public administrator by a hired consultant without consideration for the people it is to serve.

Doug Bodine  
Rapid City, SD

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Best