



# Memo

To: Airport Board of Directors  
From: Patrick Dame, C.M. Executive Director  
Date: June 15, 2020  
Re: Airport Rates and Charges

In 2016, the Airport hired Delta Airport Consultants, Inc. to conduct a Rates and Charges Study. They concluded in 2017 that a more comprehensive study looking at all General Aviation (GA) rates needed to be conducted. Based on that recommendation, the Airport hired Frasca and Associates in February, 2019, to do a comprehensive GA Rates and Charges analysis. They recommended we have an appraisal conducted by a Department of Transportation (DOT) qualified appraiser to help set a “Market Rate” for the airport ground leases.

The initial appraisal was conducted by Shaykett Appraisal Company, Inc., with an effective date of June 6, 2019. Mr. Shaykett concluded a market rent of \$0.39 per square foot. Based on that finding, the Board and Airport Administration sought a second appraisal from Alan M. Wilson & Associates, with an effective date of November 15, 2019. Mr. Wilson’s report indicated lease rates of the following:

Type of Land (per sq ft)	Improved	Unimproved
Aircraft Storage	\$0.30	\$0.27
SASO	\$0.33	\$0.30
FBO	\$0.33	\$0.31

Frasca presented their findings to the Airport Board on January 28, 2020, and also to the general public on February 25, 2020 at two public open house presentations. A public comment period was held and the Airport received comments on the information provided by Frasca. During the month of May, Airport Administration scheduled individual meetings with its general aviation tenants to discuss the individual potential impact and timelines for the proposed changes.

Based on the findings and tenant feedback, we recommend the Rates and Charges from Mr. Wilson’s appraisal be adopted effective August 1, 2020. However, we also recommend deferring the implementation due to the COVID-19 impact on the aviation industry. For those leaseholds impacted in the next 18 months, we recommend no increases in 2020 and implementing 50% of the adjusted rents on January 1, 2021, with full implementation at 100% on January 1, 2022. Of the total 32 leases, there are two that are impacted in this timeframe and qualify for the deferred implementation.



There are a total of 32 ground leases that will be impacted by this rate change with the full implementation taking until 2052 to be fully realized. The bulk of increases will occur in 2024 as those leases expire on December 31, 2023. The total number of leases impacted by year and total dollars in today's market are listed below:

<b>Year of Impact*</b>	<b># of Leases</b>	<b>Total In Today's Value</b>
2020	2	\$ 116,444
2021	1	\$ 10,106
2022	1	\$ 1,480
2023	2	\$ 4,828
2024	12	\$ 16,449
2025	1	\$ 1,709
2026	2	\$ 2,567
2027	1	\$ 330
2031	2	\$ 4,840
2036	2	\$ 8,637
2037	1	\$ 20,652
2039	1	\$ 15,901
2047	1	\$ 3,648
2049	1	\$ 8,037
2051	1	\$ 33,955
2052	1	\$ 3,485
<b>Total</b>	<b>32</b>	<b>\$253,068</b>

\*Note: This does not reflect the recommended abatement.

We further recommend that the Airport Board exempt those aircraft owners with a based aircraft at RAP and a direct lease with the Airport from paying landing fees. (Currently, all aircraft landing at RAP with a weight of over 12,500 lbs are assessed the landing fee.) We recommend implementation of this change as of July 1, 2020.

**STAFF RECOMMENDATION: Staff recommends the Airport Board adopt the attached Rapid City Regional Airport Rates & Charges effective August 1, 2020, with the recommended delayed implementation along with the waiver of landing fees for based aircraft with direct leases as of July 1, 2020.**