



# Memo

To: Airport Board of Directors  
From: Patrick Dame, C.M. Executive Director  
Date: June 15, 2020  
Re: Adoption of the Recommendation for the General Aviation Study

Frasca & Associates, LLC (“FRASCA”) was retained to conduct Consulting Services for General Aviation (GA) Rates and Charges. FRASCA’s report has been included, however, the following are their conclusions and recommendations:

## Conclusions

- Federal regulations allow for the charging of fair market value rental rates for the Subject Properties
- RAP’s Primary Guiding Documents conform with FAA recommendations and industry best practices to ensure equitable treatment of GA tenants
- RAP’s rent escalation (annual CPI adjustment) and market reset (by appraisal every 5 years) provisions are consistent with industry best practices
- Not charging fair market value rental rates could prevent the development of an associated parcel at its best and highest use, among other unintended results
- RAP’s practice of charging its FBO a lower rental rate than other GA tenants is not prevalent in the industry
- There is a basis for charging differential rental rates for improved and unimproved land, with the typical standard being whether the land is paved or has access to utilities
- Reversion clauses are the industry standard for GA agreements
- Two independent appraisal reports conforming with relevant FAA regulations suggest market rental rates for the Subject Properties between \$0.27 and \$0.39

## Recommendations

- On the basis of a more exhaustive review of similar properties, accept the opinion of Alan M. Wilson & Associates as to the fair market value of the Subject Properties and other RAP properties of the same use, specifically:

Property Type	Improved	Unimproved
Aircraft Storage	\$0.30/sq ft*	\$0.27/sq ft*
SASO	\$0.33/sq ft	\$0.30/sq ft
FBO	\$0.33/sq ft	\$0.31/sq ft
*To be charged per square foot of developable area, excluding TOFA		

- Implement the new rental rates on all RAP properties as provided for in agreements with “Rent Study” provisions (escalating the appraisal rates by CPI for an appropriate number of years until the next appraisal in 2024 using 2019 as the base year)
- Charge unimproved rental rates solely for those completely undeveloped parcels that lack existing pavement, utilities, roadway, and airfield access
- For fairness, allow tenants to return leased premises to RAP when new rates are to become effective

The basis of the consultant’s recommendations come from the Federal Grant Assurances and Rates and Charges Policy. We sign that we are complying with the Grant Assurances each time we take federal money for airport improvements. The program funds are known as Airport Improvement Program (AIP) grant funds. The two main sections of the Grant Assurances are as follows:

**5(a), Preserving Rights and Powers:** [The airport sponsor] will not take or permit any action which would operate to deprive it of any of the rights and powers necessary to perform any or all of the terms, conditions, and assurances in this grant agreement without the written approval of the Secretary, and will act promptly to acquire, extinguish or modify any outstanding rights or claims of right of others which would interfere with such performance by the sponsor. This shall be done in a manner acceptable to the Secretary.

Based on the FAA’s interpretation of Assurance 5a, as it relates to reversionary interests, an airport sponsor’s **failure to include or exercise lease agreement reversion clauses contributes to forfeiting the sponsor’s rights and powers.**

**22(a), Economic Nondiscrimination:** [The airport sponsor] will make the airport available as an airport for public use on reasonable terms and without unjust discrimination to all types, kinds and classes of aeronautical activities, including commercial aeronautical activities offering services to the public at the airport.

**24, Fee and Rental Structure:** [The airport sponsor] will maintain a fee and rental structure for the facilities and services at the airport which will make the airport as self-sustaining as possible

under the circumstances existing at the particular airport, taking into account such factors as the volume of traffic and economy of collection.

The FAA has a statutory mandate to ensure airport sponsor compliance with these obligations, however, the FAA's role is oversight only. They do not have approval power over the specific leases between the airport sponsor and tenant. They require the sponsor to comply.

In the past, the airport management was working towards similar goals. Airport Executive Director Mason Short hired Aviation Management Consulting Group (AMCG) to review all leasing practices. As a result, they started working on what is now the current Primary Guiding Documents and Lease agreements. Subsequently, Airport Executive Director Cameron Humphres continued the process. At that time, AMCG made similar recommendations to what you are seeing today, however, due to pressure at that time, some provisions were left out of the final document changes. Now, eight years later, we are bringing the remaining provisions forward for adoption.

**STAFF RECOMMENDATION: Staff recommends the Airport Board adopt the General Aviation Study recommendations of Frasca & Associates LLC.**