

Council Business Meeting

November 20, 2018

Agenda Item	Airport Miscellaneous Fee Adjustment	
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SUMMARY

Before the Council is an adjustment to the Airport Hangar rental rates that are incorporated into the City's Miscellaneous Fees. The adjustment is for an additional rate tier for reversionary box hangars whose lease term ends on November 17, 2018. The additional rate tier was recommended by the Airport Commission at the October 2, 2018 regular meeting.

POLICIES, PLANS & GOALS SUPPORTED

City Council Goals and Objectives

Economy: 18.1 Strengthen the Ashland Municipal Airport as an enterprise.

Department Goals:

- *Maintain existing infrastructure to meet regulatory requirements and minimize life-cycle costs*
- *Deliver timely life cycle capital improvement projects*
- *Maintain and improve infrastructure that enhances the economic vitality of the community*
- *Evaluate all city infrastructure regarding planning management and financial resources*

PREVIOUS COUNCIL ACTION

At the June 5, 2018 business meeting, Council approved the 2019 miscellaneous fees via resolution, which included the airport hangar rates.

BACKGROUND AND ADDITIONAL INFORMATION

The Airport has several reversionary hangar leases that upon termination, the hangar becomes property of the City. These hangars are built by private investors that recoup their capital outlay through private loans. The City charges a nominal rental fee for the initial 25-year period until the hangars revert to City ownership. Each lease signs a reversionary clause and a quick claim deed to the City.

In 2009 the first reversionary hangar became property of the City and the Commission recommended a new rate structure for the commercial hangar that was approved by Council in July of 2009. On November 17, 2018, six additional private box hangars revert to City ownership which corresponds to the end of the approved 25-year ground lease. The Commission initially meant to have the existing hangar rate apply to the new reversionary box hangars, but upon analysis the Commission felt the establishment of a new appropriate rate should be based on tenant input and Commission deliberation. At the October 2, 2018 Airport Commission meeting, the group deliberated and reviewed rental rates from Bend, Redding, Grants Pass and Medford compared to Ashland's rates on a per-square footage basis. After robust deliberation the Commission recommended a new rate tier for the six non-commercial reversionary hangars with rack doors of 25¢ (cents) per square foot.

This new rate will generate a \$409/month charge for the 1638 square foot hangars, less than the standard square footage rate of 29.87¢ which would have netted \$489 per month. The reversionary box hangars are non-commercial and have old style doors, no restrooms and no gas heat; as such the Commission recommended a lower rate. These six box hangars were built in 1993 as private hangars, and were occupied in November 1993 with a 25-year reversionary clause to the City. The monthly rent of the hangars was subsidized to reflect the original investment of the hangar occupier. The current nominal monthly rate of these hangars is \$27.48.

The Ashland Municipal Airport, established in 1965, is a City-owned facility consisting of 56 hangars and 120 airplane tie-down spaces. The Airport currently supports approximately 86 aircraft. In addition, the Airport includes fueling, aircraft maintenance and repair facilities operated by Skinner Aviation, the sole fixed base operator (FBO).

Airport revenue is generated from hangar rentals, ground leases, fuel flowage fees, tariffs from freight operations, nightly and monthly tie-downs and Specialized Aviation Service Operator (SASO) agreements. The fixed base operator (Skinner Aviation) is responsible for collecting and monitoring these fees and has been performing this duty since 1993 through a City contract. Revenue from the hangar rentals and leases provide a monthly revenue stream, while the income from tie-downs and fuel flowage is cyclical and fluctuates during the tourist season.

Each spring, the Airport Commission evaluates the existing rates and makes a recommendation to the City Council to adjust fees as needed as part of the miscellaneous fee updates.

FISCAL IMPACTS

The Airport Fund is a very lean budget based upon necessary operations and maintenance activities and the revenues generated from service charges, hangar rental, and lease fees. The complete rate structure recommended by the Commission and approved by Council is reviewed annually.

STAFF RECOMMENDATION

Staff and the Airport Commission recommend approval of the additional hangar rental rate tier as part of the miscellaneous fees structure.

ACTIONS, OPTIONS & POTENTIAL MOTIONS

I move to approve the additional airport hangar rental rate tier of 25¢ (cents) per square foot for the reversionary box hangars, as recommended by the Airport Commission.

I move to maintain the existing hangar rental rate fee structure, which would necessitate a charge of 29.87¢ per square foot of hangar space.

REFERENCES & ATTACHMENTS

Attachment 1: Amended 2019 Hangar Rate Sheet (new rate tier)

Table 1
The following are revised rates for the airport.
The new CPI index (All Urban Consumers) rate is 249.245 (January 2018).
The CPI rate increase for this year was 2.6%

RATES FOR ASHLAND AIRPORT FACILITIES		
July 1, 2018- JUNE 30, 2019		
	LEASE TYPE	NEW MONTHLY RATES
CITY OWNED – RENTALS		
A	T-HANGARS WITHOUT DOORS	\$192.00
	T-HANGARS WITH DOORS VINTAGE	\$242.00
	T-HANGARS WITH DOORS CONTEMPORARY	\$305.00
	HELICOPTER HANGAR	\$242.00
	BOX HANGAR (reversionary-stack door)	25¢-SQ-FT/month
	BOX HANGAR “SHELL RENTAL” (privately built City owned)	29.87¢ SQ-FT/MONTH (building footprint)
	“Amenities” for any City owned hangar	
	Office Space	.25 SQ-FT/MONTH (office space inside dimension)
	Bathroom	.03 SQ-FT/MONTH (building footprint)
	Heat	.01 SQ-FT/MONTH (building footprint)
	<ul style="list-style-type: none"> • Heat: any upgraded heat source including gas and electric • Building footprint = outside wall dimension 	
	MONTHLY TIE-DOWNS**	\$49.00(SMALL) \$60.00 (LARGE)
	OVERNIGHT TIE-DOWNS**	\$7.00 (SMALL) \$11.00 (LARGE)
GROUND LEASE - CITY OWNED HANGARS		
B	GROUND LEASE – NO MINIMUM FOOTAGE	20.6¢ /sq ft/yr
GROUND LEASE – PRIVATELY OWNED HANGARS		
C	PRIVATELY OWNED GROUND LEASE MINIMUM FOOTAGE 60' X 40'	48.4¢ /sq ft/yr

HANGAR RESERVATION FEES	
<p>T-Hangar - Basic Fee: \$100.00; and 75.00 is applied to first months rent. Ground Lease Space – \$2,000.00 Non Refundable space reservation fee. Reservation fee is valid for a period of 1 year at which time can be renewed for an additional 12 months if progress is shown towards development of a hangar onsite.</p>	
SPECIALIZED AVIATION SERVICE OPERATIONS (SASO) FEE (Annual)	
The square footage of the hangar multiplied by 1.6, multiplied by the current B Ground Lease fee rate. A Hanger keeper will have the square footage of the hangar multiplied by 1.0, multiplied by the current B Ground Lease fee rate.	
MOBILE SERVICE PROVIDERS (MSP) AIRPORT USER FEE (Annual)	
<p>Basic Fee: \$350.00 for first two employees, plus \$25.00 each additional employee for annual operators. \$100.00 for Temporary MSPs (90 days maximum – not renewable).</p>	
FREIGHT OPERATION	Tariff Rate: \$5.17 / 1,000 LBS
<p>*Additional electrical surcharge of \$5.00 per month will be added to this amount. ** Large aircraft defined as a single engine turbo-prop or multi-engined aircraft with a gross certified aircraft weight of 6000 lbs or greater</p>	