

Staff Report

AIRPORT HANGAR PROPOSAL FROM BRIAN AUKES

November 13, 2018

BACKGROUND:

The City Council referred a letter from Brian Aukes, dated August 20, 2018, requesting a 50-year lease and for the City to consider revising the private hangar land lease rates to be more competitive with nearby airports for his current hangar and a potential new hangar. **It should be noted that Federal (FAA) Grant Assurances require that whatever rate is offered to one airport user, it must be made available to all airport users. Therefore, because any change would impact all hangar leases, this request has been evaluated for its effect on the overall Airport budget.**

As Mr. Aukes stated in his request, his current land lease is for a 15,600 square feet plot with a 3,600 square foot (60' x 60') hangar building. The City bases its land lease rates on an area around and including the private hangar for exclusive use by the lessee (for parking aircraft, fuel storage, etc.). The annual lease term is from April 1 to March 31 with an annual rate adjustment of approximately 3% increase. Currently, over three years are remaining on Mr. Aukes' lease, and a summary is shown below:

Lease Term	Annual Fee	\$/ft²
April 1, 2018 to March 31, 2019	\$3,167	\$0.203
April 1, 2019 to March 31, 2020	\$3,245	\$0.208
April 1, 2020 to March 31, 2021	\$3,323	\$0.213
April 1, 2021 to March 31, 2022	\$3,401	\$0.218

As a comparative example, the Ankeny Municipal Airport has a private hangar lease rate of \$0.258/ft², which they apply only to the footprint of the hangar (plus a 5-foot buffer per side). Therefore, the annual rate in Ankeny would be approximately \$1,090 per year for a hangar of similar size to the one owned by Mr. Aukes. Ankeny then adjusts the rate annually using the Consumer Price Index.

OPTIONS:

Option 1. Reduce The Land Lease Rate To Generate a Similar Payment As Ankeny

To make the Ames lease amounts more comparable to Ankeny, the City would have to lower its rate to approximately \$0.070 per square foot to result in the similar annual lease payment of \$1,090 for Mr. Aukes. This lower rate would represent a 66% reduction in private hangar lease revenue. For the FY 2018-19, private hangar leases will equal \$22,216 for the five (5) private hangars at the airport. **Under this plan to reduce lease payments similar to Ankeny, it would be a potential loss in revenue of approximately \$14,747.**

Option 2. Reduce The Land Lease Rate To Take In Account The Additional Aukes Hangar

Looking at the additional hangar proposed by Mr. Aukes, it would add an estimated 13,000 square feet of leased area to the airport. To generate the same overall annual hangar revenue of \$22,216, the FY 18-19 rates could be reduced from \$0.208/ft² to \$0.185/ft². **Mr. Aukes has stated that he feels \$0.185/ft² is still not competitive enough to remain at the Ames Airport.**

Option 3. Delay Any Final Decision Regarding Future Land Lease Rates

Currently, the City has hired Coffman Associates of Kansas City, MO to update the Airport Master Plan. One of the top priorities of the plan is to identify areas for future private hangar growth that will support not only the airport (additional revenues), but the overall economic strength of the Ames community. For example, potential businesses looking to base their operations in Ames at the ISU Research Park, East Industrial Area, or other commercial properties often do so because of the quality and availability of nearby airports to support their business air travel. **Also, as part of the Airport Master Plan update, the consultant will evaluate rates at the Airport and make recommendations that support the goals of the plan.**

STAFF COMMENTS:

The Council should note that there is a long-standing policy that the Airport Master Plan serves as the guide for the City to set the rates at the airport, which is the case for the existing five (5) private hangar leases. While staff sincerely appreciates Mr. Aukes locating his current aviation operation at the Ames Airport and would welcome his expansion, **Staff would recommend to the City Council that the current hangar lease rates be maintained until after the economic analysis is available with the completion of the Airport Master Plan.**

It is anticipated that this analysis will be available in the next twelve months. Therefore, at this time the City would not be rejecting his request to lower the land lease rates but would be delaying any final decision until the City Council has approved the long-term financial strategy associated with the new Airport Master Plan.