

# Memorandum



**DATE** February 12, 2016

**TO** Members of the Economic Development Committee:  
Rick Callahan (Chair), Casey Thomas, II, (Vice Chair), Adam Medrano, Lee M. Kleinman,  
Carolyn King Arnold, Adam McGough

**SUBJECT** **Airport Rates & Charges Study Recommendations**

On Tuesday, February 16, 2016, the Economic Development Committee will be briefed on the Airport Rates & Charges Study Recommendations.

Briefing material is attached.

Should you have any questions, please contact me at (214) 670-3296.



Ryan S. Evans  
First Assistant City Manager

- C: The Honorable Mayor and Members of the City Council
- |  |  |
|--|--|
| A.C. Gonzalez, City Manager                  | Mark McDaniel, Assistant City Manager                                |
| Warren M.S. Ernst, City Attorney             | Joey Zapata, Assistant City Manager                                  |
| Craig D. Kinton, City Auditor                | Jeanne Chipperfield, Chief Financial Officer                         |
| Rosa A. Rios, City Secretary                 | Sana Syed, Public Information Officer                                |
| Daniel F. Solis, Administrative Judge        | Karl Zavitkovsky, Director, Office of Economic Development           |
| Eric D. Campbell, Assistant City Manager     | J. Hammond Perot, Assistant Director, Office of Economic Development |
| Jill A. Jordan, P.E., Assistant City Manager | Elsa Cantu, Assistant to the City Manager – Mayor & Council          |



# Airport Rates & Charges Study Recommendations

Department of Aviation

Economic Development  
Committee

February 16, 2016



# Purpose of Prevailing Rate Review

- Increase airport lease rental/usage rates to competitive market rate
- Provide catalyst for economic development opportunities at both airport sites
- Cultivate increased long-term lease rental revenues for DOA
- Improve site conditions of available airport property

# Background/FAA Regulations

- The prime obligation of the owner of a federally assisted airport is to provide a facility to serve the public's interest in aviation
- Airport owner is not required to build hangars and terminal facilities, it has the obligation to make available suitable areas or space on reasonable terms to those who are willing and otherwise qualified to offer aeronautical services

# Background/FAA Regulations

- Airport revenue maximization should be a key goal for the airport
- The FAA requires airports to establish fair and reasonable land lease fees without discriminating against a specific aeronautical user
- The FAA also recommends that airports maintain a fee and rental structure that makes the airport virtually self-sustaining.
- Airports are expected to establish rents and airport user fees that generate enough revenue to meet airport funding requirements

# Prior Council Actions

- Ground lease rates (set by City Council):
  - Dallas Love Field
    - August 27, 2008 - Last approved rate increase
    - Unimproved ground rate:       \$.40/sf/yr
    - Improved ground rate:       \$.65/sf/yr
    - Storage hangar:               \$3.50/sf/yr
    - Maintenance hangar space     \$3.75/sf/yr
    - Office space                   \$8.00/sf/yr
  - Executive Airport
    - September 18, 1981 - Last approved rate increase
    - Unimproved ground rate:       \$.13/sf/yr
    - Improved ground rate:       \$.17/sf/yr

# Current Market Conditions

- The expiration and impact of the Wright Amendment at Dallas Love Field (DAL) and the real estate market around the airport
- Future market impact of the DEA runway reconstruction project
- DOA requested an updated evaluation of the Airport's aeronautical property values, rents, and fees to assess their consistence with current market conditions

# Market Appraisal Process

- ABS Consultancy, Inc. d/b/a Airport Business Solutions (ABS), which completed the prior airport prevailing market study in 2008, was contracted in June/2015 for a reassessment
- The report was completed on November 2, 2015
- Provides a range of current market rates for:
  - Unimproved/Improved aeronautical land
  - Hangars, office space, and other aeronautical facilities
  - Determining new leases negotiations, pending rate adjustments, airport development, budget planning, etc.



# Airport Lease Activity

## Long-term lease activity last ten (10) years

- ❖ *Numbers are reflective of 1). DAL being lease landlocked and new emphasis on redevelopment outside of airport grounds and 2). DEA undergoing recent runway re-construction and new methodology of “lease buyback” by DOA to regain control of under utilized airport properties for future best-use.*

### Love Field

### Executive Airport

▪ Approved leases	5	0
▪ Approved lease amendment	3	0
▪ Lease assignments, estoppels, subleases	4	5
▪ Notable lease approvals last five years		
▪ Dalfort Development		
▪ Harry Hines(Love Connection) parking lot		
▪ Dallas Executive Airport lease buy-back		
▪ Scarborough Maple Manor (Mockingbird & Denton)		
▪ Lemmon Ave. lease amendment (Signature)		

# Market Rate Study

The market study researched the local, regional and national market for prevailing rental rates for land and facilities similar to and competing to those at DAL and DEA. From this data, market rent conclusions were derived and recommendations made

<b>COMPARABLE AIRPORT RATE SUMMARY</b>					
<b>Airport</b>	<b>Unimproved Land</b>	<b>Improved Land (Ramp/Apron)</b>	<b>FBO Storage Hangars</b>	<b>Maintenance Hangars</b>	<b>Office Space</b>
Addison	\$0.45 - \$0.65	\$0.70	NA	\$5.00 - \$5.50	\$10.00 - \$15.00
Meacham	\$0.38	\$0.38	NA	\$7.00	\$13.35
McKinney National	\$0.30	NA	NA	NA	NA
San Antonio	\$0.30 - \$0.57	\$0.74	\$1.00 - \$5.00	\$1.00 - \$5.00	\$5.00
Houston Hobby	\$0.20	\$0.38	NA	NA	NA
Tulsa	\$0.29	\$0.32	11% of FMV	NA	NA
Memphis	\$0.35	\$0.40	\$1.50-\$3.00	\$3.50	\$5.00
Spirit of St. Louis	\$0.32	NA	\$5.00	NA	NA
Nashville	\$0.30	\$0.50	\$6.25	NA	\$5.00
Centennial	\$0.40	\$0.40	NA	NA	\$14.00 - \$17.00
Louisville	\$0.41	\$0.41	\$5.80	NA	NA
Jacksonville	\$0.206	\$0.36-\$0.60	\$2.50-\$3.50	\$4.70-\$8.00	NA

## DALLAS LOVE FIELD MARKET RENTS AND FEES

Component	Annual Rent or Fee
Unimproved Land	\$0.65 to \$0.75 Per Sq. Ft.
Improved Land	\$0.80 to \$1.00 Per Sq. Ft.
FBO/Storage Hangars	\$3.50 to \$5.00 Per Sq. Ft.
Maintenance Hangars	\$4.50 to \$6.00 Per Sq. Ft.
Office Space	\$8.00 to \$9.00 Per Sq. Ft.
Cargo/Support Facilities	\$8.00 to \$8.50 Per Sq. Ft.
Fuel Flowage Fees	\$0.10 Per Gallon – FBOs \$0.18 Per Gallon – Self-Fuelers
Fuel Operations Permit Fees	\$10,000 Per Year – FBOs \$5,000 Per Year – Self-Fuelers
Nightly Aircraft Storage Fee	\$0.20 Per Square Foot of the Aircraft Footprint
City Fuel Farm Through-Put Fee	\$0.015 Per Gallon

## DALLAS EXECUTIVE MARKET RENTS AND FEES

Component	Annual Rent or Fee
Unimproved Land	\$0.30 to \$0.40 Per Sq. Ft.
Improved Land	\$0.30 to \$0.50 Per Sq. Ft.
GA Storage/Maintenance Hangars	\$2.50 to \$4.00 Per Sq. Ft.
T-Hangars	\$325 to \$400 Per Month
Office Space	\$5.00 to \$6.00 Per Sq. Ft.
Fuel Flowage Fees	\$0.08 Per Gallon – FBOs \$0.12 Per Gallon – Self-Fuelers
Fuel Operations Permit Fees	\$10,000 Per Year – FBOs \$5,000 Per Year – Self-Fuelers

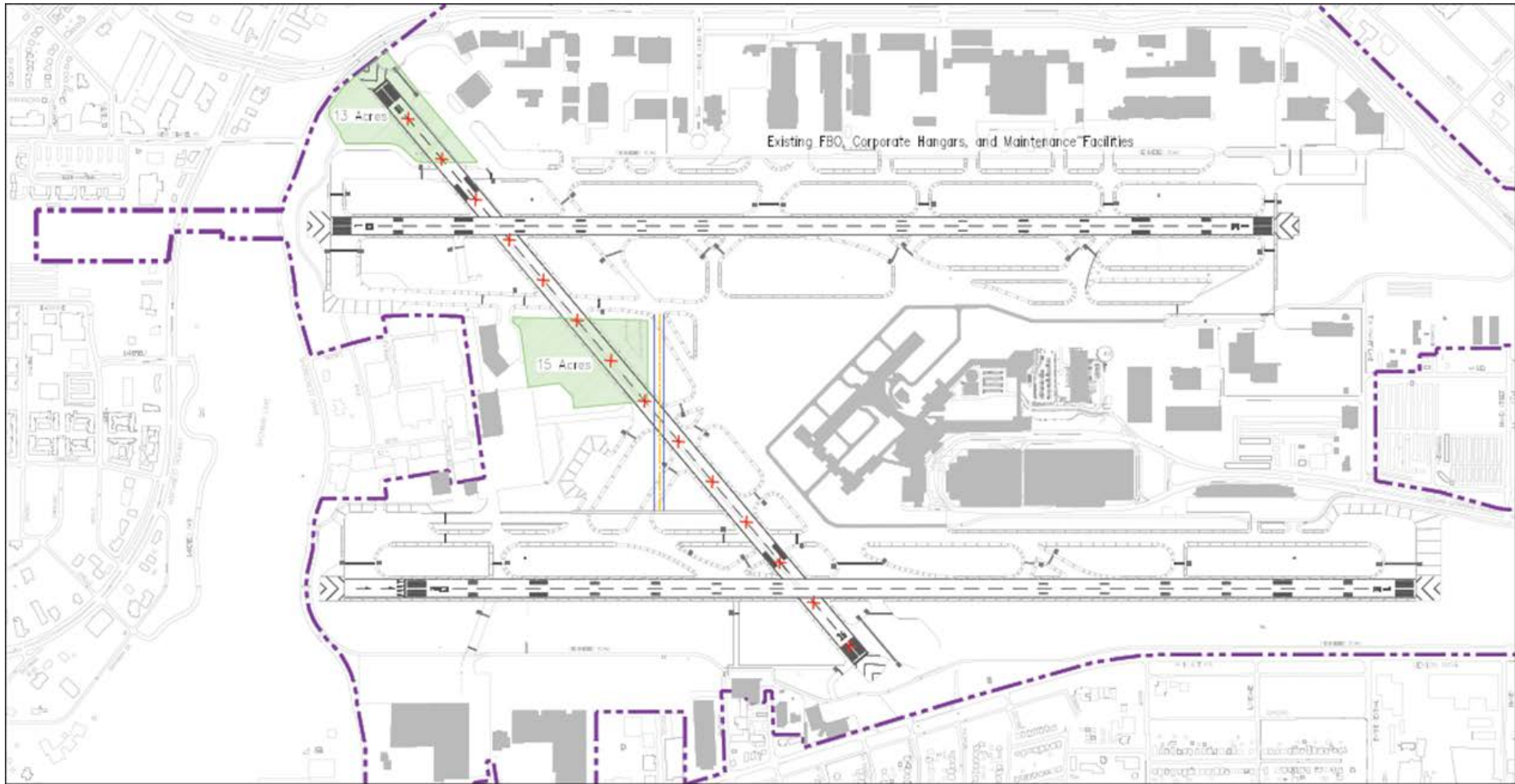
# DALLAS LOVE FIELD

The resulting report recommended an increase in annual lease rates at Dallas Love Field of: \$0.65 per square foot per unimproved ground; \$0.80 per square foot for improved ground; \$4.25 per square foot for storage hangars; \$5.00 per square foot for maintenance hangars; and \$8.50 per square foot for office space.

## DAL

<u>Unimproved Land</u>	<u>Improved Land</u>	<u>Storage Hangar</u>	<u>Maintenance Hangar</u>	<u>Office Space</u>
\$0.65 per square foot per year	\$0.80 per square foot per year	\$4.25 per square foot per year	\$5.00 per square foot per year	\$8.50 per square foot per year

# Areas Open For Development if 18/36 is Decommissioned



- LEGEND**
- Taxiway
  - Taxiway Centerline
  - Facility Expansion Area
  - Property Line
  - Runway to be decommissioned

# DALLAS EXECUTIVE AIRPORT

*Development-Ready Land:*

480 acres

130 acres Aeronautical

350 acres Non-aeronautic

The report recommended an increase in annual lease rates at Dallas Executive Airport of: \$0.30 per square foot per unimproved ground and \$0.40 per square foot for improved ground.

## DEA

Unimproved Land  
\$0.30 per square  
foot per year

Improved Land  
\$0.40 per square  
foot per year

