

**PUBLIC NOTICE**  
**AIRPORT ADVISORY BOARD**  
**MEETS – REGULAR MEETING**  
**TUESDAY, APRIL 26, 2016 – 6 P.M.**  
**PUBLIC SAFETY FACILITY, COMMUNITY ROOM 122**  
**373 E. VAL VISTA BOULEVARD**

- |   |                                 |
|---|---------------------------------|
| <b>A. Call to Order</b>   | <b>Chairman</b>                 |
| <b>B. Roll Call:</b>  | <b>Chairman</b>                 |
| <b>C. Approval of Minutes</b>   | <b>February 23, 2016</b>        |
| <b>D. Presentations:</b>  | <b>None</b>                     |
| <b>E. Old Business:</b>   |                                 |
| <b>E.1 Discuss Proposed changes to Fuel Pricing Policy</b>  | <b>Director of Public Works</b> |
| <b>E.2 Discuss Standard Operation Procedures (SOP)</b><br><b>Manual (Gate Access, Vehicle Access)</b>   | <b>Director of Public Works</b> |
| <b>F. New Business:</b>   |                                 |
| <b>F.1 Discuss and Recommend FY2017 Fee Increase</b>  | <b>Director of Public Works</b> |
| <b>G. Report By Manager:</b>  |                                 |
| <b>G.1 Status of Proposal to Establish a Parachute Landing Area</b><br><b>at the Airport</b>  | <b>Director of Public Works</b> |
| <b>G.2 Airport Financial Report</b>   | <b>Director of Public Works</b> |
| <b>G.3 Airport Taxiway E Project</b>  | <b>Director of Public Works</b> |
| <b>H. Public Comments:</b>  |                                 |
| Pursuant to Arizona’s Open Meeting Law, members of the AAB may not discuss items that are not on the agenda. Therefore, action(s) take as a result of public comment(s) will be limited directing staff to study the matter or scheduling the matter for further consideration and decision at a later date. Each speaker may address the board once and limit comments to three minutes. |                                 |
| <b>I. Reports by Board Members:</b>   | <b>Chairman</b>                 |
| <b>J. Adjournment:</b>  | <b>Chairman</b>                 |

THIS MEETING IS OPEN TO PUBLIC. All interested persons are welcome to attend. Disabled individuals with special accessibility needs may contact the ADA Coordinator for the City of Casa Grande at 421-8600, or TDD 520-421-8623. If possible, such request should be made 72 hours in advance.

Posted at City Hall and the City’s Website on April 25, 2016 at 5:00 P.M.

*Remilie S. Miller*  
/s/Remilie S. Miller, MMC  
City Clerk

City of Casa Grande  
 FY2017 Proposed Fee Schedule  
 April 6, 2016 - 60 Day Notice per ARS 9-499.15  
[www.casagrandeaz.gov](http://www.casagrandeaz.gov)

Description	FY2016 Rate	Proposed changes	FY2017 Rate
<b>Finance</b>			
<b>Business Transaction Tax</b>			
Daily Business Transaction License	\$10.00		\$10.00
Annual Business Transaction License	\$70.00		\$70.00
Beauty, Barber, Nail Technicians (per operator) (Annual Fee)	\$18.00		\$18.00
Pawn Shop (Annual)	\$70.00		\$70.00
<del>DQR Fee</del>			
<b>Peddler, Solicitors, and Transient Merchants Fee</b>			
Daily License	\$40.00		\$40.00
Semi-Annual License	\$100.00		\$100.00
Annual License	\$195.00		\$195.00
<b>Adult Entertainment Business License Fee</b>			
Annual Application and Investigation fee	\$1,500.00		\$1,500.00
Annual License Fee	\$1,500.00		\$1,500.00
<b>NSF Check/EFT Fees</b>			
Non-sufficient funds (NSF) check/EFT handling fee <i>Inclusive of the actual amount charged to the City by the bank or processor</i>	\$25.00		\$25.00
<b>Utility Account Fees and Late Charges</b>			
Utility deposit	\$100.00		\$100.00
<del>Utility Account reconnection fee</del>	\$50.00	(50.00)	n/a
<b>Delinquent accounts (% of outstanding amount - minimum \$0.50 per month)</b>		1.5%	1.5%
<b>Airport</b>			
<b>Monthly Rental:</b>			
Shade Hangar	\$130.00		\$130.00
<del>Small Medium</del> T-Hangar (40' by 33')	\$180.00	27.00	\$207.00
Large T-Hangar (45' by 35')	\$231.00	34.00	\$265.00
Small Storage Unit	\$60.00		\$60.00
Large Storage Unit	\$150.00		\$150.00
Tie-down Spaces	\$45.00		\$45.00
Transient Tie-down spaces (daily)	\$5.00		\$5.00
Transient Multi-Engine Tie-down (daily)	\$10.00		\$10.00
Transient Jet-tie down (daily)	\$15.00		\$15.00
Remote Device Deposit	\$30.00		\$30.00
<del>Private land Lease - Per Square Foot</del>		<b>Based on Individual lease agreements</b>	
Lavatory Service	\$30.00		\$30.00
Concierge service	\$5.00		\$5.00
Overnight T-Hanger when available	\$25.00		\$25.00
Overnight Shade Hanger when available	\$20.00		\$20.00
After Hours Call-Out Fee	\$150.00		\$150.00
<b>City Clerk</b>			
Photocopies of Public Records (per page)	\$0.55		\$0.55
Transcriptions	Actual Cost		Actual Cost
Audio Recording	\$25.00		\$25.00
Research (Per hour)	\$16.00		\$16.00
Certification Of City Documentation	\$5.00		\$5.00
Passports (as set by the U.S. Department of State)	per City Clerk's Website		per City Clerk's Website

# Hangar lease rate analysis for KCGZ, 4-1-16

## **Purpose:**

This white paper was prepared using current market data to provide a basis for developing a methodology for setting hangar lease rates at KCGZ.

## **Pricing methods:**

There are any number of methods for setting lease price for any commercial property. Typically, a property owner is trying to maximize profits on a given piece of property and will let the current market conditions set the maximum price that he could expect to get for a lease on the property. He may negotiate up or down from that maximum price based on several factors including length of lease, stability of the tenant, and market competition, among others. The FAA generally does not want small public airports to see a profit on overall operation, but cost recovery is encouraged.

Municipal governments don't typically price leases in the same manner as a commercial property owner might. As a landlord, the municipal government is providing a service to the public by offering the property for lease, and may take several factors other than profits in to account when setting pricing policy. In the case of FAA funded public airports, the FAA does not review all lease agreements, but will if a complaint is filed by a tenant. FAA guidance on lease pricing of sponsor owned hangars on public airports comes in various forms. At the time of this writing I have not had an opportunity to find and review all of the FAA regulations and memorandums that have come out of the various regions that make up the body of the FAA guidance. What is clear from the regulations is that the FAA does encourage the airport Sponsor (Casa Grande) to try to recover as much operating cost as possible through the sale of fuel, lease on land and buildings, and fees collected from users, so long as it is applied fairly and does not discriminate in any way.

There are several methods that could be used in developing a lease pricing policy for KCGZ. Among these are:

- Market based pricing, where you price the hangars as high as possible in order to maximize revenues generated.
- Comparison pricing based solely on the price per hangar of the other cities in the study.
- Comparison pricing based on the price per square foot of the other cities in the study.
- Pricing based on existing prices plus a periodic rate escalation in line with rising inflation, and/or rises in airport operational costs.
- Pricing based solely on the cost of ownership of the facilities to be rented, including cost to construct, cost to maintain, and cost of potential improvements.

### **Market based pricing:**

If the City of Casa Grande were to use a market based pricing approach the price that the market would bear would be driven largely by the availability of other hangars, the willingness of the aircraft owners to relocate their aircraft to another airport for a lower cost alternative, and the willingness of the tenants to vacate the hangar and tie their aircraft down outdoors. While I don't have time in this study to determine the current availability of empty hangars at other airports, most airports within what most owners would consider a reasonable drive do not have a surplus of empty hangars available. This would seemingly put KCGZ in a good position to retain most tenants, or to easily replace tenants if the price was raised to reflect the maximum market price. At this point nobody knows for sure what that price point actually is. The FAA is extremely sensitive to consistency and fairness to airport users. A market based commercial pricing approach works well for a private party where prices on individual units can be priced differently at the owner's will in response to market conditions. It is unlikely that the FAA would accept a negotiated price approach and will require a pricing policy that is consistent for all leases.

Pros: Maximizes revenues to the owner

Cons: Would infuriate current tenants, could lead to high tenant turnover rates, could result in a loss of grant funding if the FAA disagreed with the policy. Could cast the City in a bad light as an unfriendly airport to base your aircraft at.

### **Per unit comparison pricing:**

If the city were to base their pricing policy on the hangar prices of other airports in the area they could do a per unit price comparison that does not consider the price per square foot in the comparison. If that approach were taken, I would categorize hangars into two size categories that roughly match the hangar sizes in Casa Grande. The rationale behind a per unit pricing comparison is that no two cities have the same size hangars. That said, what is being leased is the space to house a given aircraft and the equipment and materials necessary to maintain and operate that aircraft. With that purpose in mind it can be reasoned that T-hangars come in two basic sizes – small single engine aircraft size, and small twin engine aircraft size. Yes, there are larger versions of each, but the tenant is leasing a secure area for his plane. If his plane is secure and he has enough additional room for his equipment, then actual square footage becomes a moot point as the hangar fits his needs if his plane fits in it.

Pros: Easy to craft a policy using available data, and makes comparison simple based on the functionality of the unit being rented. The FAA will likely not have any issue with the methodology.

Cons: Leaves the door open for current tenant challenges over square footage, building condition, etc.

### **Per Square Foot Comparison Pricing:**

If the city were to base their pricing policy on the hangar prices of other airports in the area another simple approach would be to evaluate the current rates based on the cost per square foot. A cost per foot analysis is very typical of the way most commercial lease rates are evaluated and negotiated. While this doesn't give any better apples-to-apples comparison to other properties, using this method of pricing is well known and makes comparisons easier for some to understand. When a price per foot pricing is used it is typical for the price per foot to go down as the size of the unit goes up. For example, small self-storage rentals will typically have a per foot price that approaches twice of what the largest unit in that facility will rent for.

Pros: Uses terms and methods that are typical in similar markets. Easy to calculate and justify.

Cons: Results in pricing differences between two units that serve the exact same function, but are only slightly different in size.

### **Pricing based on escalation rate:**

The city could elect to adopt a price escalation rate. That rate could be a dollar amount, a percentage increase, or based other factors like anticipated inflation rates and cost of ownership. It would be feasible to combine the escalation factors and, for example, use a fixed rate plus an inflation rate. An inflation rate policy would require an inflation analysis and could wind up being somewhat complex.

Pros: Starts from a current policy and provides a known future pricing. Would be difficult to challenge that it is unfair to any particular group.

Cons: Harder to justify the methodology if challenged. Could require much more staff time to manage changes.

### **Pricing based on actual costs:**

The City could elect to set its lease rates based on what the units cost to build, own, and operate. This approach is easiest to justify if challenged and holds up to FAA scrutiny. It also requires a significant amount of work to determine the factors and prices that go into the lease rate. It would be reasonable to set the price based on cost to construct, repair, and improve the hangars, and to clearly identify additional pricing used to support the rest of the airport operations.

Pros: Bases the price on the needs of the airport operations

Cons: Opens the door for challenges of pricing bias that would cause the FAA to take action.

### Comparison Data:

I reviewed hangar pricing data from municipal airports in the greater Phoenix area and Marana as they would likely be the market competition for hangar leases in Casa Grande. These comparable airports are:

- Buckeye
- Falcon Field (Mesa)
- Goodyear
- Deer Valley
- Chandler
- Eloy
- Marana

For the purpose of this paper I did not have time to do a complete analysis of the hangars at other airports. It is expected that tenants will argue against any rate increase and will cite the difference in age, style, size, condition, etc. of other airports in the study. For this study I considered that a hangar is a comparable match if it will fulfill the same purpose as a hangar at another airport. As we have not experienced tenants leaving Casa Grande because a “newer, nicer” hangar became available in another city, I contend that availability and location are the most significant factors that cause a tenant to base his aircraft in a hangar at Casa Grande Municipal Airport. The significance of the age of the hangars plays into the analysis in the current pricing. Marana, for example, recently build T-hangars used in this study. Their price reflects the cost of constructing hangars today. Marana is rapidly filling those hangars in spite of the high price. This is not due to the fact that the facilities are new, but rather that there is a high demand for hangars in their market area. Other factors that drive differences in the market include such things as if the field is tower controlled, how busy the airspace is, etc. Uncontrolled fields such as KCGZ are attractive to a more diversified collection of aircraft and pilots than you will find at busier controlled fields.

I omitted data from Scottsdale Municipal Airport on purpose. The City of Scottsdale has very few older T-hangars that they lease. From what I’ve been told by tenants on the field, the lease on those hangars is very low and has not been increased since the hangars were built. This is due to a clause in the lease agreement where the hangar lease will not be raised above the original price of \$150 as long as that tenant keeps his unit. This was a mistake on the part of Scottsdale, because they also aren’t allowed to show a bias for one tenant over another by charging two rates for identical units. As such, the price to lease those hangars will not go up until the last of the original tenants vacates the hangar, and it doesn’t look like that will happen anytime soon. I have not had a chance to substantiate that with the City of Scottsdale, but we have enough good data for other airports that omitting Scottsdale doesn’t skew the data.

I’m working off of data collected and updated by Mr. Wilkie. This is data that was presented to the airport users last year, and should be familiar to everyone. I updated the data to reflect recent changes and I sorted the data in a slightly different way for analysis. An example of this is that KCGZ has T-

hangars in three sizes. We call those small and large hangars. Rather than show one small and two large size hangars in Casa Grande, I opted to group the two different sized large hangars together by averaging the cost and size to develop a single average “large” size for analysis. I feel this was a reasonable approach because the size difference was less than 100 sf. Similarly, some cities had what they call “small” hangars that were more comparable to our “large”, and one had pricing for a large hangar that was significantly larger than our largest units. I opted to remove data that did not represent a reasonable match to our facilities, and then separated them by size. I called a hangar under 1,000 sf a “small” hangar, and over 1,000 sf a “large” hangar.

**Data sorted by Price of small hangar:**

<u>AIRPORT</u>	<u>CURRENT MONTHLY RENT</u>		<u>AVERAGE SQUARE FOOTAGE</u>		<u>PRICE PER S/F</u>	
	<u>SMALL</u>	<u>LARGE</u>	<u>SMALL</u>	<u>LARGE</u>	<u>SMALL</u>	<u>LARGE</u>
Buckeye	\$110.00		965		\$0.1140	
Goodyear	\$156.10	\$202.51	979	1589	\$0.1594	\$0.1274
<b>Casa Grande</b>	<b>\$180.00</b>	<b>\$231.00</b>	<b>888</b>	<b>1119</b>	<b>\$0.2028</b>	<b>\$0.2066</b>
Deer Valley	\$204.82	\$297.35	930	1670	\$0.2202	\$0.1781
Falcon Field	\$220.00	\$370.00	922	1658	\$0.2386	\$0.2232
Marana	\$279.00	\$310.00	888	1150	\$0.3142	\$0.2696
Eloy		\$197.00		1060		\$0.1858
Chandler		\$244.00		1100		\$0.2218

Average price of a small hangar: **\$191.65**

Average price of a small hangar when we exclude the high and the low prices: **\$207.98**

Data sorted by price of large hangar:

<u>AIRPORT</u>	<u>CURRENT MONTHLY RENT</u>		<u>AVERAGE SQUARE FOOTAGE</u>		<u>PRICE PER S/F</u>	
	<u>SMALL</u>	<u>LARGE</u>	<u>SMALL</u>	<u>LARGE</u>	<u>SMALL</u>	<u>LARGE</u>
Eloy		\$197.00		1060		\$0.1858
Goodyear	\$156.10	\$202.51	979	1589	\$0.1594	\$0.1274
<b>Casa Grande</b>	<b>\$180.00</b>	<b>\$231.00</b>	<b>888</b>	<b>1119</b>	<b>\$0.2028</b>	<b>\$0.2066</b>
Chandler		\$244.00		1100		\$0.2218
Deer Valley	\$204.82	\$297.35	930	1670	\$0.2202	\$0.1781
Marana	\$279.00	\$310.00	888	1150	\$0.3142	\$0.2696
Falcon Field	\$220.00	\$370.00	922	1658	\$0.2386	\$0.2232
Buckeye	\$110.00		965		\$0.1140	

Average price of a large hangar: **\$264.55**

Average price of a large hangar when we exclude the high and the low prices: **\$256.97**

Data sorted by small hangar price per sf:

<u>AIRPORT</u>	<u>CURRENT MONTHLY RENT</u>		<u>AVERAGE SQUARE FOOTAGE</u>		<u>PRICE PER S/F</u>	
	<u>SMALL</u>	<u>LARGE</u>	<u>SMALL</u>	<u>LARGE</u>	<u>SMALL</u>	<u>LARGE</u>
Buckeye	\$110.00		965		\$0.1140	
Goodyear	\$156.10	\$202.51	979	1589	\$0.1594	\$0.1274
<b>Casa Grande</b>	<b>\$180.00</b>	<b>\$231.00</b>	<b>888</b>	<b>1119</b>	<b>\$0.2028</b>	<b>\$0.2066</b>
Deer Valley	\$204.82	\$297.35	930	1670	\$0.2202	\$0.1781
Falcon Field	\$220.00	\$370.00	922	1658	\$0.2386	\$0.2232
Marana	\$279.00	\$310.00	888	1150	\$0.3142	\$0.2696
Eloy		\$197.00		1060		\$0.1858
Chandler		\$244.00		1100		\$0.2218

Average price per sf of a small hangar: **\$0.2082**

Average price per sf of a small hangar when we exclude the high and the low prices: **\$0.2271**

Data sorted by Large hangar price per sf:

<u>AIRPORT</u>	<u>CURRENT MONTHLY RENT</u>		<u>AVERAGE SQUARE FOOTAGE</u>		<u>PRICE PER S/F</u>	
	<u>SMALL</u>	<u>LARGE</u>	<u>SMALL</u>	<u>LARGE</u>	<u>SMALL</u>	<u>LARGE</u>
Eloy		\$197.00		1060		\$0.1858
Goodyear	\$156.10	\$202.51	979	1589	\$0.1594	\$0.1274
Deer Valley	\$204.82	\$297.35	930	1670	\$0.2202	\$0.1781
<b>Casa Grande</b>	<b>\$180.00</b>	<b>\$231.00</b>	<b>888</b>	<b>1119</b>	<b>\$0.2028</b>	<b>\$0.2066</b>
Chandler		\$244.00		1100		\$0.2218
Falcon Field	\$220.00	\$370.00	922	1658	\$0.2386	\$0.2232
Buckeye	\$110.00		965		\$0.1140	
Marana	\$279.00	\$310.00	888	1150	\$0.3142	\$0.2696

Average price per sf of a large hangar: **\$0.2018**

Average price per sf of a large hangar when we exclude the high and the low prices: **\$0.1914**

The interesting thing about T-hangars is that they are listed as storage buildings, and that is what they are – a place to store something you don't have room to store at your home. With that thought in mind, I looked at the cost per square foot of self-storage units in Casa Grande. As they get bigger, the price per square foot typically goes down, so I only looked at the largest drive-up units. These were about 1,000 sf and are a good match for price per foot. The average of three local self-storage facilities was \$0.38 per square foot.

Hangar rate data compared to the average self-storage prices:

<u>AIRPORT</u>	<u>CURRENT MONTHLY RENT</u>		<u>AVERAGE SQUARE FOOTAGE</u>		<u>storage unit pricing</u>	
	<u>SMALL</u>	<u>LARGE</u>	<u>SMALL</u>	<u>LARGE</u>	<u>SMALL</u>	<u>LARGE</u>
<b>Casa Grande</b>	<b>\$180.00</b>	<b>\$231.00</b>	<b>887.50</b>	<b>1119</b>	\$337.2500	\$425.2200
Marana	\$279.00	\$310.00	888.00	1,150.00	\$337.4400	\$437.0000
Falcon Field	\$220.00	\$370.00	922.00	1,658.00	\$350.3600	\$630.0400
Deer Valley	\$204.82	\$297.35	930.00	1,670.00	\$353.4000	\$634.6000
Buckeye	\$110.00		965.00		\$366.7000	
Goodyear	\$156.10	\$202.51	979.00	1,589.00	\$372.0200	\$603.8200
Eloy		\$197.00		1,060.00		\$402.8000
Chandler		\$244.00		1,100.00		\$418.0000

**Recommendations:**

No matter how the City prices the hangar rates, it is fair to say that the current rates are on low side of the average for T-hangars in our market area. Combine that with the need to find better revenue sources in order to adequately maintain the airport, it is more than reasonable to increase the hangar rates at this time. Mr. Wilkie's previous recommendation increased the hangar rates to \$207 for a small unit and \$265 for a large certainly puts KCGZ in the top 1/3<sup>rd</sup> of the prices per square foot. Given the high demand and short supply of hangars in our market area, this rate increase will make current tenants angry and will only incite a group that has already been very vocal in opposition to the airport management. In the end, if any of them leave over the increase we will have no trouble filling the vacancies.

The City could opt for a lower increase to help keep peace with the tenants, but that shortchanges the rest of the taxpayers who are subsidizing every flight that the tenants make. With the goal of being able to increase maintenance to the airport without increasing general fund spending, I do believe that an increase of some amount is both necessary and warranted. If the City chooses not to make as big an increase as Mr. Wilkie recommended I would suggest that another approach would be to apply an escalation rate for this year and future years. A \$10 dollar per year increase over the next several years to get us to a target number might be more palatable to the tenants. If the City takes this approach I think it would be best to adopt the escalation rate table and not have to go through this again next year.

No matter what price the rates get raised to, there is going to be the question about why we need the increase, and how we justify it. I haven't found any tenants who understand how the airport is funded and what it takes to run it. I would recommend putting together pie charts showing costs and funding. Another thought is that an increase would be more palatable if it was used to bank some funds for the things the tenants are asking for. For example, if a portion of the rent was banked in an account for hangar maintenance, they wouldn't feel that they were financing the recent aesthetic enhancements and café construction in the terminal. As they really only care about the hangar maintenance, and ramp/taxiway maintenance, perhaps we apply the entire increase to those areas specifically so they feel that they are paying for something they see of value.