

WHITE PAPER

Airport Land Lease Rate Adjustments

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PURPOSE

The purpose of this paper is to address land lease rates at McKinney National Airport (TKI) in an effort to recommend rate adjustments as well as multi-tiered rates.

DISCUSSION

Lease Rate History

It has been 8 years since the lease rate was reviewed and adjusted. Land lease rates have been increased three times by City Ordinance during the past 15 years as indicated in **Table A**, below.

Rate Adjustment	Approval Date	Effective Date	Ordinance/Resolution No.
\$0.12	4/01/1999	Unknown	Unknown
\$0.22	6/17/2003	10/01/2003	Resolution 203-06-092 (R)
\$0.30	6/20/2006	6/20/2006	Ordinance – 2006-06-086

Table A -- Land Lease Rate History 1999 -- 2014

Current Land Lease Requirements and Revenue Generation

- The current rate is a flat \$0.30/sf/year.
- The initial term is limited to a maximum of 40 years.
- One (1) acre is the minimum amount of land that must be leased to develop an aeronautical facility
- Ninety (90%) of a lease hold shall be *improved*.
- Hangar size is limited to not less than 10,000sf.
- Commercial Aeronautical Activities (CAA) shall be sited so that their facility becomes part of the airport perimeter, e.g., customers must park outside of the airport perimeter and access the CAA directly from the landside.

Airports do not sell land without *justification*, approval from the FAA and a negotiated reimbursement to the federal government. However, land can be leased to entities wanting to construct an aeronautical facility on designated airport property owned by the City, in accordance with City Code (refer to **Table B, below.**)

Lessee	Rate	Square Footage	Monthly Rate	Annual Rate	Lease Exp.
Ag Power	\$0.16	35,520	\$473.60	\$5,683.20	10/31/41
MHOA	\$0.16	167,930	\$2,239.07	\$26,868.84	12/31/46
CCHOA	\$0.30	236,184	\$5,904.60	\$70,855.20	06/31/48
Totals		439,634	\$8,617.27	\$103,407.24	

Table B – Current Land lease Revenue Generation

Adjusting Land Lease Rates

Staff believes that land lease rate adjustments should be considered a minimum of every three (3) years or when significant events affect the airports value. TKI has been affected by several significant events during the last 8 months that have affected its value to include:

- Natural economic growth of the City and region.
- Approaching Wright Amendment repeal, which is creating a surge in interest by aircraft owners to locate or re-locate to TKI.
- Growing inability of Dallas Love Field and Addison Airport to expand and develop.
- Acquisition of the FBO and its facilities and the City's ability to directly influence new facility development.
- Increased value of privately-owned land adjacent to and surrounding the airport.
- Increased interest by developers of privately-owned land adjacent to and surrounding the airport in Off-Airport Access.
- Land lease rates are used in calculating off-airport access fees.

Table C below lists current land lease rates at select area airports. Rates at other airports have always been a consideration for rate adjustments in the past.

AIRPORT	2014 Low	2014 High	2012 Low	2012 High	2010 Low	2010 High
North TX Regional	\$0.190	\$0.210	\$0.190	\$0.210	\$0.190	\$0.210
Denton	\$0.270	\$0.270	--	--	--	--
Dallas Executive	\$0.130	\$0.170	\$0.130	\$0.170	\$0.130	\$0.170
Arlington Municipal	\$0.260	\$0.360	\$0.200	\$0.310	\$0.200	\$0.240
McKinney National	\$0.300	\$0.300	\$0.300	\$0.300	\$0.300	\$0.300
Dallas Love	\$0.400	\$0.650	\$0.400	\$0.650	\$0.400	\$0.650
Addison	\$0.450	\$0.650	\$0.450	\$0.650	\$0.450	\$0.650
Average	\$0.286	\$0.373	\$0.278	\$0.382	\$0.278	\$0.370

Table C -- Land Lease Rate Survey 2010 -- 2014

Using Rates to attract Commercial Aeronautical Activities

Commercial Aeronautical Activities (CAA) are restricted to areas of the airport where the customer lounge shall have direct airside access for customer use and direct landside access to customer parking, i.e., a CAA wishing to develop a facility on leased airport land must do so along a public road or road outside the perimeter on airport property.

Rate Analysis

The Airport Staff *considered* the following to draft its recommendation.

- The City owns approximately 50.9 acres of developable airport land.

- A tiered rate based on improvements, available utilities, convenience to the runway/taxiway system and operational requirements.
- Ten (10) percent of the asking price of privately-owned land adjacent to and surrounding the airport was used.
- Forty-year lease considering an ownership reversion clause was used.
- Discount rates for Commercial Aeronautical Activities (CAA) that in the opinion of MADDC are needed to attract new business to TKI.
- The 2014 high-low rates at select north Texas airports.

What was not used:

- The Dallas Consumer Price Index June 2006 to May 2014 would change the rate to a relatively low \$0.34/sf/year.

