



Aviation Rent and Fees

County of San
Diego Airports

Gillespie Field Development Council

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Real Property Report

Topics

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- Types of Rent
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What is Rent?

- Rent is County's fair and reasonable compensation for allowing the use of it's land by private businesses to make a profit
- Board Policy and Grant Assurances provide County must receive Fair Market Value for rent of Airport land to private businesses

FAA Position

- FAA Grant Assurances say Airport should be self sufficient
- 17 point Compliance Letter of 2003 included aviation rents at GF
- FAA expects future rental rates to reflect FMV for Aviation land
- FMV for Aviation land is NOT the same as market value non-aeronautical rates

Types of Rent

- Base Rent
- Additional Rent
 - Sublease Rent
 - Percentage Rent
 - Transfer Premium
 - Cost of Living Adjustment
 - Percent of Long Term Prepaid Sublease Transfers (1.67%)

How Rent Is Set

- Appraisal based on Aviation Use
- County proposes new rent
- Notice to Lessee at least 180 days in advance
- Lessee accepts County proposal or makes counter proposal by Deadline
- Many Lessees get their own appraisal prior to renegotiation
- Parties Agree

If Parties don't agree . . .

Procedure in the Lease

- Each hires independent qualified Appraiser
- Appraisers meet and confer, set rent
- If can't agree, select 3rd appraiser
- Majority of appraisers agree on the new rent
- If can't agree average, use average

What the Lease Says

In determining the Fair Market Rent, the appraisals shall evaluate the monthly amount which the Premises could be expected to return to the County if offered for lease on the open market under normal circumstances, giving due consideration to the current use of the Premises, other properties with similar uses located in the geographic vicinity of the Premises, desirability and utility of the Premises, availability of similar long-term leaseholds and similar relevant matters.

Current Rents

Per Acre Per Month Rates

- McClellan Palomar \$1,960
- Ramona \$ 775
- Gillespie \$ 525
- Fallbrook \$ 375
- Borrego \$ 320

Gillespie Background

- Last Renegotiated 1996
- Base \$400 per acre per month
- Cost of Living every 30 months,
Capped at 3% each year
- Lessees agreed to accept new
Lease terms that better protect
the County
- Runs through 2010 - 14 years
Current Board Policy requires
renegotiation at least every 9
years

Palomar Background

- **Standard Leases**
 - Renegotiated every 5 years
 - Annual Cost of Living based on CPI
- **Currently range from \$1810-\$2035**
 - Acceptable to FAA as long as same process is used for all
- **Lower rate for Landfill impacted land**
 - No buildings Ramp/Port a port only
 - Approximately 75-80% of Aviation FMV

Ramona Background

- Renegotiated in 2007
 - \$675 in 2006
 - \$775 in 2007
 - \$850 in 2008
 - \$925 in 2009
 - \$1000 in 2010
- In 2011 cost of living adjustments based on CPI changes since 2007 begin phase in
 - CPI capped at 5.5%
 - Next Renegotiation in 2016 - 9 years

Fallbrook

- Rent set in 2003 based on appraisal and RFP
- Typical 5 year renegotiation
- Annual Cost of Living
- Recent Leases \$365-\$380
- One Lease below market due to terms of old lease with FCA
- FAA understands and expects it will go to FMV at earliest opportunity

Borrego Background

- Rent set in 2003 based on appraisal and RFP
- Renegotiated every 5 years
- Annual Cost of Living Adjustment
- Currently \$283-\$320

What is a Fee?

- Fee is reimbursement of staff costs to provide services, such as processing loan documents, requested by Lessees/Sublessees
- Board Policy says staff must receive full cost recovery for services performed for private businesses

How are Fees Set

- Fees are typically spelled out in Lease
- Challenge is to define fees in a way that will work over 30 year lease
- Options:
 - Formula - hours x rate for each project
 - Step up - x for first 5 years, y for years 6-11, z for years 11-15 etc.
 - Cost of Living - current fee x CPI

Types of Fees

- Consent to Encumber
- Consent to Transfer
- Landlord's Estoppel Fee
- Consent to Sublease Fee
- Lease/Amendment Processing Fee

Changes?

- Based on Concerns expressed at GFDC staff is investigating to determine if current fees accurately portray costs
- Airports staff surveying other Airports on how fees are adjusted over the life of long term leases
- This may result in fees being changed in future leases/ amendments

Cajon Air Center

- Rent will be determined by bid
- Rent only one of several criteria used to select proposals
- Minimum bid will be a percentage of FMV for aviation land
- Fee Survey will be completed prior to publication of the Cajon Air Center RFP

