



## **CITY OF SALINAS**

### **CITY COUNCIL STAFF REPORT**

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**DATE:** JUNE 13, 2023

**DEPARTMENT:** PUBLIC WORKS, AIRPORT DIVISION

**FROM:** DAVID JACOBS, PUBLIC WORKS DIRECTOR

**BY:** BRETT J. GODOWN, AIRPORT MANAGER

**TITLE:** 2023 SALINAS MUNICIPAL AIRPORT RATES AND FEES  
SCHEDULE

**RECOMMENDED MOTION:**

A motion to approve a resolution approving the 2023 Salinas Municipal Airport Rates and Fees Schedule.

**RECOMMENDATION:**

It is recommended City Council approve a resolution approving the 2023 Salinas Municipal Airport Rates and Fees Schedule.

**BACKGROUND:**

The City of Salinas owns and operates the Salinas Municipal Airport. As set forth by the Federal Aviation Administration (FAA) by way of its Airport Sponsor Assurances, any airport developed with Federal grant assistance is required to operate for the use and benefit of the public and is to be made available to all types, kinds, and classes of aeronautical activity on fair and reasonable terms and without unjust discrimination. The FAA provides grant funding to the City of Salinas for capital needs at the Salinas Municipal Airport. The obligation to make the Airport available to the public does not preclude the City from recovering the costs of operating, maintaining, and developing the Airport through fair and reasonable rates, charges, and fees. The City has the option to utilize various methods to assess Airport user rates, charges, and fees for the public use or tenancy of the Airport property and facilities.

Annually, the Airport Rates and Fees Schedule is adjusted to reflect changes in the aeronautical market conditions. Fees associated with property and facilities, such as hangars and buildings, are adjusted based on market comparables. Non-property fees and charges, such as gate cards, are adjusted based on cost recovery conditions. The San Francisco Bay Area Consumer Price Index (SFCPI or CPI) is the historical rate adjustment mechanism used to adjust the rates and fees at the Salinas Airport as rates and fees become out of alignment with market comparables.

The majority of Rates and Fees will remain stable and experience no change. The primary change to the 2023 Rates and Fees Schedule reflects changes to month-to-month agreements (e.g., Aircraft

Storage Hangars) based on market comparables and adjusted using changes in the CPI. Hangar rates were last adjusted in September 2021. Due to timing, migrating from a stand-alone approval from City Council to incorporating Rates and Fees into the Citywide Schedule, adjusting hangar rates in July 2022 was bypassed.

Additional adjustments are being recommended for several facilities. Hangar rows A, B, C, D, E, P, and G require additional adjustments to align them with market comparables. Specifically, Hangar rows D, E, and P require additional maintenance as the facilities age. Even minor repair requires months and, in some cases, years to recoup expenditures on the facilities.

### ***Market Rent Analysis Adjustment Process***

The hangar rate adjustment analysis is a multi-step process. First, an Airport Hangar Market Study is prepared (attached). Second, hangar vacancies and the hangar wait-list are analyzed to ensure the market is healthy. Third, the airport budget and capital program are reviewed to ensure rates and fees adjustments are consistent with the budget. Fourth, a Consumer Price Index Analysis is reviewed and applied to appropriate rates. Fifth, the analysis is brought before the Airport Commission over several meetings for advisory comments and questions. Sixth, notices (mail, email, Airport Commission meeting publications) are disseminated to the airport tenants and businesses affected by fee adjustments. Seventh, the Airport Manager attends monthly pilot association meetings advising attendees of the process and proposed rates and fees adjustments.

### ***Tenant Notification***

On February 27 and March 17, 2023, Staff transmitted an electronic notice to the airport's email distribution list presenting the revised Rates and Fees adjustment. On April 21, 2023, Staff transmitted a notice via U.S.P.S. to the Tenants (agreement, permit, and/or leaseholders) using the legal address on file with the City, presenting the proposed 2023 Airport Rates and Fees Schedule. From November 2022 – March 2023, Airport Tenants were notified and provided the Airport Commission Agendas. These meetings either had the Airport Rates and Fees Schedule as an Administrative Report, Presentation, or Consideration Agenda Item.

### ***Commission Recommendation***

The proposed amendments to the Rates and Fees Schedule were presented at the January 26, February 26, and March 23, 2023, Airport Commission meetings. At the March 23, 2023, Airport Commission meeting, the Airport Commission unanimously recommended City Council adopt a resolution approving the 2023 Salinas Municipal Airport Rates and Fees Schedule. Further, at the March 23, 2023, Airport Commission meeting, no dissenting opinions or comments were received from the general public.

### **ANALYSIS:**

#### ***Aircraft Storage Hangars Market Comparables***

Fees associated with property and facilities, such as hangars and buildings, are adjusted based on market comparables. The Airport uses Paso Robles, Watsonville, Hollister, Santa Clara County Airports, Hayward, and Livermore as comparable market facilities.

This year, staff was able to visit each airport and evaluate and document comparable facilities. The results are presented in the attached documents: Airport Hangar Market Study, Airport Hangar Market Study Analysis Documents, and the 2023 Airport Rates and Fees Schedule.

### ***CPI Data***

The Airport uses the SFCPI as the adjustment mechanism as the primary means to adjust rates and fees at the Salinas Municipal Airport. The previous [ending] data point used to adjust hangar rents is from February 2021 (304.387). The current data point being used to adjust hangar rents is from December 2022 (331.222). The analysis is as follows:

$$\frac{\text{New CPI} - \text{Old CPI}}{\text{Old CPI}} = \text{rate (100)} = \text{CPI \%} \qquad \frac{26.835}{304.387} = .0882 (100) = 8.82\%$$

### ***Additional Adjustments***

In addition to the 8.82% adjustment, the following hangars are being recommended for additional adjustments to align them more closely with market comparables: A, B, C, D, E, P, and G. The additional adjustments will more closely align the rates with hangars on the airport, with airports/hangars in our market study area, and will provide additional revenue to offset the increase of maintenance and rehabilitation due to the age of the hangar.

The Papa Row Hangars, also known as the Porta-Ports, are being recommended to adjust to \$150.00 per month (\$0.17 cents per square foot). This would raise the current monthly rent by \$30.00 from \$120.00. \$150.00 is relatively low compared to other airports with Porta-Ports. Several of the porta-ports have been rehabilitated over the last seven years. With their age, it is typical to spend several thousand dollars rehabilitating one unit. In some cases, it can take several years to amortize the maintenance investment. Adjusting the rate closer to market comparables will accelerate the amortization period. In both the short and long term, economically, it is better to maintain the facilities (versus removing them) because airworthy based aircraft provide tower operations, buy fuel from the fuel provider, use maintenance facilities at the airport, and generally add to the aviation community.

Hangar rows A, B, C, D, and E are being recommended to adjust to \$0.23 cents per square foot. Comparatively speaking, the new proposed cost per square foot for the south side hangars is approximately \$0.27 per square foot.

Example. The current rate for the A and B rows is \$186.00 per month. The current rate plus the CPI (8.82%) is \$202.00. The recommended adjustment to \$0.23 p/sq' would adjust the monthly rent to \$208.00.

Hangar row G is being recommended to adjust to \$90.00 per month.

The monthly single-engine tie-down is being recommended to adjust to \$70.00 per month.

CEQA/NEPA CONSIDERATION:

The City of Salinas has determined that the proposed action is not a project as defined by the California Environmental Quality Act (CEQA) (CEQA Guidelines Section 15378).

STRATEGIC PLAN INITIATIVE:

This action complements the City Council's Goals for Investment Strategies and Operational Efficiencies.

DEPARTMENTAL COORDINATION:

Starting in 2024, the Airport Rates and Fees Schedule will be included in the Citywide rates and fee schedule.

FISCAL AND SUSTAINABILITY IMPACT:

It is estimated that the revised rates and fees will positively impact the airport enterprise fund by \$65,000 annually.

ATTACHMENTS:

Airport Hangar Market Study  
2023 Airport Rates and Fees Schedule  
Resolution – 2023 Salinas Municipal Airport Rates and Fees Schedule