



## **CITY OF SALINAS**

### **CITY COUNCIL STAFF REPORT**

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**DATE:** JUNE 22, 2021

**DEPARTMENT:** PUBLIC WORKS, AIRPORT DIVISION

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

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

**TITLE:** 2021 SALINAS MUNICIPAL AIRPORT RATES AND FEES  
SCHEDULE

**RECOMMENDED MOTION:**

A motion to approve a resolution approving the 2021 Salinas Municipal Airport Rates and Fees Schedule.

**RECOMMENDATION:**

It is recommended City Council approve a resolution approving the 2021 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 (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 comparable.

The principal issue in setting fair and reasonable rates and fees is the need for airport rates and fees to generate revenues at levels that offset increases in the cost of operating and maintaining the

airport along with financing the existing and future proposed capital needs while maintaining a balance of fair and reasonable. If revenues are kept current with costs, it is possible to build and retain reserves for capital needs. The reserve funds are used for capital projects and matching funds for FAA Grants (ACIP).

### ***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 April 8, 2021, Staff transmitted a notice via U.S.P.S. to the Tenants (agreement, permit, and/or lease holders) using the legal address on file with the City, presenting the proposed 2021 Airport Rates and Fees Schedule. On April 9, 2021, Staff transmitted an electronic notice to the airport's email distribution list presenting the revised Rates and Fees adjustment.

### ***Airport Association Groups***

The Draft Rates and Fee Schedule was presented to Salinas Pilots Association and to the airport businesses at the April and May 2021 monthly meeting.

### ***Commission Recommendation***

The proposed amendments to the Rates and Fees Schedule were presented at the April 22, 2021 Airport Commission meeting. At the May 27, 2021 Airport Commission meeting, the Airport Commission unanimously recommended City Council adopt a resolution approving the 2021 Salinas Municipal Airport Rates and Fees Schedule. Further, at the May 27, 2021 Airport Commission meeting, no dissenting opinions or comments were received from the general public.

### **ANALYSIS:**

#### ***Market Rent Analysis***

The market rent analysis shows Salinas Municipal Airport's rents are well below market comparables. It is well known most of our comparable airports have long waiting lists and much higher rents. Further, airports that do have vacancies, such as South County experience vacancies because their hangar rents are far too high for the local aviation market. At Salinas, the hangars are at full occupancy and the waitlist is fairly robust. As of March 19, 2021, the following represents the current waitlist per Hangar Group: Group 1 – 10, Group 2 – 15, Group 3 – 4, Group 4 – 10, Executive – 3. Historically, prospective tenant could move through the waitlist in approximately 3-6 months. Current waitlist times are approximately 6-12 months.

Typically, hangar rate adjustments occur annually, and the adjustments range between 2-4% (approximately). In 2019, the hangar rate adjustment was postponed in recognition of the increase to the fuel flowage fees. In 2020, the hangar rate adjustment was postponed in recognition of COVID-19.

### ***Consumer Price Index Analysis***

Chapter 11B of the Salinas City Code calls for adjustments to existing City fee/service charge revenue based on increases provided by the Consumers Price Index (CPI) - All Urban Consumers for the San Francisco, Oakland, and San Jose areas. Staff developed proposed adjustments to aircraft storage fees using CPI data February 2018 (281.308) – February 2021 (304.387). Staff is recommending a 8.2% increase for all city owned storage facilities that do not have built-in escalators in the lease provisions (Hangar Rows A, B, C, D, E, F, G, H, K, L, M, N, O, P, Q, R, S, and T).

Before proposing fee adjustments, Staff evaluated rents at other airports with similar hangars. Even taking into consideration the recommended 8.2% increase this fiscal year, Salinas Municipal Airport continues to have some of the lowest hangar rates in the region. The nearest airport with like facilities is Watsonville Municipal Airport.

The Airport Hangar Rental Comparison Matrix depicts and distinguishes comparable facilities at similar airports. The attached spreadsheet (Airport Hangar Market Study) summarizes staff's findings. For example: the November Row hangars at Salinas are a box-hangar configuration with rolling doors which is similar to Watsonville's Mike/Lima Row of hangars, Livermore's Box Hangars, Reid Hillview's Juliet Row of hangars, and etc.

As an additional comparative matrix, the overall average for a standard T-Hangar at other airports has risen to \$0.39 per square foot per month. Salinas would average \$0.23 per square foot per month for a standard T-Hangar with an 8.2% adjustment. These averages exclude the highest cost per square foot airport (South County – Box, Small T-Hangar and Large T-Hangar, and Hollister - Corporate) per category to exclude anomalies. Salinas is approximately \$0.16 per square foot per month and/or \$165.92 per month below average.

### ***Non-Airworthiness Aircraft Fee***

The primary revenues generated for the Airport Enterprise Fund are facility rates and fees levied on the users of the airport. Secondary fees include Fuel Flowage Fees, Gate Cards, Special Use Permits, and other airport fees. Approximately 35% of the Salinas airport storage hangars capable of holding an aircraft house non-operational aircraft – meaning the aircraft are housed in an airport hangar but have not flown for a significant amount of time. These aircraft are not supporting the local aviation economy. They are not supporting the fuel vendor, or support locally based mechanics, they are not driving economic activity at the airport. They do not produce secondary income, such as fuel flowage fees.

The Non-Airworthy Aircraft Fee will be implemented as follows:

Year 1: 20% surcharge will be added to the monthly base rent.

Year 2: 30% surcharge will be added to the monthly base rent.  
Year 3: 40% surcharge will be added to the monthly base rent.

This fee would become effective January 1, 2022, giving existing tenant's additional time to account for this change. Annually, tenants will be required to provide to the Airport Administration Office aircraft logbook entries, or other means demonstrating the airworthiness status of the aircraft.

#### 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/Risk Management and New Revenue.

#### DEPARTMENTAL COORDINATION:

The City Attorney reviewed the new proposed fees and found the assessed fees appropriate based on the supporting information.

#### FISCAL AND SUSTAINABILITY IMPACT:

Adjusting the City-owned Airport Storage Hangars by 8.2% will approximately remit \$60,000.00 additional benefits to the Airport Enterprise Fund annually.

#### ATTACHMENTS:

2021 Salinas Municipal Airport Rates and Fees Schedule  
2021 Salinas Municipal Airport Rates and Fees Worksheet  
Airport Hangar Market Study  
Resolution – 2021 Salinas Municipal Airport Rates and Fees Schedule