



*Hangar Tenant
Town Hall Meeting on
Proposed Lease Revision*

June 7, 2018

Town Hall Agenda

- **Introduction & Ground Rules - Chris Eberhard**
CommuniQuest
- **Lease Update Committee Process**
- **Proposed Lease Presentation - Jorge Rubio, A.A.E.**
County of Ventura, Department of Airports
- **Comments by Tenants and Stakeholders**
- **Meeting Wrap Up**

~ Ground Rules ~

- Everyone is deserving of respect.
- Do not talk over one another.
- Diverse viewpoints are helpful.
- Solution-oriented, open, honest discussion.
- Part of on-going conversation.

This proposed lease has been developed in consultation with CAHOA (now VCHOTA) Board members, airport staff, other County staff, the FAA, Ad-Hoc Committee, and other airports.

Proposed lease is not yet final. Your input is much appreciated.

History and Purpose of Hangars

- Airport opened in 1976.
- County did not have funds to install hangars.
- County opened airport for private hangar investment with the requirement to sell back to County.
- That obligation changed in the 1980's and hangars could be sold to others.

PURPOSE has ALWAYS been to store and operate an aircraft owned by the individual that owns or rents a hangar.

How We Got Here and What's Next....

- Hangar Inspections
 - Public comment from tenants at airport meetings
 - Meetings with CAHOA leadership
 - Research – Other agreements, rules, regs to draft lease
 - More meetings with CAHOA leadership
 - Notice to tenants about initial draft lease
 - Town Hall meeting (August 2017)
 - Ad-Hoc Committee
 - 30-day public comment period on revised draft lease
 - Town Hall meeting (today)
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- Review and evaluate public comments
 - Potentially incorporate public comment into draft lease
 - Meet with Ad-Hoc Committee/Notice to Tenants?
 - Public Process

The “whats and whys” of the proposed lease...

Staff was not looking to modify the lease, but agreed to do so only after members of CAHOA stated at airport public meetings that the lease was obsolete and requested to allow subleasing.

- Reflect current practices.
- Incorporate industry regulations and guidelines.
- Update / modernize language.
- Incorporate language from partner documents (e.g., Airports Rent & Fee Schedule).
- Majority of lease remains the same.

Ad-Hoc Committee

Met multiple times with tenant representation:

- Great contribution by all and productive meetings.

Agreed on:

- **Relocation costs:** County pays if County requires relocation/reassembly.
- **Non-aeronautical items:** Allowed if comply with code and don't interfere with aeronautical use.
- **Additional stored and non-airworthy aircraft:** Allowed, with progress inspections.
- **More time:** Up to 6 months to replace aircraft or sell hangar.
- **Motor vehicles:** Tenant allowed one, plus one more for every additional 2,000 s.f.
- **In-hangar maintenance:** Tenant can perform more, if complies with safety codes.
- **Indemnification:** Tenant not required to indemnify County's wrongful acts.
- **Default and cure:** Tenant will get notice and time to cure.

County's Proposed Lease:

Tenants' Comments:

- The month-to-month agreement is working well.
- The County is trying to steal private hangars.
- The County should provide a 30+ year term (from today) and provide additional term later.
- The County should compensate for hangars' "market value."

Staff's Perspective:

- The current agreement is a month-to-month lease that can be terminated with a 30-day notice. Term secures leasehold longevity and eliminates tenant uncertainty.
- Most of the existing private hangar inventory was initially built in the 1980's (over 30 years ago).
- The FAA encourages term lease with reversion.
- County must avoid "disposing" of public land with leases assumed to be perpetual.

County's Perspective:

FAA's Airport Compliance Manual (Order 5190.6B):

*“12.3.b.(3). **Term.** Does the term exceed a period of years that is reasonably necessary to amortize a tenant's investment? Does the lease provide for multiple options to the term with **no increased compensation to the sponsor?** Most tenant **ground leases of 30 to 35 years are sufficient to retire a tenant's initial financing and provide a reasonable return for the tenant's development of major facilities.** Leases that exceed 50 years may be considered a disposal of the property in that the term of the lease will likely exceed the useful life of the structures erected on the property. FAA offices should not consent to proposed lease terms that exceed 50 years”*

Initial = when the hangars were originally installed. Not when they were subsequently sold.

County's Perspective:

- In 1983 the average hangar at Camarillo Airport was 1500 s.f.
- These were sold to and installed by private citizens for around \$10,000–\$12,000 each according to historical receipts and purchase documents.
- Using CPI, \$12,000 in the 1980's is approximately \$32,000 in 2017.
- Use CPI to determine the savings between owning vs. renting and apply savings to amortizing the initial \$32,000 investment

“The County should have to pay ‘market rate’ for my hangar.”

Three main components of market rate:

1. Hangar structure (owned by tenant)
2. Land (owned by County)
3. Lease (terminable at will on 30 days’ notice)

The only way to claim a rate higher than the hangar structure is to assume the purchasing tenant will be able to occupy the land in perpetuity. **So all or most of the value is in the lease, and without a lease, the hangar is worth only the value of the structure. I.e. if the lease was for 15 years and terminated thereafter, the “market value” would be significantly different.**

Hangar owners have been trading hangars based on the buyer’s false assumption of a right to a perpetual ground lease, even though the current lease states that either party can terminate the lease for any reason with a 30-day notice.

What's the Current Value of a Hangar Structure:

- Tenant's average **initial** investment in the 1980's for a 1,500 s.f. hangar with installation was approximately \$12,000.
- Based purely on rent differences between County and private hangar rent savings at the time, the hangar would have been fully amortized in approximately 8 years.
- Given the fact that the hangars have been located on the airports for 30 + years it is assumed that hangar structures have fully amortized 3 or 4 times already.

Amortization and Term

- If hangar purchased in 1983, owner breaks even in approx. 8 years (1991) (i.e., hangar now amortized **3 or more times**)
 - Total **net** savings since 1991: approx. over **\$100,000**.
 - That's a perpetual **loss to County** and **disposal of County land**.
- Under proposed 15-year term, current owner would amortize approx. **2 more times**.
 - I.e., original investment amortized approx. **5 or more times**.
- Result is a total lease term of approx. 50 years, **the maximum term under FAA Airport Compliance Manual:**

“Leases that exceed 50 years may be considered a disposal of the property in that the term of the lease will likely exceed the useful life of the structures erected on the property. FAA offices should not consent to proposed lease terms that exceed 50 years.”

DOA's Proposal:

Staff recognizes the significance of this transition and is proposing longer terms.

There is value in the length of the term for the tenant, and an element of certainty is provided, for both the tenant and the County, that there will be space for the hangar and aircraft to remain located on the airport, and that the tenant will support the airport financially as well as the airport's purpose.

- Original T-Hangars: 10-year term
- Original Box Hangars: 15-year term
- Replacement Hangars (new hangars): 20-year term

Comment
Period

Submit Comments to
Airportinfo@ventura.org