



## Appendix B – Airport Business Review

### INTRODUCTION

This appendix presents a business review of Scottsdale Airport (SDL) and examines various facets of the business operating condition of the Airport and the associated Scottsdale Airpark. A review of these existing business elements has been conducted to help ensure that the Airport remains competitive for potential tenants while maintaining the ability to generate sufficient short-term and long-term revenues. Example standards from various other airports, as well as industry standard best practices, have been used as benchmarks for comparison in this analysis.

Specifically, this Airport Business Review contains the following sections:

- Rates and Charges Review
- Airport and Airpark Minimum Standards Review
- Airport and Airpark Rules and Regulations Review
- Airport Lease Review
- Airport and Airpark Permit Review

### RATES AND CHARGES REVIEW

As part of this Strategic Planning effort, a high-level evaluation of Scottsdale Airport's rates and charges has been provided in this section in order to assess their consistency with current market conditions, as well as to determine if the Airport is in compliance with the FAA's requirement for airports to have a goal of financial self-sustainability. Specifically, this involves a review and analysis of rates and fees related to ground rents, fuel flowage fees, tie downs, and aircraft storage units under the ownership and management of the City of Scottsdale. An assessment of those rates and fees, as well as any potential changes to them as it relates to the limited availability of certain facilities at Scottsdale Airport, are identified in this review.

Additionally, prior to a review of those existing rates and charges, it is important to establish a baseline of understanding with respect to establishing and maintaining them. Specifically, the primary goals for setting these rates and charges typically include the following:

- Support general airport operations, maintenance and development
- Accommodate all appropriate types of general aviation activities
- Responsibly manage the economic asset that is the airport (e.g. promote economic self-sufficiency)
- Reflect a realistic view of the current and projected regional market demand for aviation services
- Maintain the availability of the airport for public use on reasonable conditions and without unjust discrimination (*Note that the FAA allows for flexibility in rate-setting approach*)



Acknowledging these specific goals, among others, is important because they emphasize the fact that an airport’s rates, charges and leasing policies should reflect the overall goals and mission of that airport within its host community and market segments. In fact their primary purpose is to act as a tool for the airport in achieving those overall goals. As such, careful consideration for these rates and charges must be given, because they not only represent an airport’s primary revenue streams, but they also have the capability to dramatically impact the long-term direction of the airport.

**Market Comparison**

In order to ensure an accurate assessment of the market conditions associated with Scottsdale Airport, its current rates and fees have been measured against several other airports within its local market area, as well as to other airports within the southwestern/western region of the United States of comparable size, operational levels, service types, and whose current aviation market role is that of serving general aviation aircraft. These comparable airports were selected due to a variety of factors and include airports located within the Phoenix metropolitan area (previously described in detail in Chapter One), airports located within a comparable metropolitan area (Dallas-Fort Worth Metroplex) in the region, and airports specifically identified by Scottsdale Airport itself. **Table B-1** below provides a listing of the comparative airports for this overview, as well as relevant data with respect to facility capabilities (e.g. runway length) and service levels (e.g. based aircraft).

**Table B-1: SDL Market Area – Airports within 30-minute Drive Time**

<i>Airport</i>	<i>Location</i>	<i>Identifier</i>	<i>Longest Runway</i>	<i>Based AC</i>	<i>Based Turbines</i>	<i>Based Jets</i>	<i>Hangar Spaces<sup>1</sup></i>	<i>Fuel Types<sup>2</sup></i>
<b>Scottsdale Airport</b>	<b>AZ</b>	<b>SDL</b>	<b>8,249</b>	<b>447</b>	<b>176</b>	<b>96</b>	<b>80</b>	<b>JA</b>
Chandler Municipal	AZ	CHD	4,870	499	28	2	238	JA
Falcon Field	AZ	FFZ	5,101	947	45	5	538	JA
Glendale Municipal	AZ	GEU	7,150	413	29	5	275	JA
Phoenix Deer Valley	AZ	DVT	8,208	1,277	158	0	779	JA
Phoenix Goodyear	AZ	GYR	8,500	276	42	32	147	JA
Phoenix-Mesa Gateway	AZ	IWA	10,401	103	35	21	73	JA
Fort Worth Alliance	TX	AFW	9,600	155	NA	25	NA	JA
Fort Worth Meacham	TX	FTW	7,501	215	NA	64	NA	JA
Dallas Executive	TX	RBD	6,451	185	NA	15	NA	JA
Addison	TX	ADS	7,202	563	NA	199	NA	JA
Centennial	CO	APA	10,002	806	NA	92	NA	JA
Santa Monica	CA	SMO	4,973	303	NA	7	NA	JA
McClellan-Palomar	CA	CRQ	4,897	354	NA	39	NA	JA
Van Nuys	CA	VNY	8,001	680	NA	198	NA	JA

Sources: Wilbur Smith Associates; Airport Inventory & Data Survey 2008; Jet totals extracted from FAA 5010 Airport Data.

<sup>1</sup> Estimated on-airport

<sup>2</sup> J=Jet-A; A=Avgas

NA=Data not available

Airport revenues are typically generated through user fees charged by the airport for the facilities and services that are provided, as well as for cost recovery of other airport operational expenditures. These user fees are normally established by the airport based on market conditions in the area and can vary from airport-to-airport. The typical strategy for airport pricing is to charge “market” rents for land and improvements (as is required by the FAA). **Table B-2** below contains the results of a rates and charges survey that was completed



Table B-2: Rates & Charges Comparison

	Scottsdale Airport	Van Nuys	Centennial Airport	Addison	Phoenix Deer Valley	Falcon Field	Chandler Municipal	Glendale Municipal	Phoenix Goodyear	Phoenix-Mesa Gateway	Ft. Worth Alliance	Ft. Worth Meacham	Dallas Executive	Santa Monica	McClellan-Palomar
Unimproved Land Lease (sf)	\$0.32	NA	NA	\$0.36 \$0.48 Prime	\$0.16 \$0.44 Prime	\$0.34 \$0.237 Prime	\$0.202 \$0.237 Prime	\$0.24	\$0.11 \$0.15 Prime	\$0.55 \$0.35 Prime	\$0.32 \$0.25 Prime	\$0.22 \$0.17 Prime	\$0.13 \$0.17 Prime	NA	\$0.58
Fuel Flowage Fee (gallon)	\$0.08	\$0.03	\$0.11 2008	\$0.12	NA	\$0.10	\$0.09	\$0.08	NA	\$0.11	\$0.054 \$0.118	\$0.054 \$0.118	\$0.07	\$0.06 Jet \$0.04 Avgas	\$0.05
T-Hangar (month)															
Small	\$150.00	NA	NA	\$290-\$381	\$184.00	\$204.00	\$196.50	\$335.00	NA	\$150.00	\$280.00	\$280.00	\$1.50/SF	\$1.29/SF	NA
Large	NA	NA	NA	\$550-\$650	\$267.12	\$343.00	\$346.80	\$395.00	NA	\$400-\$600	\$326-\$542	\$326-\$542	\$1.50/SF	\$1.29/SF	NA
T-Shade (month)															
Small	\$85.00	NA	NA	NA	\$89.60	\$103.00	\$104.05	\$75.00	NA	NA	NA	NA	NA	\$1.29/SF	NA
Large	NA	NA	NA	NA	\$98.36	NA	\$125.00	\$125.00	NA	NA	NA	NA	NA	\$1.29/SF	NA
Corporate Hangar															
Small Aircraft	NA	NA	NA	NA	NA	\$533.00	NA	NA	NA	NA	NA	NA	NA	NA	NA
Large Aircraft	NA	NA	NA	\$550-\$650	NA	\$1,026.00	NA	NA	NA	NA	\$1500	\$994-\$1437	\$450 or \$2.00/SF \$450 or \$2.00/SF	NA	NA
Tiedown Fees (month)															
Single Engine Aircraft	\$35.00	NA	NA	NA	\$22.33	\$46.00	\$38.15	\$20.00	NA	NA	NA	NA	NA	\$90.00	NA
Twin Engine Aircraft	\$45.00	NA	NA	\$105.00	NA	\$54.00	\$52.00	\$20.00	NA	NA	NA	\$77.00	NA	\$90.00	NA
Turbine/Jet Aircraft	\$110.00	NA	NA	\$280.00	NA	\$111.00	\$115.65	NA	NA	NA	NA	NA	\$150.00	\$165.00	NA
Transient Landing Fee (per 1,000 lbs MTOW)	\$1.50	None	None	None	None	None	None	None	None	None	None	None	None	\$2.07	None
Transient Parking Fees (day)															
Single Engine Aircraft	\$5.00	NA	NA	\$15.00	NA	\$4.00	\$9.00	\$3.75	NA	NA	\$8.00	\$5.00	NA	\$15.00	NA
Twin Engine Aircraft	\$6.00	NA	NA	\$15.00	NA	\$8.00	\$10.00	\$5.75	NA	NA	\$8.00	\$5.00	NA	\$30.00	NA
Turbine/Jet Aircraft	\$15.00	NA	NA	\$30.00	NA	NA	\$23.00	\$200.00	NA	NA	\$72.00	\$75.00	NA	NA	NA

Source: Data compiled by Wilbur Smith Associates

Note: NA = Service not provided, or fee not available, or does not apply to the airport, or service provided by FBO



by individually contacting the comparable public use airports identified above and collecting any rate data that was available at the time of the interviews. (It was also understood from those interviews that several airports' rates and charges were in flux. In particular, Van Nuys' fuel flowage fee increase has yet to be enacted, while Chandler's rates and charges are still "proposed" and are currently being actively debated within that city.) Market-based rates and fees are considered to be those reflected and substantiated in the competing marketplace, or the amount of rent and fees that an airport can expect to receive from a tenant of the land or facilities.

It is important to note that an "NA" was used in the table above for several reasons, including instances where the airports questioned did not provide answers to all of the survey questions, the airport would not respond to inquiries, all of the questions may not have been applicable to the airport, or if the service/fee in question was established by a business entity outside of the airport administration (e.g. FBOs). The primary reason for an "NA" was that some airports indicated that they did not provide a particular service such as large T-hangars or that there was not a charge for a particular fee category.

Based upon the review of available current rates, Scottsdale Airport's rates are generally considered to be either at or below current market area levels. The following sections provide a closer examination and comparison of the rates and fees associated with each property/facility types at Scottsdale Airport and the other comparable airports. Note that no specific rate adjustments are made within the context of this review. Such adjustment recommendations are more appropriately made within the context of a specific business/financial analysis that would fully weigh considerations such as overall airport financial goals, market conditions, airport administrative roles and goals, and specific airport leasing and standards policies.

#### ***Unimproved Land***

The development of unimproved land through leasing arrangements is typically an important means by which an airport can foster development with little cost to the airport itself. While the rates above primarily reflect single rates for such land leases (although several differentiate between higher and lower value properties), this basic approach can result in various problems in that utilization of a single rate fails to consider such factors as size, proposed use, utility, development costs, investment levels, and a variety of other factors. The most appropriate way to address the leasing of unimproved land parcels is to perform valuations or market rent studies at the time of each negotiation, whether for a new lease or renewal. However, most airports surveyed relied on a single rate for such land parcels.

Scottsdale Airport currently has an established lease rate that is comparable to that of other area airports at \$0.32 per square foot. However, it must be noted that Scottsdale Airport no longer has any undeveloped land available for lease; therefore, analysis of this rate is unnecessary and the Airport could consider eliminating it altogether.

#### ***Fuel Flowage Fee***

Money collected through the sale of aviation fuel is the single most significant contributor to revenue at most airports, including Scottsdale Airport. Part of that revenue is collected as a concession fee for businesses to sell aviation fuel to Airport users, otherwise known as a fuel flowage fee. The current fuel flowage fee rate at Scottsdale Airport is \$.08 per gallon, which is among the lowest in the local market area, as well as the other comparable airports. It should be noted that during conversations with representatives at Van Nuys Airport, it was indicated that the airport had recently conducted a fuel flowage fee assessment that



included a national survey of corporate aviation airports. As a result of that analysis, Van Nuys has proposed to raise its fuel flowage fee to \$0.11 per gallon in 2009; this has yet to be enacted. Locally, Chandler Airport is currently pursuing an increase of its fuel flowage fee from \$0.09 to \$0.10 per gallon, mirroring that of other local competitors such as Falcon Field.

Based on these observations, it is reasonable to conclude that Scottsdale Airport could pursue a slightly higher rate than it currently charges. That being said, any such rate increase must be carefully evaluated within the context of the Airport's specific financial goals and policies, as well as within the current market environment. In essence, any rate adjustment must appropriately fit into the overall financial strategy of the Airport both in terms of balancing revenue streams, and in terms of considering any reduction of fuel flowage that has resulted from current economic and industry conditions. It is important that any adjustment effectively enhance the Airport's ability to meet its financial targets, while not exacerbating the recent decline in flowage revenues due to current economic circumstances.

### *T-Hangars*

Many factors influence the rate that airports charge for T-hangars and other buildings at an airport. The condition, size, location, age and amenities offered in a structure are only a few examples of the on-site variables that drive rental rates. Other factors such as local and regional demand also influence the price of buildings. These points are important to remember and consider when comparing facilities between airports and/or adjusting rates.

Small T-hangars owned by Scottsdale Airport are currently rented at \$150 per month, the lowest in the market area other than that of Phoenix Goodyear (\$144.88). While all other area T-hangar rates exceed that of Scottsdale, including Deer Valley at \$184 per month. Glendale currently has the greatest discrepancy at \$335 per month or 123% greater than SDL, although it has been reported that its hangars have a higher vacancy rate than typically experienced within the Valley.

Note that it has been suggested that Scottsdale's lower rates are in part due to the fact that its T-hangars are dated and lack many of the features seen in newer hangars at other airports, and that this must be considered when assessing these rates. However, it must also be recognized that another private T-hangar development at Scottsdale Airport (the Greenway Hangars) which has hangars of similar quality to that of the Airport itself, currently charges rates of \$435 for a small T-hangar and \$540 for a large T-hangar; they also report no current vacancies in their hangars. Evidenced by the fact that Scottsdale Airport is on the lower end of the range of T-hangar rates within the Valley, and that market conditions still reflect a high demand for T-hangars, as demonstrated by a waiting list of over 100 potential tenants, it is reasonable to conclude that the Airport's hangar rates could be adjusted upward. With respect to these facilities, options for adjusting current rates could include a phased increase (over several years) or tying the leasing rate to other economic indicators, such as the consumer price index (CPI).

### *T-Shades*

T-Shades are very popular in the Phoenix area and reflect extremely high demand characteristics. Current rates at Scottsdale are \$85, among the lowest in the market area, although similar to Deer Valley at \$89.60 per month. The Greenway Hangars at Scottsdale Airport have a current rate of \$215 per month, although they report some vacancies at this rate. Chandler has proposed increasing its rates to \$140 per month or 65% greater than that



of SDL. As with T-hangars, options for adjusting current rates could include a phased increase or tying the leasing rate to other economic indicators, such as CPI.

### ***Tiedowns***

The tiedown fee at Scottsdale Airport ranges from \$35 per month for a single engine aircraft space to \$110 per month for a turbine or jet space. Similar to other fees, Scottsdale's tiedown rates are comparable to other market area airports, albeit slightly lower than the highest rates, but higher than others, such as Deer Valley at \$22.33 per month. Chandler has proposed increasing its rates to \$50, \$65, and \$150 per month for single, twin and jet aircraft parking spaces. As above, options for any adjustment of the current rates could include a phased increase or tying the leasing rate to other economic indicators, such as CPI.

It should also be noted that in terms of demand, tiedowns within the local area are certainly less desirable to aircraft tenants than hangar or shade facilities, given the extreme climactic conditions that are typically experienced at airports within the Valley. Specifically, an aircraft parked in an uncovered tiedown and constantly exposed to the sun will have its overall condition degraded at an increasing rate.

### ***Transient Landing Fees***

Scottsdale Airport currently charges a landing fee for aircraft with a maximum takeoff weight (MTOW) of greater than 12,500 pounds. Specifically, this fee is \$1.50 for each 1,000 pounds of that particular aircraft's certified MTOW; therefore, a transient aircraft with a certified MTOW of 35,000 pounds would be charged \$52.50 to land at the Airport. Scottsdale is only one of two airports in this analysis that has a landing fee (the other being Santa Monica whose rate is \$2.07). It should be noted that most general aviation airports do not charge landing fees due to the difficulty in tracking and collecting those fees, as well as due to the common practice of waving this fee for transient aircraft that purchase fuel. Scottsdale Airport has experienced this difficulty but has resolved to help rectify that issue by having the FBOs collect the landing fee on behalf of the Airport.

### ***Overnight Parking Fees***

Scottsdale Airport currently charges a range of overnight parking fees of \$5, \$6, and \$15 per night for single, twin and jet aircraft. This generally falls in line with other market area airports, although Glendale is proposing fee increases to \$10, \$15, and \$35 per night. Note that there is a significant discrepancy with Glendale with respect to jet/turbine aircraft, which charges \$200 per night. (Note that this type of discrepancy is also seen at the Fort Worth airports.) This is undoubtedly designed to capitalize on the perceived greater financial resources of those corporate aircraft operators.

### **National Comparison**

Though the best way to benchmark airport fees is locally, a national comparison is provided using the *General Aviation Airports Rates and Charges Survey*, published by the American Association of Airport Executives (AAAE). Key statistics were calculated showing average, medium and standard deviation calculations by each general aviation airport. This data was used to evaluate the following items:

- Landing Fees - Out of 88 airports surveyed in the national study, 26 airports collect landing fees. Out of those 26 airports, 10 of them indicated that fees are collected by the Fixed Base Operator on the airport. The methodology used for determining landing fees varies widely and is as different as each airport. The following is a brief list of some of the methodologies applied at the various airports in the survey:



- Only aircraft over 50,000 lbs. = \$150
  - \$0.60 per 1,000 lbs. of max gross take-off weight
  - \$0.08 per 1,000 lbs. for each aircraft
  - \$1.00 per 1,000 lbs. of max landing weight over 12,500 lbs.
  - \$0.35 per 1,000 lbs. max gross landing weight
  - \$1.50 per 1,000 lbs. max gross take-off weight over 12,500 lbs.
  - \$1.00 per 1,000 lbs. max gross landing weight for non based aircraft with empty weights over 30,000
  - \$0.07 per 1,000 lbs. for aircraft over 35,000
- Tie-Down Fees - Out of 88 airports surveyed, 60 reported monthly tie-down fees for single engine aircraft. The average tie-down fee is \$45 with the highest three being \$95, \$125 and \$126. Additionally, 48 airports reported collecting and charging a separate fee for multi-engine aircraft, since they are larger and take up more space. The average fee for multi-engine aircraft was \$52 with the highest three being, \$100, \$126 and \$130.
  - Unimproved Ground Lease (per square foot) - Out of 88 airports surveyed, 38 reported an average figure of \$.24 per square foot for unimproved ground leases. For improved ground lease per square foot, 32 airports reported \$.33 per square foot as an average per month.
  - Monthly T-hangar Rates - Out of 88 airports surveyed, 51 reported monthly hangar fees at an average of \$306 per month. However, the survey did not differentiate if the hangars were large or small. There are numerous factors that determine an airports ability to set hangar fees. At those airports which responded to the AAE survey, fees ranged greatly from \$78 to \$1,200.
  - Community Hangars - Out of 88 airports surveyed, 12 reported rates for monthly community hangar fees. The average fee per month for a community hangar was \$345 per month. Normally, community hangars are not owned or operated by the airport and are designed to accommodate numerous aircraft ranging in size from single engine aircraft up to large jets. The rates in community hangars vary greatly.
  - Fuel Flow - Out of 88 airports surveyed, 29 reported their fuel flowage fee. Out of these 29 airports, they averaged \$.07 per gallon for a fuel flowage fee with the lowest being \$.03 and the highest being \$.20 per gallon.

### *Summary*

As this section shows, most of Scottsdale Airport's rates and charges are consistently on the lower end of the range of the rates typically charged by comparable airports within the area and the region. While this position could be viewed as an effective strategy for the Airport with respect to competing with those other comparable airports, it does not appear to reflect the fact that Scottsdale Airport is one of the premier general aviation airports in the country, and that as such, it is in a position to establish rates and charges at a premium level. It is understood that the Airport is first-and-foremost a city resource that must remain responsive to the needs of its host community, stakeholders and users. However, that must be balanced against the responsibility of operating the Airport to maximize its efficiency and potential economic benefit for the community.



As such, Scottsdale Airport should conduct a comprehensive rates analysis to fully evaluate and compare the differences inherent in the rates and facilities throughout the market area and region. Fees associated with fuel flowage, T-hangar, T-shades, tiedowns, and transient operations appear to have room for upward adjustment, particularly for an airport with limited developable land and a high demand for hangars, access and services like Scottsdale Airport.

## **AIRPORT AND AIRPARK MINIMUM STANDARDS REVIEW**

By definition, Minimum Standards are the "qualifications that may be established by an airport owner/operator as the minimum requirements to be met as a condition for the right to conduct an aeronautical activity on the airport." The purpose of minimum standards is "to provide a fair and reasonable opportunity, without unlawful discrimination, to all applicants to qualify, or otherwise compete, to occupy available airport land and/or improvements and engage in authorized aeronautical activities at an airport." In essence, by establishing minimum entry-level requirements (or thresholds), Minimum Standards level the playing field. If consistently applied and enforced, they permit the airport sponsor to maintain a high level of service to the public while also offering consistent, predictable decision-making criteria to potential tenants. When appropriately associated and coordinated with Rules and Regulation documents, Minimum Standards documents provide clarification to help avoid confusion and misunderstanding about operating on an airport or airpark and associated business activities. These guidelines are critical to operating today's general aviation airport in a professional and business-like manner.

It should be noted that with respect to Scottsdale Airpark, because it is integral to the overall operation of Scottsdale Airport, dedicated Airpark Minimum Standards that are similar and complementary to that of the Airport have been established. Not typically seen at most business airports with associated industrial development areas, these Airpark Minimum Standards essentially extend the operational controls, standards and benefits of the Airport's Minimum Standards document to this critical industrial development area abutting the airport. As such, information included below specifically related to airports should generally be considered to also include any associated airparks.

Generally, Minimum Standards are established for commercial operators on the airport, not for private and corporate tenants. Their primary purpose is to set threshold requirements for aeronautical service providers who want to operate on a particular airport. Ideally, they should consider the individual circumstances of an airport, including its existing and future development, as well as its current and future roles in the aviation system. Once established, Minimum Standards require that aviation businesses seeking to operate on the airport agree to offer a minimum level of service for their type of business as detailed in the Standards to be allowed to do business on the airport. In doing so, Minimum Standards will help the sponsor to ensure that undercapitalized or doubtful operators are not awarded the use of a public facility to operate their businesses.

Where consistently applied, Minimum Standards will help the airport sponsor evaluate businesses wishing to locate on the airport and provide a mechanism to achieve the following:

- Ensure safe, efficient, and quality service at the airport,



- Establish a template for safe airport operations,
- Minimize exposure to claims of discrimination or unfair treatment by providers of aeronautical services and their users,
- Address environmental liability, and
- Assure that prospective tenants are treated equally and without unjust discrimination.

Additionally, the Minimum Standards document is the appropriate location for an airport to address a wide variety of airport-related operations. For example, a Specialized Aeronautical Service Operator (SASO) is any individual aviation-related activity that can generate revenue for the business and the airport operator, and as such, is a critical contributor to a general aviation airport. This type of operator should be specifically addressed within a Minimum Standards document to protect both the airport and the operator from noncompliance with the standards. A Minimum Standards document should also include a formal application process as a way to negotiate with an interested party. Additionally, the Minimum Standards document is the appropriate place to include requirements for a general airport business permit or independent flight instructor permit. These items can serve as a deterrent to illegal business and help the airport to keep track of individual providers. Some airports also charge a minimal annual fee to help update the airport's provider information annually. If the airport decides to implement any type of permit, a blank form should be included and attached as part of the Minimum Standards.

To establish a baseline of what a Minimum Standards document could include, the following outline has been provided to reflect the current level of Best Management Practices for this type of document. (Note that not every Minimum Standards document needs to include all of these elements; only those that are deemed appropriate for the particular needs of a specific airport need be included.)

1. Introduction – often includes definitions and general administrative, policy, application, waiver, and contractual requirements.
2. General Requirements – typically includes general airport information regarding experience/ capabilities; agreement or permit approvals; payment of rents, fees, and charges; leased premises; facility maintenance; products, services, and facilities; non-discrimination; licenses, permits, certifications, and ratings; personnel; aircraft, equipment, and vehicles; hours of activity; security; insurance; indemnification and hold harmless; taxes; and multiple activities.
3. Fixed Base Operator (FBO) – typically includes FBO-specific information regarding definitions; scope of activity; leased premises; fuel storage; fuel reporting; fueling equipment; ground service equipment (GSE); licenses and certifications; employees; hours of activities; aircraft removal; and insurance.
4. Specialized Aeronautical Service Operator (SASO) - typically includes SASO-specific information regarding definition; leased premises; licenses and certifications; employees; equipment; and insurance. (Note that SASOs include the following aviation operations: aircraft maintenance operators, avionics or instrument operator, aircraft rental or flight training operator, aircraft sales operator, aircraft storage operator, other commercial aeronautical activities, and temporary specialized aviation service operators.)



5. General Aviation Permit – typically includes application, approval process, and permit definition (including validity/duration, assignment or transferability, temporary or special use, and fees).
6. Non-Commercial Aviation Activities – typically includes definition, leased premises, employees, equipment, and insurance for non-commercial hangars, non-commercial self-fueling, and non-commercial (private) flying clubs.

Scottsdale Airport has a current Minimum Standards document titled *Airport Minimum Operating Standards*, most recently updated in January 2008. This document conforms to the requirements of the most recent FAA Advisory Circular 150/5190-7, *Minimum Standards for Commercial Aeronautical Activities*, dated August 28, 2006. Some of the basic elements found in the Scottsdale Airport Minimum Standards document include the following:

1. Application Process – a detailed outline of requirements for businesses that wish to engage in revenue generating business at the airport.
2. Insurance Requirements – requirements for liability and worker’s compensation insurance consistent with city guidelines
3. General Operational Requirements – requires adherence to all airport rules and regulations and sets guidelines for general responsibilities of airport businesses
4. Fixed Base Operators – establishes general facility, operational and service requirements for FBO businesses located at the airport.
5. General Aviation Specialty Services – sets general requirements for SASO businesses and the services offered at the airport. Areas of business covered within these standards include hangar leasing, aircraft sales and leasing, specialty aircraft maintenance, flight training, aircraft management and charter brokering services, on-airport rental car operations, off-airport catering, and other aircraft support services.
6. Administrative and Contractual Elements – requirements associated with application of the standards, waivers, contractual provisions, activities not covered, etc.

As stated above, the associated Scottsdale Airpark has its own Minimum Standards document for aeronautical activities that are located within the Airpark, but off-airport. Titled *Airpark Minimum Operating Standards* which was most recently updated in January 2008, this document is very similar and complementary to that of the Airport document, with some noted exceptions. The most significant difference lies within the fact that only “limited” commercial aeronautical activities are permitted within the Airpark. Specifically, no Fixed Base Operators are permitted to operate within the Airpark, and aircraft maintenance, repair, rental, leasing, and flight training services are limited only to that of helicopters (although some specialized flight training with other aircraft is permitted).

Upon review of Scottsdale Airport’s and Airpark’s Minimum Standards documents, it has been determined that the Airport’s current standards are consistent with the best management practices established within the industry as well as with those standards established at other comparable airports. The Airpark’s Minimum Standards are integrated, appropriate and complementary to those of the Airport, as well. In fact, the Scottsdale Airport and Airpark Minimum Standards appears to exceed the industry standards established by



other airports in terms of being current and appropriate to the individualized needs of the airport. (However, it is important to note that Scottsdale's minimum standards do vary from other airports based on the type of businesses on the airport and the services they provide.) It is also worth recognizing that one of the potential areas of concern with respect to minimum standards at airports like Scottsdale that have an abutting airpark/industrial park, is that off-airport activities should ideally reflect on-airport activities. Scottsdale Airport and Airpark are one of the few entities to address this issue by having two consistent documents for both on-airport and off-airport activities.

As such, the primary recommendation for the Scottsdale Airport and Airpark Minimum Standards document is that they should be reviewed regularly and, if necessary, revised in order to maintain standards that are meaningful and apply to current airport operational circumstances. Note that any changes to these documents should be conducted with full participation of the Airport's and Airpark's tenants and users. Revisions should also include opportunities for public comment, a thorough review process, and a review by airport legal council.

## **AIRPORT AND AIRPARK RULES AND REGULATIONS REVIEW**

Similar to that of the Minimum Standards documents, there are current Rules and Regulations documents for both the Scottsdale Airport and the Scottsdale Airpark. It is important to note that within the scope of aeronautical operations permitted within each entity, the Rules and Regulations document are consistent with each other, although the Airport document is far more extensive due to the Airpark's limited permitted commercial aeronautic activities. (For the purposes of the following discussion, the use of "airport" should generally be considered to be consistent with "airpark" unless otherwise stipulated.)

A Rules and Regulations document is generally established to facilitate the safe, orderly, and efficient use of an airport for the benefit of its users and investors. Its primary purpose is to ensure that airport tenants and customers operate in a safe and orderly fashion in order to protect the public health, safety, interest, and welfare on the airport, as well as to restrict (or prevent) any activity which would interfere with the safe and orderly use of the airport. The document should be applicable and enforced at all times and is designed to focus on all persons or entities that use the airport for any purpose, including lessees (operators and tenants), sub-lessees, consumers and users.

As an individual document, a Rules and Regulations document should establish the necessary administrative, operational and safety rules and regulations for the management of an airport, and should emphasize those areas (i.e. operations or activities) that are unique to that particular airport. It should also complement, but not duplicate, other general aviation guiding documents (i.e. minimum standards) or other applicable regulatory measures. The document itself should be geared to the everyday user, such as an aircraft owner or those performing airport maintenance, and should be easy to read and reference. Additionally, since this document should be readily available, many airports have provided links to their documents on their website and/or have printed this particular document in a booklet form with a hard cover for easy storage in a pilot's flight bag.

While a Rules and Regulations document should be developed to meet the unique circumstances of an individual airport, there are several areas of focus that should be



included in the document. The general areas of focus include, but are not limited to, the following:

- Airport Management and associated roles (including authority, responsibilities and accountability);
- Description of standard airport operations (including primary contact information and periods of operation; standards of tenant and operator behavior; insurance and liability requirements and waivers; and security and access standards and responsibilities);
- Description of aircraft operational areas and standard procedures (including traffic patterns, details of the surrounding terrain, weight limitations, noise abatement, etc.);
- Description of ground vehicular operational areas and standard procedures (including vehicular requirements);
- Description of other specific standard airport operations (including fueling, forest fire fighting operations, emergency medical operations, vertical operations, through-the-fence operations, and recreational use);
- Airport Security Plan
- Description of airport maintenance programs (including mowing, snow removal, pavement maintenance, etc.).

At a minimum, the Rules and Regulations document should give a clear description of airport areas to which the general public is not allowed free access for reasons of safety and interference with airport operations, and distinguish those areas to which the public has unrestricted rights and access (i.e. airport roads, public-parking areas, public terminals, etc.). Specifically, a standard approach to a Rules and Regulations document could include the following sections and supporting information (note that this is a comprehensive listing and it should not be inferred that all documents have each of these elements):

1. Introduction – often includes definitions and general administrative and policy requirements.
2. General Rules and Regulations – typically includes access to, entry upon, or use of airport security; restricted areas; airport identification badges; security; commercial activities; accidents; solicitation, picketing and demonstrations; signage and advertisements; general conduct; operator, lessee and sub-lessee facilities; abandoned, derelict, or lost property; use of roadways and walkways; animals; weapons and explosives; alcoholic beverages; use of public areas; trash receptacles; sound amplifying devices; fire; hazardous materials; environmental (hazardous materials) clean up; painting; emergency conditions; and special events.
3. Aircraft Rules and Regulations – typically includes regulatory measures; disabled and non-airworthy aircraft; based aircraft registration; hours of operation; aircraft accidents; prohibiting use of airport; aircraft maintenance; aircraft cleaning; aircraft deicing; aircraft engine operation; aircraft equipment; aircraft parking and storage; aircraft security; aircraft operations; aircraft towing operations; aircraft taxiing operations; landing and takeoff operations; flight training and instruction; rotorcraft operations; traffic patterns; noise abatement procedures; restricted activities; and fees and charges.



4. Vehicle Rules and Regulations – typically includes regulatory measures; operator licensing; vehicle permitting; vehicle licensing and equipment; vehicle operations; air operations areas; movement areas; accidents; commercial ground transportation; vehicle cleaning and maintenance; parking or stopping; disabled, abandoned, or illegally parked vehicles; and fees and charges.
5. Lessee Rules and Regulations – typically includes employee background checks; security; construction or alteration of improvements; maintenance of premises; fire prevention; heating equipment; aircraft hangars; aircraft shades; aircraft tiedowns; right of entry; and storage of materials and equipment (i.e. compressed gases, lubricating oils, etc.)
6. Refueling, Defueling and Fuel Storage Rules and Regulations – typically includes regulatory measures; agreements or permits; training requirements; refueling, defueling and fuel storage operations; storage of refueling vehicles; maintenance of refueling vehicles and equipment; and fuel storage facilities.

Scottsdale Airport has a current *Airport Rules and Regulations* document dated April 22, 2006, which was established prior to the most recent FAA Advisory Circular 150/5190-6, *Exclusive Rights at Federally Obligated Airports*, dated January 4, 2007. Additionally, as noted above, the associated Scottsdale Airpark also has its *Airpark Rules and Regulations* document dated January 12, 2005 for its limited commercial aeronautic activities that are located within the Airpark, but off-airport. These Airpark Rules and Regulations are generally consistent with the Airport Rules and Regulations, albeit less extensive due to the limited nature of its aeronautical activities. The basic elements found in the Scottsdale Airport Rules and Regulations document include the following:

1. Definitions
2. General Use of Airport
3. Aircraft Rules
4. Vehicle, Pedestrians, etc.
5. Fueling, Flammable Fluids and Safety

Upon review of the Scottsdale Airport and Airpark Rules and Regulations documents, it has been determined that the Airport's and Airpark's current Rules and Regulations are consistent with the best management practices established within the industry as well as with those standards established at other comparable airports. The only area for potential review could be in that the current documents are now three and four years old, respectively, and that the FAA has issued an updated advisory circular (with minor changes) since these documents were last updated by the Airport and the Airpark. As such, the primary recommendation for the Scottsdale Airport and Airpark Rules and Regulations document is that they should be reviewed regularly and, if necessary, revised in order to maintain rules and regulations that are appropriate to current airport operational circumstances and in compliance with FAA criteria. Note that any changes to these documents should be conducted with full participation of the Airport's and Airpark's tenants and users. Revisions should also include opportunities for public comment, a thorough review process, and a review by airport legal council.



## AIRPORT LEASE AND PERMIT REVIEW

### Scottsdale Airport Leases Review

For general aviation airports such as Scottsdale Airport, one of the more challenging jobs is the management of leases and leased property. Generally, the Airport owns a limited amount of land and should seek to maximize the economic benefit and revenue potential of those properties. Over 34 percent of all of the Airport's income is generated from hangar, tie-down and ground leases, with another 20 percent generated through airport access (from the Airpark) and concessions. As such, it is important to have leases or rental agreements that will help protect the Airport from exposure to liability as well as provide for an increasing source of income.

In addition to the leases, as described above, Scottsdale Airport has Minimum Standards and Rules and Regulations documents to provide an additional level of control for the Airport as well as maintains convenience and safety for Airport customers. The combination of these two documents provides clarification to avoid confusion and misunderstanding about operating on the Airport and business activities. These guidelines are important to operating today's general aviation airport in a professional and business like manner. Note that when the Airport develops a new lease it should support the items contained in these documents. For hangar and tie-down leases, the airport should attach these documents as a separate exhibit to the lease.

This section includes many Best Management Practices in relation to the structuring and development of leasing arrangements at airports. Note that the information detailed below includes only some of the areas that should be covered in the development of lease agreements. However, since the particular requirements of states, local governments and airport sponsors can vary dramatically, the finalization of any leasing agreements must be coordinated with the sponsor's attorney or an attorney who specializes in the area of landlord-tenant law.

Generally, the FAA requires that airports establish fair and reasonable fees without unjustly discriminating against a specific aeronautical user. This same policy states that airports should maintain a fee and rental structure that makes the airport as financially self-sustaining as possible. Airports are expected to establish rents and airport user fees that generate enough revenue to meet airport funding requirements without discriminating against airport users, subsidizing tenants or diverting revenue off-airport.

To provide an overview on airport leases, following are some best management practices as related to the primary standard leasing agreements.

#### *Land Lease*

The most common lease at general aviation airports is that of the land or ground lease. For this lease, the airport sponsor makes undeveloped sites available for the development of aviation businesses and private hangars on airport property. As such, this lease is often utilized by an airport sponsor as a means to generate development of facilities on the airport that the sponsor may not otherwise have the ability to fund or complete. Typically, airport sponsors faces many competing demands on their funding and bonding capabilities, and in some states there is a constitutional or other prohibition against using the credit of the public sector to aid the private sector. Without leveraging public/private partnerships, most airports would be comprised of just the basic airfield infrastructure. Note that development on any



airport properties (such as facilities and infrastructure) through a ground lease are typically subject to reversion to the airport after a specific period (often 25 to 50 years).

As is the current practice, land leases should be negotiated individually; however, they still should follow the basic format of the facility lease (described below) and include all of the same references to the Airport Minimum Standards and Airport Rules and Regulations documents. The land lease price per square foot should vary by location and possibly by the length of the term. The land lease may also be tied to a business permit or a Fixed Base Operator (FBO) lease. Some conditions that are typical of land leases include the following:

- Requires significant tenant capital investment - tenant must develop a proposed improvement on site within specified timeframe;
- Lease specifies type of improvement (i.e. T-hangars or hangar for aeronautical services);
- Generally is a long-term lease (25 to 50 years to allow tenants to amortize their investments and make a reasonable profit);
- Often includes provisions for lease extension options up to a specified number of years;
- Often includes provision for improvement to revert to the airport at the end of the lease plus all extensions;
- Generally requires tenant to maintain safe building, minimum level of aesthetics and cleanliness; and
- Subleasing allowed only under certain, limited conditions.

### *Facility Lease*

A facility lease is required for any facility or structure being leased on the airport, such as private hangars, T-hangars, and other structures. Facility leases should include all of the same references to the Airport Minimum Standards and Airport Rules and Regulations documents. Factors that affect facility lease rates include amenities, location, condition, type of use, and length of lease. Additionally, this type of lease should also be flexible enough to accommodate both aviation and non-aviation operations. For example, a standard hangar facility lease agreement should be able to accommodate a full range of hangars (i.e. small to large T-hangars and conventional hangars). The only part of that lease that should normally vary between each type of hangar would be the rental price, which itself can fluctuate based on size, amenities, location, access, condition or type of door operating mechanism for each type of hangar. It is important to note that it is not uncommon for an airport to have different leasing rates for similar sized hangars due to amenities, terms of lease, etc. Additionally, this type of lease needs to specify that hangars are for aircraft storage purposes only and should prevent a tenant from using the property for conducting a non-aviation related business or storing other non-aviation related items. Hangars that are leased for any type of business purposes should be covered under an FBO or SASO lease, described below.

Some conditions that are typical of private facility leases include the following:

- Requires no or minimal capital investment;
- Year-to-year lease (or shorter timeframe) with automatic renewal unless notice is given;
- Subleasing prohibited; and
- Generally requires tenant to carry out basic maintenance and up-keep.

It is often possible to combine both hangar and tiedown agreements into one agreement, simplifying the leasing process. While there may be some areas of the lease that will not



apply to a tiedown tenant that does apply to a hangar tenant, the lessor could strike through these areas or clauses or simply write over them “Not Applicable to this Agreement.”

### ***Tiedown Parking Lease***

A tiedown lease at an airport should be able to accommodate parking for both small and large aircraft. The only part of this lease that will fluctuate is the rental price of the tiedown space, and that price may vary based on location or proximity to other services on the airport. This type of lease needs to be for the sole purpose of aircraft storage and should be designed to prevent a tenant from using a tiedown for an unauthorized business. It should also require compliance with the aforementioned Airport Minimum Standards and Airport Rules and Regulations documents. Note that it is important that any tenant who leases space should be obligated under a formal lease.

Some conditions that are typical of private tie-down leases include the following:

- Requires little or no capital investment;
- Month-to-month lease with automatic renewal unless notice is given;
- Subleasing prohibited; and
- Generally requires tenant to carry out basic maintenance and up-keep.

### ***FBO/SASO Lease***

Fixed Base Operator (FBO) and Specialized Aeronautical Service Operator (SASO) leases encompass commercial aeronautical applications and businesses located at an airport. FBO leases are typically unique to the local conditions and therefore must be negotiated individually. However, these lease types should still follow the basic format of the facility lease and include all of the same references to the Airport Minimum Standards and Airport Rules and Regulations documents. From a practical standpoint, an “FBO” is defined within the context of the market place, but generally, it is defined as an airport-based service provider that operates under a lease, use, or operating agreement with the airport with the specific purpose of providing aircraft fueling services and engages in one or more aviation-related service areas. Some examples of service areas might include but are not limited to aircraft storage, ground handling, maintenance and repair, flight instruction, aircraft rental, and aircraft sales.

While an FBO normally provides fueling services and engages in one or more aviation-related services, a SASO provides specialized products and services in only one of the aviation-related service areas such as flight training or maintenance, exclusive of selling fuel. SASOs may operate under a lease of their own or as sub-tenants of an FBO. The majority of general aviation airports require an FBO to provide a variety of services that are typically identified in advance by the airport. In return for providing this full package of services, the FBO receives the ability to sell fuel, which is often an FBO’s primary source of income. As stated above, SASOs are generally not permitted to sell only fuel.

Some conditions that are typical of commercial SASO leases include the following:

- May require minimal-to-moderate capital investment;
- Generally lease period 3-5 years, with options for renewal;
- Renewal options may be limited;
- Generally requires tenant to maintain safe building (minimum level of aesthetics and cleanliness); and
- Subleasing allowed under certain conditions.



Upon review of Scottsdale Airport's standard leases, it has been determined that the Airport's current leases and terms are reasonably consistent with the best management practices established within the industry as well as with those standards established at other comparable airports. With that said, it must be noted that the standard practice of putting a property up to "bid" at the time that a lease expires without options for lease extensions, regardless of tenant improvements or performance standards is not typical of most airports in the country. Whether it be due to financing requirements for the construction of a facility/hangar, or simply managing the financial projections and assets of a business, the practice of putting basic leases up to bid would appear to present a very significant challenge to any airport-based business or tenant. While this practice likely results in the Airport realizing maximized revenues and reflects FAA requirements for fair leasing practices, it also reflects significant risk for the bidding business in that its bid must reflect its own assessment of the value of that lease over its term, particularly when considering its facility costs and any of its potential improvements. More typical of airports not in the enviable position of Scottsdale in terms of levels for demand for land, aviation-related businesses are helped by airports by establishing longer-term leases with options for renewal to provide those businesses with a greater degree of certainty for their long-term leasing and facility costs. While this is not necessarily recommended for Scottsdale Airport, it is a consideration that should be regularly revisited.

Additionally, the Airport has identified several additional concerns with respect to the current leasing structure through its experience of administering and managing these leases. These specifically include the following (among others):

- Short-term vs. Long-term leasing policies
- Assuring businesses of stable and predictable leasing practices.
- Options to extend lease terms
- Options to extend lease terms based on Tenant Improvements (TI)
- Options to extend lease terms based on performance
- Unenforceable leasing terms (tied to minimum standards)
- Weighing lease term fees against the administrative effort required to track and collect those fees
- Establishing appropriate leases and fee structure that reflects the long-term policy of the Airport
- Establishing "highest and best use" of leased properties as those leases expire to ensure that their use reflects the long-term policy of the Airport

As such, the primary recommendation with respect to Scottsdale Airport leases and terms is that they should be reviewed regularly (reviews most often typically occur at the time of a lease ending or starting) and, if necessary, revised so as to ensure that they are consistent with current airport operational circumstances and goals. Revisions should include a thorough review process, including by that of airport legal council.

However, beyond that, based on feedback received from the Airport, it would be recommended that the Airport undertake a planning effort to conduct a complete leasing and rate policy assessment in order to accomplish the following:

1. Establish the long-term goals of the Airport's financial structure (i.e. ensure self-sufficiency, promote corporate aviation activity to facilitate local economic impact, etc.)
2. Establish formal leasing policies to support those long-term goals



3. Update leasing agreements (and associated minimum standards) to reflect those policies and goals
4. Explore opportunities for application of both standard and non-traditional methodologies to ensure optimum performance of the lease for both the Airport and the lessee
5. Ensure that the results of the leasing policy are reflected throughout the Airport's integrated business documentation (i.e. rates and charges, minimum standards, permits, rules and regulations, etc.)

### **Scottsdale Airport Permits Reviews**

In addition to leasing agreements, Scottsdale Airport requires any commercial activity located on the Airport have a valid permit issued by the City of Scottsdale. Specifically, Chapter Five - Aviation of the Scottsdale Revised Code states the following:

*No commercial aeronautical activity shall be conducted by any person at the airport or in the airpark without said person being in possession of a valid aeronautical business permit. Each person holding an aeronautical business permit must hold a valid and current business or privilege tax license issued by the city if such license is required by the city. Issuance of an aeronautical business permit does not entitle the holder to possess, occupy or exclusively use any portion of the airport or city-owned property within the airpark, grant any exclusive right to conduct any business or activity, or authorize any conduct prohibited by zoning laws or any other applicable law.*

As such, the City of Scottsdale has established a series of airport and airpark permits for a variety of aeronautical operations, as well as the fees associated with those permits. It should be noted that fees are identified in several locations, including the Airport Minimum Standards document, the Airport's Rates and Fees Schedule, and within the individual leasing agreements. Following is a listing of the Airport/Airpark permits, their intended purposes and their current associated fees.

- Aeronautical Business Permit (Airport) - This permit is required by all persons desiring to conduct any commercial aeronautical activity at Scottsdale Airport, including fixed base operators, aircraft charter services, aircraft leasing/rental services, aircraft maintenance/ repair services, aircraft management, aircraft sales services, aircraft washing services, hangar/shade leasing services, flight training services, on-airport rental car concession, and all other specialty aircraft services. Fees associated with this permit are defined within the Airport Minimum Standards, and include the following:
  - Fixed Base Operator – the following monthly aeronautical business permit fees:
    - An airport/airpark fuel flowage fee, as identified in the airport/airpark rates and fees schedule, for fuel dispensed
    - An additional \$0.01 per gallon fuel flowage fee above what is identified in the airport/airpark rates and fees schedule, for fuel dispensed
    - At the conclusion of each fiscal year, FBOs shall reconcile their records and pay the difference between the fees payable for services performed pursuant to Article 7 of the Airport Minimum Operating Standards that exceeds to the amount of fuel flowage fees paid pursuant to section 6-7(a)(2) during the preceding fiscal year



- Seventy-Five percent of the gross overnight tiedown fees unless the fixed base operator's apron is considered part of its leasehold
    - Seventy-Five percent of the gross commercial landing fees.
  - Hangar/shade leasing services - a monthly aeronautical business permit fee of 2.5 percent of gross base hangar rent received for aircraft storage (with such rent at least being equal to current market rate)
  - Aircraft Sales - an annual permit fee of \$300.
  - Aircraft Maintenance and Specialized Aircraft Repair - the greater of \$25 per month or a monthly aeronautical business permit fee of two and 2.5 percent of gross income from the operator's sales of all services, and 1.5 percent of gross income for the operator's sales of parts and accessories.
  - Aircraft Rental - the greater of \$25 per month or a monthly aeronautical business permit fee of 1.0 percent of gross income from the operator's leasing and rental income.
  - Flight Training - the greater of \$25 per month or a monthly aeronautical business permit fee of 2.5 percent of gross income from the operator's sales of all services including, but not limited to, flight instruction, ground school, testing examinations, sales of books and materials.
  - Aircraft Charter and Aircraft Management Services - a monthly aeronautical business permit fee of one or more of the following:
    - a monthly permit fee of \$100 for the operation of one or more piston-engine aircraft less than 12,500 pounds certified MTOW
    - a monthly permit fee of \$150 for the operation of each turbine/jet aircraft less than 12,500 pounds certified MTOW
    - a monthly permit fee of \$250 for the operation of each aircraft weighing 12,500-29,999 pounds certificated MTOW
    - a monthly permit fee of \$350 for the operation of each aircraft greater than 30,000 pounds certificated MTOW
  - Specialized Commercial Flying Services, Aircraft Washing - the greater of \$25 per month or a monthly aeronautical business permit fee of 2.5 percent of gross income from the operator's sales of all services.
  - On-Airport Rental Car Concession Services - a monthly aeronautical business permit fee of 8.0 percent of gross income from the operator's sales of all services for automobiles rented on Scottsdale Airport.
  - Off-Airport Catering Services - Pay an annual permit fee of \$300. In addition, at a minimum, an operator located off airport shall pay a monthly aeronautical business permit fee of 7.0 percent of gross income from the operator's sales of all services at Scottsdale Airport.
  - Charter Brokerage Services - a monthly aeronautical business permit fee of \$1.00/1,000 lbs certificated MTOW of all aircraft arriving or departing Scottsdale Airport in conjunction with this service.
- Aeronautical Business Permit (Airpark) - This permit is required by all persons desiring to conduct limited commercial aeronautical activity at Scottsdale Airpark, including aircraft charter services, helicopter leasing/rental services, helicopter maintenance/ repair services, aircraft management, hangar/shade leasing services, helicopter flight training services, as well as other specialty aircraft services. Fees associated with this permit are defined within the Airpark Minimum Standards, and include the following:



- Hangar/shade leasing services - a monthly aeronautical business permit fee of 5.0 percent of gross base hangar rent received for aircraft storage (with such rent at least being equal to current market rate)
  - Aircraft Sales - an annual permit fee of \$300
  - Aircraft Charter and Aircraft Management Services - a monthly aeronautical business permit fee of one or more of the following:
    - a monthly permit fee of \$100 for the operation of one or more piston-engine aircraft less than 12,500 pounds certified MTOW
    - a monthly permit fee of \$150 for the operation of each turbine/jet aircraft less than 12,500 pounds certified MTOW
    - a monthly permit fee of \$250 for the operation of each aircraft weighing 12,500-29,999 pounds certificated MTOW
    - a monthly permit fee of \$350 for the operation of each aircraft greater than 30,000 pounds certificated MTOW
  - Charter Brokerage Services - a monthly aeronautical business permit fee of \$1.00/1,000 lbs certificated MTOW of all aircraft arriving or departing Scottsdale Airport in conjunction with this service.
  - Helicopter Maintenance/Repair, Flight Training, Leasing/Rental Services - an annual permit fee of \$300
  - Specialized Flight Training - the greater of a monthly aeronautical business permit fee of \$25 dollars per month or 2.5 percent of gross income from the operator's sales of specialized flight training services utilizing aircraft.
- Aircraft Storage Agreement - This agreement is required to store aircraft at Scottsdale Airport in a location not provided directly from the City. (Examples of these locations are Greenway Hangars/Shades, Corporate Jets apron, Corporate Jets Aviation Center apron/hangar, Executive Aircraft Services apron/hangar.) Associated fees are incorporated into Aeronautical Business Permit fees or lease terms.
  - Aircraft Storage Permit - This permit is required to store an aircraft in a tiedown, t-shade or hangar that is provided by the City. (Examples of these locations are Delta/Terminal/Kilo tiedowns, City T-shades or City Hangars.) Associated fees are incorporated into Aeronautical Business Permit fees or lease terms.
  - Airpark Access Permit - This permit is required to conduct Airport/Airpark access through one of the six aircraft gates. As defined within the Scottsdale Airport/Airpark Rates and Fees Schedule, access permit fees include the following:
    - Single Engine Aircraft - \$17.50 plus fuel flowage fee (per month)
    - Twin Engine Aircraft - \$22.50 plus fuel flowage fee (per month)
    - Turbine/Jet Aircraft - \$55 plus fuel flowage fee (per month)
  - Airport/Airpark Fuel Facility Permit - This permit is required to operate a fuel storage facility for self-fueling of based aircraft on the airport or in the airpark. Associated fees are incorporated into Aeronautical Business Permit fees or lease terms.
  - Airport/Airpark Self Fueling Permit - This permit is required to conduct self-fueling of based aircraft on the airport or in the airpark. Associated fees are incorporated into airpark access permit.



- Airport Driver/Vehicle Permit - This permit is required to drive on the airport or park a vehicle on the Airport for any purpose. Associated fees are incorporated into Aeronautical Business Permit fees or lease terms.
- Temporary Activity Permit - This permit is required to conduct commercial photography on the Airport, construction activity on the airport or in the airpark taxilane safety easements, or to conduct any special events on the Airport.
- Aircraft Maintenance Permit - This permit is required for conducting major alterations and repairs at the based aircraft hangar location. Associated fees are incorporated into Aeronautical Business Permit fees or lease terms.

Upon review of Scottsdale Airport's Permits, it has been determined that the Airport's current permits and associated fees are consistent with the best management practices established within the industry as well as with those standards established at other comparable airports. Frankly stated, Scottsdale Airport and the associated airpark have a significantly more developed airport/airpark permit system than has been seen at any other general aviation airport. As such, the primary recommendation with respect to Scottsdale Airport permits is that they should be reviewed regularly and, if necessary, revised so as to ensure that they are consistent with current airport operational circumstances and goals. Revisions should include a thorough review process, including by that of airport legal council.

However, it should also be noted that while Scottsdale Airport and Airpark have fully developed fee structures that are generally consistent with industry standards, they also largely exceed that which is normally seen in the industry in terms of their number and variety. Since most airports are not in the position of Scottsdale Airport in terms of demand and activity levels, typical airport revenues are primarily generated through ground/facility leases, fuel flowage fees, and parking. Because of its position, Scottsdale Airport has been able to significantly expand those revenue streams, increasing its overall revenue levels. The potential downside to this developed fee structure lies in the tracking and collecting of these various fees, which themselves are based on a variety of operational conditions. This can become very challenging and time consuming for the Airport Administration, particularly when considering the overall number of businesses and tenants on the Airport or in the Airpark that need to be monitored.

## SUMMARY

This appendix of the Scottsdale Airport Strategic Business Plan provided a high-level review of various facets of the business operating conditions at the Airport and limited elements of the associated Airpark. This was done to help ensure that the Airport remain competitive for potential tenants while maintaining the ability to generate sufficient short-term and long-term revenues. Specifically, this appendix provided reviews of Rates and Charges, Airport and Airpark Minimum Standards, Airport and Airpark Rules and Regulations, and Airport Leases and Permits.

The results of this review indicate that Scottsdale Airport and Airpark have consistently maintained excellent, integrated and compliant management guiding documents (e.g. minimum standards, rules and regulations, and leases/permits) that exceed those typically seen within the general aviation airport industry, although opportunities for improvements could exist in leasing renewal options and in the overall fee structures. The Airport should



continue to be diligent in maintaining those documents to ensure that they not only meet local, state, and federal standards, but that they are designed to help Scottsdale Airport and the City of Scottsdale reach their long-term goals. The Airport should consider conducting an assessment of its overall financial goals that would ultimately be reflected in its leasing policies, minimum standard, rules and regulations, and rates and charges. This assessment could also provide specific insight into “highest and best use” development options for currently leased properties.

With respect to rates and charges, Scottsdale Airport generally is consistently on the lower end of the range of the rates typically charged by comparable airport within the area and the region. These rate levels do not appear to reflect the fact that Scottsdale Airport is one of the premier general aviation airports in the country, and that as such, it is in a position to establish rates and charges at a premium level. Note that it is understood that the Airport is primarily a city resource designed to be responsive to the needs of its host community, stakeholders and users. However, that fact should also be weighed against operating the Airport to maximize its efficiency and potential economic and financial benefit for that community. As such, Scottsdale Airport should conduct a comprehensive rates analysis to fully evaluate and compare the differences inherent in the rates and facilities throughout the market area and region in order to explore options for potential upward adjustments.

One potential benefit of a rates and charges review could be in the net reduction of the number of existing fees at the Airport or within the Airpark. While most airports would seek to institute extensive fee structures similar to that of Scottsdale to enhance their overall revenue levels by developing a variety of revenue streams, current activity and revenue levels at Scottsdale appear to be such that significantly enhancing the Airport’s overall revenue levels are not critical at this time. Therefore, the airport could reasonably consider opportunities for consolidating or eliminating fees (and the challenges with managing them) while compensating for their revenue loss through upward adjustments in its rates and charges to appropriate market levels.