

WSCAA



RUNNING YOUR COMMUNITY AIRPORT SERIES

BUSINESS – RULES & REGULATIONS, MIN STANDARDS, RATES & CHARGES, LEASES, TTF, INSURANCE

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AGENDA

AIRPORT BUSINESS SERIES

- Rules & Regulations
- Minimum Standards
- Rates & Charges
- Developing a Lease Agreement
- Through-the-Fence (TTF)
- Insurance

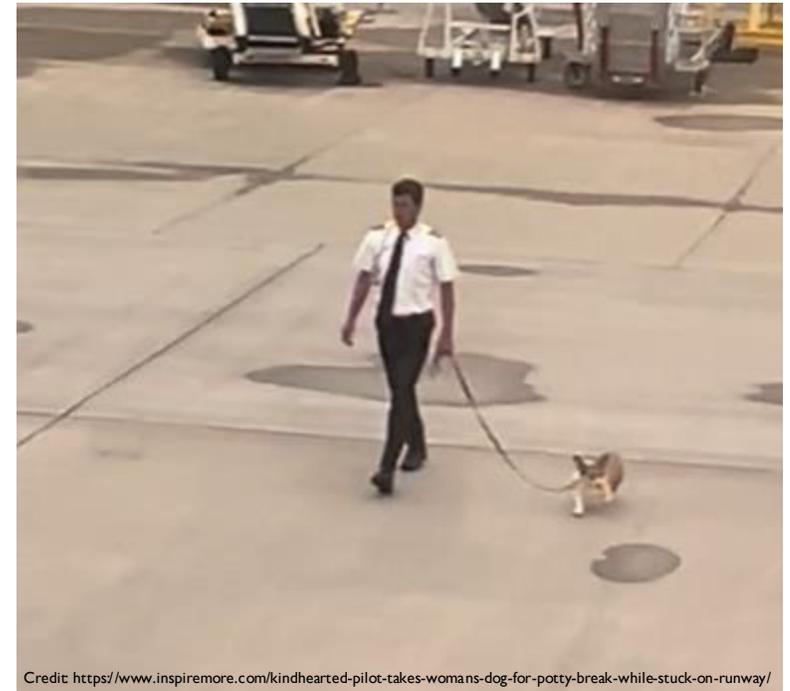


ESTABLISHING RULES & REGULATIONS

Rules and regulations set the standards for airport user conduct. These may be in the form of local ordinances, or a stand-alone document developed by the airport.

There are many good airport examples that you could use as a template for your airport. Items to consider include:

- Vehicle and pedestrian rules
- Air traffic patterns
- Airport Security & Restricted Access
- Sanitation/Waste
- Fire Protection
- Fueling of Aircraft
- Storage of Hazardous Materials
- Hangar Use
- Through-the-Fence (TTF)



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WHAT ARE MINIMUM STANDARDS

- Minimum Standards for Commercial Aeronautical Activities (“minimum standards”) are a set of requirements that commercial operators must meet or exceed in order to conduct business at an airport.
- Establishing the facility, operational, and functional standards for the provision of services at an airport can help prevent economic discrimination and the granting of an exclusive right to conduct aeronautical activities at the airport, both of which are violations of federal and state grant obligations.
- Airport owners should note that “non-compete” and “right of first refusal” clauses often grant exclusive rights and must not be included in lease agreements.



WHY ESTABLISH MINIMUM STANDARDS

- Maintaining a cohesive airport aesthetic and orderly development
 - Hangar/building design
 - Maintenance, landscaping, upkeep
 - Storage of equipment/materials outside of hangars/buildings
 - Ensures orderly development of airport land
- Ensures FBOs and SASOs are providing the minimum level of service required by the airport to maintain their operating agreement/lease.
- Protects from unlicensed and unauthorized services being performed at the airport.
- Helps to ensure consistency with FAA Airport Sponsor and WSDOT Aviation Airport Aid Program Grant Assurances (WAC 468-250).



TYPES OF RATES & CHARGES

- Aeronautical Ground Lease Rates
- Non-aeronautical Ground Lease Rates
- Hangar Rentals
- Fuel Flowage Fees
- Landing Fees
- Tiedown Fees
- Agricultural Leases
- Through-the-Fence Access Fees



DEVELOPING AN AIRPORT LEASING POLICY

TYPES OF LEASES

■ **Aeronautical Leases**

- Land/Ground Leases
- FBO Leases/Agreements
- SASO Leases/Agreements
- Hangar Rental Leases

■ **Non-aeronautical Leases**

- Concession Leases
- Parking Lot Operators
- Rental Car Operators
- Ground Transportation
- Agricultural Leases



DEVELOPING AN AIRPORT LEASING POLICY

COMPONENTS OF AERONAUTICAL LEASE AGREEMENTS

- **Subordination to Federal and State Obligations:** Lease agreements must stipulate they are subordinate to the owner's federal and state obligations and that tenants must comply with current and future federal grant assurances and conditions of state aid. Similarly, airport owners may want lease agreements to be subordinate to local ordinances and codes as well.
- **Use of Premises:** In order to ensure hangars and other facilities on the airport are used appropriately, lease agreements should adequately describe the allowed use. Non-aeronautical storage is of particular concern and is a common challenges for airport managers.
- **Term:** Aeronautical lease terms should be long enough for a tenant to fully amortize their initial investment, but not so long that it relinquishes the airport owner's control over the property. A lease term around 20-30 years is recommended for ground leases.
- **Rates:** Aeronautical lease rates should be fair and reasonable and may be varied depending on size, function, location, and level of improvements to the land and facilities being leased. Rates should be set so that they maximize revenue and all lease agreements should contain an escalation clause which allows the rate to be increased over the term of the lease.

DEVELOPING AN AIRPORT LEASING POLICY

COMPONENTS OF AERONAUTICAL LEASE AGREEMENTS

- **Airport Operations, Maintenance, and Development:** Aeronautical leases should not inhibit the airport owner's ability to operate, maintain, and develop the airport. The airport owner must retain the right to temporarily close the airport or any of its facilities for maintenance, improvement, or for safety.
- **Rules & Regulations/Minimum Standards:** The lease should include compliance with the airport's rules and regulations and minimum standards.
- **Tenant Liabilities:** This includes a hold harmless clause as well as an insurance requirement with an established minimum level of comprehensive liability insurance for the various types of tenants based at the airport.
- **Economic Nondiscrimination:** Airport owners should include specific provisions to ensure aeronautical service providers engage in reasonable and nondiscriminatory practices. NPIAS airports must comply with *FAA Grant Assurance 22, Economic Nondiscrimination*.

DEVELOPING AN AIRPORT LEASING POLICY

COMPONENTS OF NON-AERONAUTICAL LEASE AGREEMENTS

- **Fair Market Rates:** Airport owners must receive fair market value for non-aeronautical use of airport property.
- **Short-Term:** It is recommended that non-aeronautical lease agreements be short-term and contain option for renewals to provide for longer lease options.



DEVELOPING AN AIRPORT LEASING POLICY

COMPONENTS OF AGRICULTURAL LEASE AGREEMENTS

- **Location & Height of Crops:** Leases should stipulate that crops should be low growing and must not interfere with the Part 77 Obstruction Surfaces
- **Wildlife Attractant Qualities of Crops:** Crops must not attract wildlife that can be hazardous to airport operations. Generally, grain crops, including corn, attract hazardous wildlife. Airport owners should request a cropping plan from potential agricultural tenants to ensure that their crops will not create a hazardous wildlife attractant.
- **Equipment:** Ag equipment should be managed properly when on the airport. Leases should detail the route to and from the leased area and discuss security requirements, including whether or not clearance must be granted by the airport manager, closing and securing airport gates, and other pertinent security considerations.
- **Damages:** The lease should protect the airport in the event that the lessee damages airport surfaces in any way, from causing ruts to leaving Foreign Object Damage (aka FOD).

THROUGH-THE-FENCE (TTF) AGREEMENTS

A through-the-fence (TTF) agreement (aka access agreement) or lease authorizes a person or entity to access an airport from adjacent property. The obligation of an airport owner to make the airport available for the use and benefit of the public does not impose any requirement to permit access of aircraft from adjacent property.

- **Rates:** TTF agreements should pay equivalent to on-airport rates. Examples include charging the same ground lease rates for hangars built on-airport as those built off-airport. Other rate structures include access fees.
- **Term:** There is no requirement for how short a TTF agreement term is; however, the agreement term should not be greater than on-airport terms.
- **Security Requirements:** TTF agreements should follow all on-airport rules and regulations including meeting the same security requirements as on-airport users.



INSURANCE

Airports and tenants operate public facilities and have the same or a greater degree of exposure to liability as any other operation. Airports can be held liable for a broad spectrum of accidents from aircraft damage due to poor pavement conditions, maintenance issues, or public or employee incidents on the airport.

Commercial General Liability (CGL) Policy typically provides the following three specific coverages:

- **Hangar Keepers Liability** provides coverage for damage to or destruction of the aircraft of others while in the insured's custody for storage, repair or safekeeping and while in or on the scheduled premises.
- **Premises Liability** provides coverage for injury to persons or property
- **Product Liability** provides coverage on products such as fuel and oil that tenants may sell



REFERENCES

- FAA Airport Sponsor Grant Assurances

https://www.faa.gov/airports/aip/grant_assurances/

- FAA Order 5190.6B Airport Compliance Manual

http://www.faa.gov/airports/resources/publications/orders/compliance_5190_6/

- Airport Cooperative Research Program Report 47, Guidebook for Developing and Leasing Airport Property

http://onlinepubs.trb.org/onlinepubs/acrp/acrp_rpt_047.pdf

- Airport Leases, An Airport Owner and Management Reference Document; Wisconsin Department of Transportation, Bureau of Aeronautics

<https://wisconsindot.gov/Documents/doing-bus/aeronautics/resources/air-leas.pdf>

ESTABLISHING RATES & CHARGES

Airports should establish rates and charges that provides a positive revenue flow to cover costs for the operations, maintenance, and capital development for the airport to remain economically viable and self-sustaining.

Fair and Reasonable Fees	Fees that an airport charges for using its facilities must be justified by the cost of operating the airport adhering to the principle of equitable pricing across users with similar needs.
No Unjustly Discriminatory Rates	Requires airport sponsors to use consistent methodologies to set rates for comparable airport users.
Self-Sustaining Rate Structure	Requires airport sponsors to employ a rate-making regime that makes the airport as financially self-sustaining as possible. Recommended annual review and updates of rates and charges.
No Revenue Diversion	Prohibits airport sponsors from using revenues generated by the airport for non-airport purposes.

NPIAS airports shall comply with Grant Assurance 24, Fee and Rental Structure