Make it Count - Estimating Market Values for Small Airports

October 29, 2020

@NASEMTRB
#TRBWebinar
Learning Objectives

• Identify key airport characteristics that affect market value
• Discuss practices for establishing and adjusting market rent
Make it Count - Estimating Market Values for Small Airports

October 29, 2020
Carlos Ruiz-Coll, A.A.E.  
Greenville-Spartanburg Airport District

- Director of Commercial Business
  - Commercial Facilities
  - Concessions
  - Advertising
  - Land Development
- Former Business Development Manager at GA Reliever Airport
- Accredited Airport Executive
- ACRP Panel Chair 01-38
Five Ways to Get Involved!

1. Join the ACRP IdeaHub community
2. Volunteer for a project panel
3. Prepare a research proposal
4. Answer an ACRP survey
5. Apply the research results

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Today’s Speakers

David Benner and Brandon Borne
Aviation Management Consulting Group

Presenting

ACRP Report 213
Estimating Market Value and Establishing Market Rent at Small Airports
A Guidebook for Estimating Market Value and Establishing Market Rent at Small Airports

David Benner, C.M.
Brandon Borne, C.M., ACE
David C. Benner C.M.

- 15 years experience
- B.S. in Business Administration
- MBA in Airport Management
- Commercial Pilot with Instrument and Multi-Engine Rating
- Certified Flight Instructor
Brandon K. Borne, C.M., ACE

- 8 years experience
- B.S. in Public Policy and Administration
- Masters of Public Administration
- Private Pilot
- ACE - Airfield Operations
ACRP Report 213 Team Members

Aeroplex Group Partners (Long Beach, California)
Decker Associates (Littleton, Colorado)
DKMG Consulting (Chicago, Illinois)
Hangar Network (Centennial, Colorado)
ACRP Report 213 Oversight Panel

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Gary P. Mascaro, City of Scottsdale – Scottsdale Airport
Winthrop Perkins, Airport & Aviation Appraisals, Inc.
Jennifer R. Pyatkov, Jacobsen Daniels Associates
John Rostas, Armstrong Consultants, Inc.
Amy J. Walter, FAA Liaison
Paul J. Eubanks, Airport Council International
Christine Gerencher, TRB Liaison
Introduction

Session Overview

Q Introduction
Q Findings
Q Airport Property Characteristics
Q Negotiation of Agreements
Q Closing Thoughts
Setting the Stage

Q Purpose Statement: to assist in airport development efforts and contribute towards the sponsor’s obligations under the Airport Sponsor Assurance by outlining methodologies for establishing and adjusting market rent, identifying pertinent characteristics, approach for developing leasing policies, and best practices for negotiation.

Q Who is responsible for managing property and lease agreements at your airport?

Q How are land and property rental rates established and adjusted?
Introduction

Audience – Parties with Direct Interest

- Airport Perspective
  - Airport Sponsor
  - Airport Management
  - Property Managers

- Tenant Perspective
  - Lessees and Sublessees
  - Developers
  - Real Estate Agents
  - Banks and Lenders
## Audience – Types of Developers and Lessees

<table>
<thead>
<tr>
<th>Government</th>
<th>Commercial Aeronautical</th>
<th>Non-Commercial Aeronautical</th>
<th>Commercial Non-Aeronautical</th>
<th>Non-Commercial Non-Aeronautical</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal</td>
<td>Fixed-base operators</td>
<td>Corporate aircraft storage and offices</td>
<td>Car rental companies</td>
<td>Charitable organizations</td>
</tr>
<tr>
<td>State</td>
<td>Specialized aviation service operators</td>
<td>Business/recreation aircraft storage</td>
<td>Ground transportation companies</td>
<td>Quasi-governmental entities</td>
</tr>
<tr>
<td>Local</td>
<td>Commercial hangar developers</td>
<td>Flying clubs</td>
<td>Hotels and restaurants</td>
<td></td>
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<tr>
<td></td>
<td>Air carriers</td>
<td>Museums</td>
<td>Gas stations and convenience stores</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Air cargo companies</td>
<td>Civil air patrols</td>
<td>Museums</td>
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</tr>
</tbody>
</table>
Market Value Definition

Q Represents price to “buy” an asset – what is the property worth?

Market Rent Definition

Q Represents price to “lease” (or rent) an asset – what is the price to use the property for a specified period of time (e.g., monthly or annually)?

The most probable price which a specified interest in real property is likely to bring under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, assuming the price is not affected by undue stimulus giving consideration to all available economic uses of the property.

The most probable rent which a specified property should bring in a competitive and open market reflecting the conditions and restrictions of a specified lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements.
Findings

**Research Process**

- Literature Review
- Interviews
- Survey
- Industry Review
Findings

Assurances
- Assurance 5: Preserving Rights and Powers
- Assurance 22: Economic Nondiscrimination
- Assurance 24: Fee and Rental Structure
- Assurance 38: Hangar Construction

Orders
- Order 5190.6B: Airport Compliance Manual

Policies
- Policy and Procedures Concerning the Use of Airport Revenue
- Policy on the Non-Aeronautical Use of Airport Hangars
- Policy Regarding the Establishment of Airport Rates and Charges

Advisory Circulars
- AC 150/5190-7 Minimum Standards for Commercial Aeronautical Activities

Other Guidance Materials
- Uniform Appraisal Standards for Federal Land Acquisitions
- Compliance Guidance Letter 2018-3, Appraisal Standards for the Sale and Disposal of Federally Obligated Airport Property
- FAA Reauthorization Act of 2018
Preferred Methodology to Determine Rent

- Appraisal: 38%
- Comparable rent analysis: 36%
- Negotiation: 17%
- Other: 9%
Findings

Competitive Process

Q RFI, RFQ or RFP

Q While not directly identified by the FAA in the *Policy Regarding the Establishment of Airport Rates and Charges*, a competitive process utilizes direct market forces through a proposal to determine the demand in the market and ultimately as a methodology to establish market rent.
Findings

Preferred Appraisal Approach

- Income approach: 56%
- Sales comparison approach: 33%
- Cost approach: 11%
Findings

- Proximity to major metropolitan area: 18%
- Runway length: 16%
- Aircraft operations: 12%
- Presence/absence of an air traffic control tower (ATCT): 10%
- Presence/absence of a precision instrument approach: 8%
- Based aircraft: 8%
- Size (acreage) of airport: 6%
- Annual general aviation fuel volumes: 5%
- Other: 5%
- Number of Fixed Base Operators (FBOs): 3%
- Number of Specialized Aviation Service Operators (SASOs): 3%
- FAA NPIAS/FAA General Aviation Airport Asset Study classification: 2%
Findings

- Land type (landside access, airside access, presence of utilities)
- Demand
- Use (aeronautical vs. non-aeronautical)
- Condition (age and economic life)
- Improvement type (hangar, office, shop, storage, etc.)
- Access
- Amenities
- Size
- Use (air carrier vs. general aviation)
- Use (commercial vs. non-commercial)
Findings

Airport Property Characteristics
Findings

Airport Property Characteristics
Findings

Airport Property Characteristics
Off-Airport Characteristics

- Economic Attributes
  - Population
  - Median income
  - Employment and workforce
  - Type of market

- Property Attributes
  - Location of airport within community
  - Roadway size and access
  - Use limitations
Findings

Tools to Identify Comparable/Competitive Airports
Findings

Tools to Identify Comparable/Competitive Airports

Airport Search

1. Tell us about a nearby place
   - Indicating one of the choices below is enough
   - A city, town, or zip code:
     - Example: Boston or Green Bay, WI or 90210
   - An airport identifier:
   - Geographic coordinates:
     - Latitude: [ ] North [ ] West
     - Longitude: [ ] 43 or [ ] 12-19 or [ ] 20-52

2. Tell us about the airfields you are looking for
   - Suitable types of fields:
     - [ ] Airports
     - [ ] Ballonports
     - [ ] Gliderports
     - [ ] Heliports
     - [ ] Seaplane bases
     - [ ] Ultralight Flightparks
   - Airfield use:
     - [ ] Public
     - [ ] Private
     - [ ] Military
   - Only where fuel prices known

   - Instrument approaches:
     - [ ] Not needed
     - [ ] 100LL ArvGas
     - [ ] 80/87 ArvGas
     - [ ] Automotive (Mogas)
     - [ ] Jet A
     - [ ] Jet B

   - Runway characteristics:
     - [ ] Paved Runway
     - [ ] Grass Strip
     - [ ] Helipad
     - [ ] Waterway
     - [ ] Min Runway Length

   - Runway specs:
     - [ ] Paved Runway
     - [ ] Grass Strip
     - [ ] Helipad
     - [ ] Waterway
     - [ ] Min Runway Length

   - Fuel types:
     - [ ] 100LL ArvGas
     - [ ] 80/87 ArvGas
     - [ ] Automotive (Mogas)
     - [ ] Jet A
     - [ ] Jet B

   - Approach Types:
     - [ ] ILS
     - [ ] RNAV
     - [ ] VOR

   - Maintenance:
     - [ ] Engine Repair
     - [ ] Avionics Repair

   - Public Use
     - [ ] Yes
     - [ ] No

   - No Landing Fee
     - [ ] Yes
     - [ ] No

   - Restaurant on Field
     - [ ] Yes
     - [ ] No

   - Courtesy Car
     - [ ] Yes
     - [ ] No

   - Rental Car
     - [ ] Yes
     - [ ] No

   - Customs
     - [ ] Yes
     - [ ] No

   - Oxygen
     - [ ] Yes
     - [ ] No

   - Camping on Field
     - [ ] Yes
     - [ ] No

   - Towered
     - [ ] Yes
     - [ ] No

   - No Landing Fee
     - [ ] Yes
     - [ ] No

   - Restaurant on Field
     - [ ] Yes
     - [ ] No

   - Courtesy Car
     - [ ] Yes
     - [ ] No

   - Rental Car
     - [ ] Yes
     - [ ] No

   - Customs
     - [ ] Yes
     - [ ] No

   - Oxygen
     - [ ] Yes
     - [ ] No

   - Camping on Field
     - [ ] Yes
     - [ ] No
Negotiation of Agreements

Negotiation Best Practices

- Identify goals and desired outcomes
- Conduct homework
- Develop position perspectives
- Understand perceptions
- Create early success
- Document progress
Key Positioning Aspects

- **Be Knowledgeable**
  - Understand local market conditions
  - Research recent agreements

- **Be Honest**
  - Truthfully represent the airport's position
  - Negotiate in good faith

- **Be Realistic**
  - Define attainable goal(s)
  - Understand what can be achieved

- **Be Consistent**
  - Do not "move the goal posts"
  - Do not add to or change goal(s)
Closing Thoughts

Q Understand difference between market value and market rent
   - Definition
   - Approaches

Q Reference policy documents
   - FAA and other governmental guidance
   - Airport sponsor policies (Primary Management and Compliance Documents – Leasing Policy, Rent Policy, Fee Policy)

Q Conduct decision framework to identify applicable approaches
   - Aeronautical or non-aeronautical
   - Value or rent
   - Component or blended approach
Closing Thoughts

Q Determine applicable characteristics
   – Airport
   – Property – land and/or improvements

Q Identify market data
   – Comparable and competitive airport data
   – Off-airport data

Q Prepare for negotiation
   – Determine goals
   – Implement best practices
   – Develop appropriate lease agreement
FOR ADDITIONAL INFORMATION

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ACRP is an Industry-Driven Program

Q Managed by TRB and sponsored by the Federal Aviation Administration (FAA).
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Other ACRP Research on Today’s Topic

Report 47: *Guidebook for Developing and Leasing Airport Property*

Report 77: *Guidebook for Developing General Aviation Airport Business Plans*

Report 141: *Renewable Energy as an Airport Revenue Source*

Report 142: *Effects of Airline Industry Changes on Small- and Non-Hub Airports*

Synthesis 79: *Funding Industrial Aviation*

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Upcoming ACRP Webinars

November 5
Wetland Mitigation at Airports
Today’s Panelists

Moderator: Carlos Ruiz-Coll, Greenville-Spartanburg Airport District

David Benner, Aviation Management Consulting Group

Brandon Borne, Aviation Management Consulting Group

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