



## Aviation Advisory Board

December 9, 2010

To: David Corliss, City Manager  
Mike Amyx, Mayor  
Aaron Cromwell, Commissioner  
Mike Dever, Commissioner  
Rob Chesnut, Commissioner  
Lance Johnson, Commissioner

From: Richard Haig, Chair, Aviation Advisory Board

Re: Request appearance on Commission agenda for January 11, 2010

Dave,

On behalf of the Aviation Advisory Board, I request the opportunity to make a presentation to the City Commission on an exciting development situation at the Lawrence Municipal Airport. After more than a year of planning and forecasting, the Board wishes to present a business plan to the Commission to request their sponsorship in the construction and leasing of 20 new T-Hangar units at the Airport.

The Business Plan recommends the addition of these new units due to:

- high demand for rental hangar space at the Airport;
- the hangars will be paid for by user rental fees;
- it will increase the number of based-aircraft at the Airport and contribute to economic growth at the Airport and for the City of Lawrence;
- we have favorable construction estimates from our Airport engineer, and market bidding for construction services is very competitive; and
- this project will allow us to enhance our market share in the competitive Northeast Kansas aviation market.

We have worked closely with Roger Zaineraitis to create a project financial worksheet that details a positive payback at the end of the bonded debt schedule, and generates significant revenue for the Airport. This is attached to our request.

Our presentation seeks to engage the Commission in a conversation that will lead to their approval to finance the construction of these new units.

Please confirm with me that our request for inclusion on the January 11 is accepted.

For the board, thank you.

**Project Analysis  
For T-hangar Construction & Financing  
At the Lawrence Municipal Airport**



Prepared by the Aviation Advisory Board  
City of Lawrence, Kansas  
November 22, 2010

Richard Haig, Chair  
Bob Newton, Vice Chair  
Stan Sneegas, Secretary  
Gary Fish  
Theresa Gordzica  
Tom Rainbolt  
Tom Kern

## Executive Summary:

During the past seven years, the Lawrence Municipal Airport (LWC) has been experiencing continuous growth and demand for services by users. As the Lawrence/Douglas County area continues to pace the State of Kansas in residential growth, so has interest to base private aircraft at LWC.

This project study, prepared by the Aviation Advisory Board for the City of Lawrence, presents arguments for construction of additional T-hangar facilities, funded by the City of Lawrence.

Since the previous construction of 20 T-hangars in 2003, the Airport has a significant waiting list of potential tenants, many from outside Lawrence/Douglas County, to bring their aircraft to Lawrence. Demand for hangar services will contribute to the local economy beyond the monthly rental payment of an individual T-hangar.

In an economy with uncertain revenue streams and increasing budgets, it is important to examine the financing of such construction on a city-sponsored asset.

The Aviation Advisory Board for the City of Lawrence is on record as supporting city-owned rental hangars as the best course to serve the interests of Lawrence and the aviation public.

The Board has worked with Roger Zalneraitis, Economic Development Director, and Charles F. Soules, Public Works Director and Airport Manager, to develop financing scenarios that will serve both parties. This initial project analysis hopes to guide discussion and direction between the City Commission, Advisory Board and City staff to begin prompt action to serve our aviation customers.

Airport Development Group, Inc., Lawrence, Kansas, is the City's engineering consultant for the Airport; and has been extensively involved with providing City staff and the Aviation Advisory Board with project costs for engineering and construction on the proposed T-hangars for more than a year. They have created project drawings and costs estimates for the Board's review at no cost to the City, and await a contract to finalize project drawings and put the project out for bid.

Additionally, ADG will compile a list of registered aircraft within a 50-mile radius of Lawrence to assist with marketing the new T-Hangars upon City Commission authorization to the Advisory Board to begin the construction process. ADG is creating this list at no charge to the City.

## I. A Historical Overview:

Since its dedication in October 1929, the Lawrence Municipal Airport (LWC) has served the Lawrence/Douglas County community as the front door from the skies. As one of the oldest, continuously operating airports in the country, LWC has grown and continued to evolve into one of Northeast Kansas' premier general aviation facilities.

The approximate 445 acres of land where the airport resides today was first owned by Kansas University and then deeded to the Kansas University Endowment Association, which in turn sold the land to the City of Lawrence in 1977. Originally, four runways were constructed on the grounds where two runways serve users today.

During World War II, LWC was a major training facility for student pilots at Kansas University in primary flight instruction before advancing to military flight instruction. Between 1939 and 1942, LWC trained 421 pilots.<sup>1</sup>

In 1951, as the flood waters of the Kansas River encroached onto the airport property, aircraft were flown to south Lawrence and landed on property next to the "Haskell Pasture" owned by local aviator Delbert Richardson. The community is blessed to have an airport with a strong service record, and a colorful history.

Through the years, LWC has benefited from millions of dollars in federal and local grants to rehabilitate, improve, and extend facilities and services to local and transient aviators. Included in that long list of grants were funds of \$1.1 million for construction and installation of an Instrument Landing System (ILS), which allows for flight operations in adverse weather. This project was a main catalyst in pushing LWC to the forefront of aviation services in Northeast Kansas.

With a 700-foot extension to its primary runway in 2002, 15/33, LWC has the fourth longest general aviation runway in Eastern Kansas<sup>2</sup>. LWC drops to fifth longest when Downtown Kansas City (MO) airport is included in the Northeast Kansas market analysis.

In September 2001, an additional 18,000 square yards of parking apron was added to the current 14,000 square yards of older apron. This expanded surface has allowed LWC to safely and conveniently service larger volumes and sizes of business jets, twin-engine turboprops and single engine aircraft.

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<sup>1</sup> Lawrence Journal World, August 1951

<sup>2</sup> Airport Layout Plan July 2001; Chap 2-3; Airport Development Group, Denver, CO.

## II. A Need Assessment for T-hangars

In August 1951, the Lawrence Journal-World published a four-part series about airport development and growth. The lead paragraph in Part Two's coverage aptly sums up development at LWC:

*“Lawrence’s municipal airport is jinxed when it comes to improvements.”*<sup>3</sup>

Infrastructure development at the airport has lagged behind the growth curve almost since opening day at the airport. While the Federal Aviation Administration (FAA) requires each airport sponsor to prepare and submit a Master Plan<sup>4</sup> for physical development (e.g. – runways, taxiways), it does not require a facilities improvement plan for non-aviation airport development. A City of Lawrence master-planning document for airport infrastructure improvement and project timeline does not exist, although limited budget planning items exist.

This absence of a master-planning document has hindered and limited LWC's opportunities to grow and capture increased market share for aviation users during its history. In particular, a deficiency in available T-hangar rental stalls has been a significant hurdle for the airport, its FBO and airport users to overcome in its ability to offer services and experience continued growth.

Presently, the airport offers potential users 30 T-hangar stalls for rental on a 12-month lease. Through August 2010, all units are rented and occupied, with infrequent turnover in occupancy.

In 1999, the City's Aviation Advisory Board wanted to gauge market demand for new units, and proceeded with a non-binding letter of intent to lease (Fig. 1). All inquiries were handled by the FBO, Hetrick Aircraft, and kept on file for periodic review.

It is important to note the number of individuals on the waiting list from outside Lawrence/Douglas County. While there are many possible indicators why non-residents choose LWC, the Advisory Board has concluded two basic reasons:

1. Pent-up market demand due to dwindling inventories of hangar units in Northeast Kansas;
2. The desirability to be based in Lawrence due to outstanding airport facilities and services.

In 2001, the Board conducted a rate survey of competing area airports in Northeast Kansas (Fig. 3). Important elements in this survey were unit rates, number of units on the airport, unit availability and notation of potential construction or recent construction of new units.

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<sup>3</sup> Lawrence Journal-World, August 13, 1951

<sup>4</sup> FAA Airport Master Plan created 1990, and revised 2001

While a small increase in inventory was experienced, most airports have either maximized available land or chosen to cease new construction. Only the Downtown Kansas City Airport and Lee’s Summit (MO) Airport have added to its hangar inventory.

All of the airports surveyed by the Board are city-owned facilities with T-hangar units owned and operated by the city. Each governing body chooses to establish its own rate structure based on construction costs, debt load, or its ability to buy market share through reduced market rates for monthly rentals.

**Economic Impact at LWC**

In August 2010, the Kansas Department of Transportation released a study it commissioned from KPMG Peat Marwick entitled: *“Economic Impact of Kansas Airports within the Kansas Aviation Systems Plan.”*

This study compiled various data on the local impact of 140 public use airport facilities within Kansas. The table below indicates LWC’s local impact and comparison with competing facilities around the state.

<b>Airport</b>	<b>Airport Classification</b>	<b>Annual Impact</b>
Wichita Mid-Continent	Primary - Commercial	\$4,685,303,200
Salina	Commercial	\$ 146,843,800
Topeka Forbes Field	Commercial	\$ 99,960,000
Manhattan Regional	Commercial	\$ 22,888,900
Olathe, New Century	General Aviation	\$ 92,854,500
Newton	General Aviation	\$ 56,889,300
Johnson Co. Executive, Olathe	General Aviation	\$ 36,608,900
Goodland	General Aviation	\$ 15,465,400
Hutchinson	General Aviation	\$ 15,182,400
Topeka – Billard	General Aviation	\$ 14,258,000
<b>Lawrence Municipal</b>	<b>General Aviation</b>	<b>\$ 10,722,800</b>

Of the 132 general aviation airports in Kansas, Lawrence Municipal Airport ranks 11<sup>th</sup> in local economic impact. In a 1990 economic impact study, LWC ranked 14<sup>th</sup> among the state’s general aviation airports.

This clearly demonstrates the impact Lawrence Municipal Airport has on the Lawrence/Douglas County community, and the value aviation plays in creating a larger economic development engine at the airport.

The economic impact of an airport is a measure of the benefits it provides to the community. These benefits include the jobs, wages, and expenditures that take place at the airport. They also include the effects of these expenditures in moving from hand to hand through the community, enhancing economic activity far from the airport itself.



Economic benefits also include expenditures made by those transient passengers who use the airport but spend their money at other locations within the community. Savings in time and money that the existence of the airport permits represent another economic benefit that resides with the community. Finally, economic benefits also include the intangible effect the airport has on business decisions to locate or remain in a specific area. Business location decisions based on airport availability are intangible and harder to identify and quantify. Unfortunately, these last benefits and the social values are difficult to measure.

Economic impact as a whole comprises direct, indirect, and induced impacts. Direct impact is associated with providers of services at the airport. These providers include the airport operator (public or private), FBOs, air carriers, freight haulers, concessionaires, government installations, educational institutions, military facilities, flight schools and maintenance operations, among others. The value of direct impact is the sum of all payroll, capital expenditures, operating and maintenance costs, taxes, and fees incurred by every provider of services.

Strictly speaking, direct impacts should represent economic activities that would not occur in the absence of the airport.

Indirect impact is associated with the users of airport services. These include both corporate and public users, government agencies, and aviation and non-aviation businesses. The value of this impact is the sum of the fees and charges paid, time and cost savings, and expense related to food, lodging, ground transportation, and similar outlays.

Induced impact is often called "the multiplier effect." It gets this name because a dollar, once spent, does not disappear but continues to move through the local economy until it is incrementally exported from the community. Each new dollar spent effectively multiplies its own economic effect. There have been a multitude of economic studies done to definitively establish this multiplier for various geographic areas and segments of the economy. These studies indicate that multipliers ranging from two to seven are appropriate for airport economic estimates. Because induced impact is the portion of an impact analysis most subject to controversy, it is a good idea to use a very conservative multiplier figure.

When residents or non-residents occupy city-owned T-hangars, more than just the direct impact of rent changes hands. Renters will contribute indirect and induced impacts, in most cases, through:

- Fuel purchases from the FBO – with a flowage fee per gallon to the city and sales tax;
- Repair services or accessories from the FBO – sales tax;
- Potential car rental, lodging, food and personal shopping acquisitions – sales tax;
- Potential for property tax by registering aircraft in Douglas County;
- Potential for commercial enterprises or recruitment of individuals to city.

Due to the city's fiscal management philosophy, all revenues and expenses for the airport are lumped into the city's general operating fund. This makes financial analysis on airport revenues/expenses and direct/indirect monetary contributions to the community more tedious, if not impossible, to quantify.

The bottom line is development at the airport for private aircraft will pay dividends to the airport and city beyond the monthly unit rental.

### FAA Impact

Annually, each airport sponsor (usually the city that owns the airport and surrounding property) submits a Capital Improvement Project (CIP) wish list of repairs or improvements for which it seeks FAA grant funds. Based on the FAA grant formula of 95 percent federal and 5 percent local match, this creates a competitive situation for airports to acquire funding.

However, the FAA has a systematic evaluation process for use in reviewing CIP eligible projects from sponsors. Two important variables used in this process are the number of based aircraft at the sponsor's facility, and number of annual flight operations.

According to the FAA's 5010-1 Master Record, dated September 2008, LWC currently has 54-based aircraft, including 49 single-engine aircraft, three multi-engine aircraft and a jet and helicopter. The number of operations at LWC (including general aviation, air taxi, and military operations) is indicated in the 5010 Master Record for current year 2008 at 32,700 operations.<sup>5</sup> A flight operation is defined as one take-off and landing.

Thus, the FAA review will include analysis of the number of based aircraft and operations at each sponsor airport when determining allocation of project grants. An airport with larger volume of based aircraft and operations has a better opportunity to secure grant funding for its project against an airport that is smaller in scope and operation.

A public use airport with larger volumes of based-aircraft is the clearest sign of that airport's vitality and commitment to services within the aviation community.

As LWC continues to see growth in private and commercial operations, project grants for rehabilitation and expansion projects will become more regular to accommodate a growing economic impact to the community more safely and efficiently.

Construction and maintenance of city-owned T-hangar units will contribute to orderly growth and increased funding opportunities in future.

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<sup>5</sup> Airport 5010 Master Record



### Previous T-hangar Construction

In 2003, the city completed construction on a new 20-unit block of T-hangars. This facility was constructed after the Aviation Advisory Board had pre-leased prospective tenants and developed a financial pro forma that indicated the project was fiscally sound and provides the city a positive Return on Investment (ROI).

Occupation was 100 percent from opening day and remains 100 percent leased today with virtually no turnover in tenants. All tenants sign a 12-month lease agreement with the city.

This project was constructed on the Eastern side of the airport property closer to the Terminal Building and access to fuel and services.

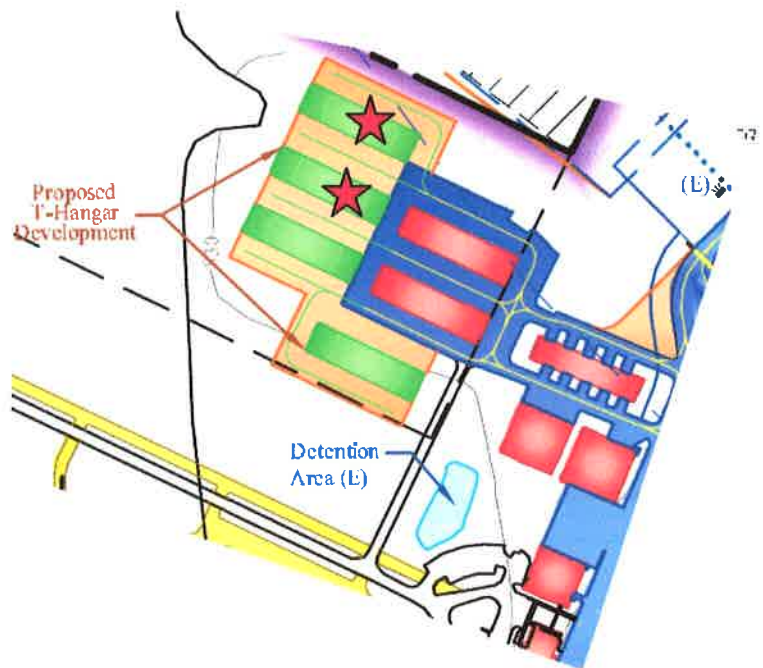
As with the previous T-hangar project, this current project has attracted a lengthy waiting list.

### Proposed Location

The proposed location of new T-hangar development is immediately south of the existing T-hangar block. This location will comply with FAA directives regarding no construction activity within their “no-build” boundary lines immediately west of the existing T-hangar complex.

An airport layout diagram indicates the general area of proposed development.

Airport Development Group, Inc., the City’s Airport engineering consultant, has presented various site options for the Advisory Board to consider. The Board is recommending the two new units of hangars be located where the Red Stars are indicated on the property map. This allows for future development of T-hangars or larger box hangars East toward Airport Road.



An access road (Bryant Way) was constructed in 2003 to permit vehicular access to the T-hangars and other structures south of the Terminal Building. The Aviation Advisory Board recommends that another access road isn't required for this new project and the present road will accommodate the traffic volume into the T-hangar area.

If the road is required, the Board contends the city should bear the burden of construction as the cost of developing the airport infrastructure. The rental cost structure of the new hangar construction would be skewed and inflate the rental structure to prospective tenants.

### III. T-hangar Financing Options

#### Previous Construction

The topic of financing construction for a new block of T-hangars has been continuing since the previous 20 units were put into service in July 2003. The Aviation Advisory Board has played mediator between interests of private aircraft owners desiring services at the airport, and the fiscal restraint of the city of Lawrence.

The City Commission has instructed the Aviation Advisory Board to generate ideas on construction financing that would minimize an outstanding debt to the City while providing services to interested parties. The Board has worked diligently and creatively to effect a "win-win" scenario.

After lengthy discussions, the Board concluded three options are possible to achieve construction of new T-hangar units:

- City-funded construction, maintenance and ownership;
- Private-development construction, maintenance and ownership;
- Patron-financed and owned T-hangar complex through property owners association;

In 1996, when the 10-unit block was constructed, the Board prepared a pro forma of debt retirement and ROI. Based on construction costs and some allocation for maintenance, the scheduled debt repayment would end in 15 years after opening. Industry standards state that properly constructed and maintained T-hangars have a minimum useful life of 30 years<sup>6</sup>.

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<sup>6</sup> Based on various Manufacturers' claims and references

The initial monthly rate of \$160.00 was established based on the following schedule as provided by Greg Smith, former chair of the Aviation Advisory Board, who developed the program to construct the hangars:

**15-year debt retirement plan: 10-units**

	\$145.00 monthly debt retirement per unit
	<u>\$ 15.00</u> monthly maintenance allowance and electricity per unit
<b>Total</b>	\$160.00 monthly rental based on 12-month lease

Debt retirement income would total \$261,000, if static with no rent increases over the life of the units, during the 15-year payback along with \$27,000 in funds for maintenance and electrical usage.

In January 2002, the City Manager’s office instituted the first monthly rent increase, with Advisory Board approval, since the 10-unit complex was occupied. The present monthly rent is \$195.

Thus, in a perfect scenario, with a 15-year payback and 15 additional years of revenue, the complex is generating cash revenues that would handle maintenance and repairs to the T-hangars in addition to contributing to new construction and services at the airport. However, with all airport revenue and expenses lumped into the city’s general operating fund, it is difficult to adequately track the availability of surplus funds for new projects.

Also, a precedent has been established with the initial construction, maintenance and management of these units by the city. It is a city-sponsored service, and the Aviation Advisory Board and the City Manager’s office are in consensus as recommending continuation of this city-sponsored service at the airport.

The Board is not aware of any city-owned airport in this region that has allowed private development of T-hangars on its property. This policy allows the local municipality to completely control the operation, maintenance, legality and marketing of the property without outside influence or obligation.

**Public vs. Private Ownership**

The charge to the Aviation Advisory Board from the City Commission was direct: find a way to pay for this project that would not incur additional bonded debt on the city. That has not been an easy task. Unless the City of Lawrence is willing to pay cash for construction, then bonded debt is the only means to finance such a venture.

Another option the Board has reviewed is private development and ownership. To date the Board hasn’t received any proposals and only limited inquiries into private development. One method to accurately gauge private-sector interest is to generate a “Request for Proposal” which would be sent to potential developers nationwide.

The Board is strongly centered on the policy of city-owned facilities on city property, especially where public use services are available. Aside from the financial elements, the Board is committed to providing quality services at competitive rates to airport users and believes, based on their aviation experiences, that the city should remain the initiator and guardian of these services.

Development of these hangars for public use should be the responsibility of the city because:

- The City of Lawrence, at-large, stands to gain the most financially with this project;
- The City of Lawrence can establish market rates at whatever level necessary to maintain occupancy or promote growth;
- The City of Lawrence has the expertise to properly maintain and manage this service;
- The City of Lawrence has the financial stability necessary to fund this project;
- The City of Lawrence has the organizational stamina to make this project successful over the long run.

While the Board is not opposed to private development, if it helps complete our mission and results in the construction and occupancy of T-hangars, the Board has the following concerns:

- Finding the proper philosophical match of businessperson and aviation interests;
- Financial stability of any private enterprise offering public services at the airport;
- Dealing with the City of Lawrence requirements to complete the project while remaining financially viable and competitive to the marketplace;
- Inability to form a strong public-private relationship with the city of Lawrence;
- Sensitivity to market needs in the region and proper customer service;
- Ability and interest to become a “good citizen” of the airport community;
- Does the enterprise have strong local ties to the community, or is it an outsider?

If private development is a final course for this project, then the city commission, city manager’s staff and Advisory Board must perform extreme due diligence to satisfy all the pressing issues that will contribute to the success of this project.

A thorough analysis and rigorous “Request for Proposal” procedure combining features and attributes of various product manufacturers, user airports and service providers must be created to determine the best candidate for private development. While necessary, this process will already lengthen a severely delayed response to airport users, and potential tenants.

Finally, the Board is less enamored with private-citizen ownership of the T-hangar through a property’s owner association. While this type of owner development has occurred elsewhere nationwide, the Board is concerned about property maintenance, code enforcement, market values and oversight such a private development on public property

would require. The Board believes the City of Lawrence should be owner and operator of any new T-hangar construction activity.

The Board is quite comfortable and confident that the organizational structure and financial stability exist within the City of Lawrence to make this project successful. With proper planning, this project can be prepared and completed in August 2011.

### Return on Investment

After discussions with various manufacturers, consultants and airport managers in the region, it has been estimated that \$65,000 per finished T-hangar is the working standard in today's market<sup>7</sup>.

Airport Development Group, Inc., the City's Airport engineering consultant, has been working with the Advisory Board and City staff to provide the most current design and construction project estimates possible throughout the Board's deliberations. ADG has project drawings ready to proceed with formal bids once a contract is signed between the City and ADG. ADG anticipates a 120-day construction schedule once the design is approved and bids accepted.

The following gives a preliminary estimate of the project budget:

Project Costs:	Total
Administration (Estimated)	\$ 3,000.00
Engineering	
Basic Services - Design	60,000.00
Basic Services - Bidding	6,000.00
Construction Services (Not to Exceed)	30,000.00
Construction -	
Schedule I - T-Hangar Site Prep & Taxilanes	409,075.00
Schedule I - Two New 10-unit T-Hangars	870,000.00
	\$ 1,378,075.00

The State of Tennessee Aeronautics Division recently funded a 20-unit project at the Portland Municipal Airport<sup>8</sup> for \$1.3 million so ADG's numbers are consistent and appropriate with other similar developments. The Board believes that construction bids may be lower due to the strained economic construction market.

A tentative project schedule would allow for the new hangars to open in August 2011. This gives the Advisory Board sufficient time to properly market the hangars to prospects, with an opening day goal of 100 percent occupancy.

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<sup>7</sup> Based on ADG and manufacturers' estimates.

<sup>8</sup> State Aviation Journal, Nov. 22, 2010



Included in this unit cost is:

- Enclosed hangar unit with electric bi-fold access door;
- Electrical service to control electric bi-fold door;
- Entrance driveway to unit;
- All grading, groundwork and site preparation; and
- Asphalt taxiway connected to unit driveway and exiting onto LWC aircraft pavements.

It is possible to achieve some cost reduction by filing FAA Form 7460 “Notice of Intent to construct on the Airport” and submitting a CIP request for funding assistance on the common taxiway. If funds are available and selection criteria met, FAA has been known to fund the construction of common taxiways along T-hangars in other regions of the country. The 95-5 split can be converted into a tremendous cost savings that can be passed along in



either lower rental rates to airport users of T-hangars, or construction debt. Another potential grant funding source is the Kansas Aviation Improvement Program (KAIP) through the Aviation Division of the Kansas Department of Transportation. However, KAIP funds are more competitive to secure and the funding split is only 50-50.

While the City historically attempts to retire any public debt within 6-10 years, some projects have been financed through 15 years and, in limited applications, 20 years.

In the Board’s financial models, 30 years created the balance of a fair payback to the city and meeting current market prices for potential users.

In our final analysis, the Board reiterates its position that the City of Lawrence should fund and operate new T-hangar units for airport users.

A table of financing options is located in the back of this analysis.

While the City does incur the risk of the bonded debt, the financing of the debt stems 100 percent from the users of the T-hangars. Therefore, the risk is significantly reduced because the users are paying off the debt while the City administers the payback, collects interest on the bonds and rent increases over the building’s life to assist debt financing.

Another financing option is to use existing capital outlay funds in the Utility Department’s budget that were designated for the Airport’s sewer system and pump station. Due to delayed airport property development and lower than anticipated waste volume, the pump station project has been delayed. The budget for this project was an



estimated \$800,000, and the funds remain in the Department's budget and could be transferred to Public Works to offset the construction costs of this project.

If the City of Lawrence was to utilize these funds to help finance the majority of the T-hangar project costs, the balance could be easily bond financed and lower the City's debt obligation while keeping the rental rate structure more closely aligned with the existing units. The present 'B' Block of T-Hangars rent for \$215 and the proposed 'C' Block will open with a suggested \$235.00 monthly rent. This will almost assure 100 percent occupancy on upon opening day of the new hangars.

### Summary

With market forces converging as the Lawrence Municipal Airport continues to grow and attract aviation business, a window of opportunity has been created for the City of Lawrence to capture a larger share of the Northeast Kansas aviation market.

The Aviation Advisory Board is recommending to the City Commission a strategy to create, discuss and implement an action plan that will create the construction of new T-hangar units at the airport in August 2011. The Board's recommendations are:

- Create an environment of positive growth and pro-active development at the airport;
- Formulate an acceptable City budget for the construction and development of a 20-unit T-hangar complex; This program should result in construction beginning in May 2011 with a 90-day completion.
- Remain cognizant of the prevailing market rental rates when costing this project; If the City prices itself out of the existing market rate structure, then the project will fail.
- Solicit firm leasing agreements with potential hangar renters, and advertise in area aviation circles to create market demand, that should include agreement to 12-month leases with detailed rent schedules, and deposit of one month's rent to secure a position on the waiting list for hangar rental.

The Board is firm in its resolve to provide the best operating environment for aviation users at the Lawrence Municipal Airport. We request that an open, vigorous discussion and exchange of ideas be conducted with regards to the construction of T-hangars and the City's participation as owner.

While we are proud of our accomplishments to expand the airport's facilities with expanded parking apron and extended, improved runways, we have received regular criticism from the private pilots that feel disenfranchised from the airport community because of a lack of rental hangar space for their aircraft. These individuals contribute more to a local airport's vitality than the larger, transient business jets which visit our airport.

If we, as both Board and City, are to properly serve the aviation interests of Lawrence/Douglas County, then we must seize the moment and provide user-paid services at the airport like other City-sponsored properties, i.e. – a new community swimming pool, a parking garage or new arts center.

Not only will the T-hangars be 100 percent funded by user fees, but generate a return on investment for the city at the conclusion of its lifecycle. Our models serve as a ‘first-pass’ but are very realistic in our goals of achieving monthly rental rates in the \$235.00 range and account for:

- P&I payment: including variance for 10% vacancy & annual rent increase
- Monthly electric usage (est. \$10/mo.)
- Maintenance/Operations (est. \$30/mo)
- Insurance (est. \$10/mo)

A monthly rental price would breakout like this:

P&I:	\$200.00
Utility:	\$ 10.00
Maint./Operations	\$ 15.00
Insurance	<u>\$ 10.00</u>

**Monthly Rent:        \$235.00**

In this rent scenario, a four percent annual rent increase is planned over the 30-year financing period. Also, a 5% vacancy rate has been built into the payback projections so debt repayment can continue unaffected even if the City loses one or two units of rental income at anytime.

Additionally, revenue from the existing T-hangar units can be applied to debt reduction. The ‘A’ T-hangar units will reach the end of their debt schedule in 2011. FAA policy requires all airport-generated revenue to be ‘reinvested’ back into the airport. Allowing a set-aside for maintenance upkeep, the ‘A’ Unit can provide approximately \$16,000 for debt reduction on the new ‘C’ Unit complex. Also, revenues from the 2003 ‘B’ complex can be applied to debt reduction in 13 years when their debt schedule is completed. This application is estimated initially at \$60,000 per year.

This is a “win-win” scenario for aviation users and the City, which will benefit financially beyond the monthly rental payments as described earlier. However, the potential for construction cost savings are presenting a limited ‘window of opportunity’ so conversations and action must occur promptly if we choose to minimize our construction costs.

# Aviation Advisory Board

## Non-Binding

### Letter of Intent for Lease of T-hangar

**Background:** The Aviation Advisory Board of the City of Lawrence is gauging public interest for the construction of additional hangar facilities at the Lawrence Municipal Airport. The Board’s initial emphasis is the construction of additional T-hangar facilities to accommodate private aircraft operating from the Airport. This non-binding Letter of Intent demonstrates your interest in renting T-hangar space at the airport and will help gauge public interest before committing city tax dollars to construction activities. As of this time, no definitive costs have been determined for this project and rental terms may vary from the working range stated below.

I, the undersigned aircraft owner, am interested in a lease agreement with the Lawrence Municipal Airport for T-hangar rental in the tentative amount of \$225.00 - \$255.00 per month on a 12-month contract.

At this time, my interest is not binding but an expression of my commitment to Lawrence aviation that will help the Aviation Advisory Board and Lawrence City Commission gauge interest before committing tax dollars to construction. Also, while not binding, my interest will place me on a waiting list of prospective renters should construction begin on the Hangars.

Signed and submitted, this \_\_\_\_ of \_\_\_\_\_, 2010.

\_\_\_\_\_ (Print name)

\_\_\_\_\_ (Sign name)

\_\_\_\_\_ (address)

\_\_\_\_\_ (City, ST, Zip)

\_\_\_\_\_ (Aircraft Type, ID)