March 7, 2017

Marin County Board of Supervisors
3501 Civic Center Drive
San Rafael, CA 94903

SUBJECT: Hangar Ground Lease Permit Fees Increase
Gnoss Field Airport

Dear Board Members:

RECOMMENDATION: Staff recommends your Board increase hangar ground lease permit fees at Marin County Airport (Gnoss Field), by the percent increase shown in Exhibit 1 for the designated hangar spaces, effective May 1, 2017.

SUMMARY: The fees charged for parking aircraft at Gnoss Field require periodic review and revision per Marin County Code Sec. 12.04.100, which was last performed and approved by your Board effective May 1, 2008. Fees have been increased in subsequent years by the San Francisco Bay Area Consumer Price Index (CPI) to adjust for inflation as provided in County Code Section 12.04.105. The last regular CPI increase was in 2011. Staff recommends a CPI rate increase based on the last lease fee increase as shown on Exhibit 1.

Besides providing operational and maintenance funds needed to compensate for rising costs, the proposed fee increase would provide matching funds for Federal Aviation Administration (FAA) grants needed for runway rehabilitation and other capital projects at the Airport. Note that the Airport maintenance, operations, and capital expenditures are budgeted at the County through a special Enterprise Fund, which is funded by Airport revenues through leases, rentals, fuel flow fees, and sales concessionaire fees. No County General Funds are used at the airport.

DISCUSSION: Gnoss Field has various types of lease and rental agreements. There are aircraft storage permits on a month-to-month basis for County-owned hangars, aircraft storage permits on a month-to-month basis for privately-owned hangars, long-term ground leases for privately-built, larger hangars that allow for periodic fee adjustments, tie down fees for storing aircraft on the open air parking apron, office rentals for aviation-related businesses, as well as aviation fuel flow and concessionaire fees. Some of the long-term leases have expired and effectively reverted to a month-to-month basis. Other leases are still in effect and, per contract terms, cannot be changed at this time. The Marin County Code (Chapter 12.04) provides for annual CPI rate increase. There has not been an increase imposed since 2011 due to the economic downturn and to maintain a higher airport occupancy rate. All hangars are now currently occupied, while our tie-down apron spaces are about 18% used.
Comparing Airport Rates

Staff conducted a survey of ground lease and rental fees charged at comparable airports in northern California. Specific data comparing the same factors (e.g., on a per square foot basis) may not be readily available at each airport and there are many variables, including variable hangar configurations and the type of airport services (e.g., towered or non-tower airport and field services). Besides data provided in this report, we also reviewed on line hangar data at airports throughout California, including used hangar sales and rentals, to get a better sense of the market.

Gnoss Field Community Association (GFCA), a local association for general aviation interests (primarily of Gnoss Field pilots and users), also conducted an airport facilities survey in 2016. For most of the airports, we were able to verify their information and we incorporated their data as well in the figure below (noted with asterisk).

![Hangar Rate, Standard $/sq. ft.](image)

Figure 1 represents what staff determined were standard hangars, compared to larger 'corporate' hangars (many with electric doors, heaters, etc.). 'Gnoss Field' represents the existing standard rate for privately-built hangars on ground leases, not corporate or County-owned hangars. These rates were established in 2008 at $0.125 per sq. ft. ($138/mo.), prior to CPI adjustments. Staff's proposal is to raise the rate by the CPI since the last adjustment, which for most standard hangars is 12.9% (typically from $144/mo. to $163/mo.).

A review of tie-down fees indicates that Gnoss Field is at market rate; staff does not propose a rate increase at this time. The County-owned hangar aircraft storage permits also appear to be at market rate. As a comparison, the median ground lease where tenants have built hangars is about $144 per month, whereas the County-owned hangars rate is $413 per month.

Runway Rehabilitation Proposal

Gnoss Field tenants and the Aviation Commission have indicated they would like to see the Airport runway pavement rehabilitated. In the last couple of years, the County has been successful in obtaining (FAA) grants for needed runway rehabilitation planning and design.
work. Specifically, the County received a pavement management program grant of $67,500, which included conditions assessment of all Airport pavements (completed June 2016) and a runway rehabilitation design grant of $220,050. The runway rehabilitation design is currently in progress and the County has submitted a preliminary FAA grant application for complete runway reconstruction, estimated at $2,195,480 (note that the final design will include a revised engineer’s estimate). The FAA grants are awarded on a 90/10 percent split, so the County would currently need to provide the required local matching funds of approximately $220,000. Should your Board approve a rate increase and should we be successful in obtaining an FAA grant to reconstruct the runway pavement, staff will work with Department of Finance and the County Administrator to secure a County loan to the Airport Enterprise Fund to finance the runway reconstruction.

**Aviation Commission**

Staff provided the proposed Airport lease/rental rate increase to the Marin County Aviation Commission for discussion at their February 2, 2017 meeting. After public testimony and deliberation, the Aviation Commission unanimously recommended supporting the fee increase as shown in Exhibit 1. In addition to presenting the information and proposal at the Aviation Commission meeting, the Airport Manager posted the proposal in the Airport’s pilot’s lounge prior to today’s meeting. Notices were also sent by U.S. mail to all potentially-affected tenants.

**CONCLUSION:** Hangar and aircraft storage permit rates have generally not been raised since 2011. A few of the long-term ground leases, which have now reverted to month-to-month, have not been raised since 2004. Staff recommends your Board increase hangar ground lease permit fees at Gnoss Field by the percent increase shown in Exhibit 1 for the designated hangar spaces, effective May 1, 2017.

**FISCAL IMPACT:** The Airport maintenance, operations, and capital expenditures are budgeted through a special Enterprise Fund, which is funded by Airport revenues through leases, rentals, fuel flow sales, and concessionaire fees; no County General Funds are used. The proposed fee increases would yield an estimated annual increase in revenue for the Gnoss Field Airport Enterprise Fund of approximately $60,000.

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Respectfully submitted,

[Signature]

Eric Steger
Assistant Director

Attachments: Exhibit 1

C: Humphrey Ogg, Aviation Commission Chair
   Roy Given, Director of Finance
   Dan Jensen, Airport Manager
   Ken Mercer, Gnoss Field Community Association President