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TO: Patrick Dame, Director, Rapid City Regional Airport

FROM: Frasca & Associates, LLC

SUBJECT: RAP General Aviation Rates and Charges Study—Review of Regulatory Considerations,

Existing Leases, and Appraisals

DATE: January 22, 2020

Frasca & Associates, LLC ("FRASCA") was retained by the Rapid City Regional Airport ("RAP" or "the Airport"), a department of the City of Rapid City, to conduct Consulting Services for General Aviation Rates and Charges. The Scope of Work for these services is provided in the Airport's Request for Proposals (RFP), published November 14, 2018 ("the November 2018 RFP"). This RFP was issued following (1) the completion of a Rates and Charges Analysis for general aviation properties completed by Delta Airport Consultants in June 2017 ("the 2017 Rates and Charges Study"); and (2) the conclusion of airline lease negotiations and execution of a new airline agreement in June 2018 ("the 2018 Airline Agreement"). The goal of the RFP was to recommend a new general aviation rates and charges methodology compliant with relevant federal regulations, reflective of industry best practices, and complementary to the Airport's new airline agreement.

This report provides a summary of:

- Federal regulations and guidance relevant to rate-setting for general aviation tenants
- Industry best practices regarding general aviation rate-setting
- The 2017 Rates and Charges Study
- The 2018 Airline Agreement
- Relevant Airport leasing practices and regulations for general aviation facilities
- The rate-making and other relevant provisions of a sample set of three existing representative lease agreements with general aviation tenants, consisting of:
  - A single parcel with a private hangar for aircraft storage ("the Schabauer Property")
  - A set of 5 parcels with improvements used by a company providing aircraft maintenance and classified as a specialized aircraft service operation (SASO) by the Federal Aviation Administration ("the Dale Aviation Properties")
  - A set of 7 parcels with improvements used by a company providing the Airport's only fixed base operator (FBO) services ("the WestJet Properties")



- The two independent appraisals performed in 2019 for the sample set of properties
- FRASCA'S recommendations regarding RAP's general aviation rates and charges methodology

FRASCA is a financial advisory firm specializing in the airport sector, with more than 20 years of experience analyzing rates and charges for aeronautical and nonaeronautical tenants for consistency with federal regulations. However, FRASCA is not a certified appraiser. Therefore, independent appraisals were obtained from certified appraisers for indicative market fair market value rental rates for the subject properties, consistent with Federal Aviation Administration (FAA) guidance.

#### **Executive Summary**

A summary of our conclusions and recommendations is provided at the beginning of the report for your convenience.

#### **Conclusions**

- Federal regulations allow for the charging of fair market value rental rates for the Subject Properties
- RAP's Primary Guiding Documents conform with FAA recommendations and industry best practices to ensure equitable treatment of general aviation tenants
- RAP's rent escalation (annual CPI adjustment) and market reset (by appraisal every 5 years) provisions are consistent with industry best practices
- Not charging fair market value rental rates could prevent the development of an associated parcel at its best and highest use, among other unintended results
- RAP's practice of charging its FBO a lower rental rate than other general aviation tenants is not prevalent in the industry
- RAP's practice of charging differential rental rates for land occupied by a building is not prevalent in the industry
- There is a basis for charging differential rental rates for improved and unimproved land, with the typical standard being whether the land is paved or has access to utilities
- Reversion clauses are the industry standard for general aviation agreements
- Two independent appraisal reports conforming with relevant FAA regulations suggest market rental rates for the Subject Properties between \$0.27 and \$0.39



#### Recommendations

On the basis of a more exhaustive review of similar properties, accept the opinion of Alan M.
 Wilson & Associates as to the fair market value of the Subject Properties and other RAP properties of the same use, specifically:

Property type	Improved	Unimproved
Aircraft storage (Schabauer)	\$0.30/sq ft	\$0.27/sq ft
SASO (Dale)	\$0.33/sq ft	\$0.30/sq ft
FBO (WestJet)	\$0.33/sq ft*	\$0.31/sq ft*
* To be charged per square foot of developable area, excluding TOFA		

- Implement the new rental rates on all RAP properties as provided for in agreements with "Rent Study" provisions (escalating the appraisal rates by CPI for an appropriate number of years until the next appraisal in 2024 using 2019 as the base year)
- Charge unimproved rental rates solely for those completely undeveloped parcels that lack existing pavement, utilities, roadway, and airfield access
- For fairness, allow tenants to return leased premises to RAP when new rates are to become
  effective

#### Federal Regulations and Guidance Relevant to General Aviation Rate-Setting

Federal Grant Assurances and Rates and Charges Policy. As recipients of federal Airport Improvement Program (AIP) grants<sup>1</sup>, U.S. airports such as RAP are regulated by the FAA. This regulation includes the business and financial terms under which airport sponsors set fees and charges to recover the cost of related development. Under the enabling legislation of the AIP and other relevant federal statutes, airport sponsors or operators (the City of Rapid City in the case of RAP) have the obligation to ensure reasonable access without unjust discrimination (often expressed as "on a fair" basis") for all aviation users, including airlines, general aviation operators, and service providers such as SASOs and FBOs. Additionally, airport sponsors are required to set rates, fees, and charges for aeronautical facilities and services to make the airport as self-sustaining as possible. These obligations are largely documented in the AIP grant assurances attested to by airport sponsors in each grant application (assurances 22, Economic Nondiscrimination; and 24 Fee and Rental Structure), key portions of which are documented below:

• **22(a)**, **Economic Nondiscrimination:** [The airport sponsor] will make the airport available as an airport for public use on reasonable terms and without unjust discrimination to all types, kinds and classes of aeronautical activities, including commercial aeronautical activities offering services to the public at the airport.

<sup>&</sup>lt;sup>1</sup> AIP grants are funded by user fees, including an excise tax on passenger tickets and general aviation fuel sales.



• **24, Fee and Rental Structure:** [The airport sponsor] will maintain a fee and rental structure for the facilities and services at the airport which will make the airport as self-sustaining as possible under the circumstances existing at the particular airport, taking into account such factors as the volume of traffic and economy of collection.

The FAA has a statutory mandate to ensure airport sponsor compliance with these obligations. However, the FAA's role is oversight only, as it does not have approval power over specific leases between the airport sponsor and tenants. The FAA has issued specific policies and prescribed procedures regarding its interpretation of its statutory mandate in the FAA's *Policy and Procedures Concerning the Use of Airport Revenue*, published November 1999 ("the Revenue Use Policy"); and *Policy Regarding the Establishment of Airport Rates and Charges*, published July 2008 and updated in September 2013 ("the Rates and Charges Policy"). Further practical interpretations of these policies are provided in various FAA orders (also promulgating departmental policies) and guidance (promulgating departmental administrative guidance). Key among these are FAA Order 5190.6B, the *FAA Airport Compliance Manual* ("the Compliance Manual").

Key to understanding federal regulations is the distinction between aeronautical use and users (to which the provisions of the Rates and Charges Policy apply) and nonaeronautical users (to which the provisions of the Rates and Charges Policy do not apply). The Introduction to the Rates and Charges Policy defines "aeronautical use" and "aeronautical users" as:

[. . .] includ[ing] services provided by air carriers related directly and substantially to the movement of passengers, baggage, mail and cargo on the airport. Persons, whether individuals or businesses, engaged in aeronautical uses involving the operation of aircraft, or providing flight support directly related to the operation of aircraft, are considered to be aeronautical users.

The Rates and Charges Policy further specifies acceptable rate-making practices for types of facilities used by aeronautical users, explicitly prescribing that the rates and charges for the use of airfield facilities cannot be set so as to exceed the costs to the airport sponsor of providing airfield services and assets. The Rates and Charges Policy defines the "airfield" as consisting of "ramps or aprons not subject to preferential or exclusive lease or use agreements, runways, taxiways, and land associated with these facilities" as well as "land acquired for the purpose of assuring land-use compatibility with the airfield" such as runway safety areas and land reserved for future aeronautical use. However, as clarified in Chapter 17 of the Compliance Manual, "aeronautical fees for landside or non-movement area airfield facilities (e.g., hangars and aviation offices) may be at a fair market rate but are not required to be higher than a level that reflects the cost of services and facilities." However, in FRASCA's experience (and as discussed in the later section "Industry Best Practices Regarding General Aviation Rate-Setting"), the practice of charging market rates for such properties is a best practice that is prevalent in the industry.

As discussed in the later section, "Review of Sample General Aviation Leases," the sample properties reviewed for the purpose of this report are aeronautical in nature, but do not include any aircraft parking ramps or other parcels that would be considered as "airfield" under the Rates and Charges Policy and therefore can be charged at fair market rates.

**Federal Appraisal Guidance.** FAA Compliance Guidance Letter 2018-3 ("FAA CGL 2018-3"), Appraisal Standards for the Sale and Disposal of Federally Obligated Airport Property, issued August 27, 2018, provides guidance regarding the appraisal process required for the sale and leasing of federally



obligated property (i.e., airport property owned by an airport sponsor under the obligations of federal grant assurances). This letter specified the minimum qualifications for appraisers and the minimum requirements for appraisal reports and provided an example scope for the appraisal of airport property. In general, the requirements parallel the Uniform Standards of Professional Appraisal Practice (USPAP). As discussed in the subsequent section, "Review of Independent Appraisals of Sample General Aviation Properties," the appraisals performed in connection with this study were done so pursuant to scopes developed in compliance with USPAP and FAA CGL 2018-3. Copies of RAP's professional services agreements with the appraisers are provided in Attachments A-1 (Shaykett Appraisal Company) and A-2 (Alan M. Wilson & Associates).

#### **Industry Best Practices Regarding General Aviation Rate-Setting**

The Airport Cooperative Research Program (ACRP) published in 2011 its "Guidebook for Developing and Leasing Airport Property" ("the ACRP Leasing Guidebook" or "the Guidebook") which "discusses the key issues associated with developing and leasing available airport land and summarizes best practices from the perspective of the airport sponsor." The ACRP is described by the FAA as "an industry-driven, applied research program that develops practical solutions to problems faced by airport operators." The ACRP is managed by the Transportation Research Board of the National Academies and is sponsored by the FAA. Reports are reviewed with an FAA liaison and made available to the industry free of charge. Due to the FAA's sponsorship and active participation, ACRP reports such as the Guidebook are valuable resources to airport sponsors in implementing industry best practices consistent with federal regulations. This section summarizes industry best practices regarding leasing general aviation property identified in the Guidebook.

**Key Financial and Business Terms of Airport Leases.** General aviation leases consist of several elements that combine to form the key financial and business terms of the lease. Those element of greatest relevance to the scope of this report include:

- Term of lease agreement
- Scope of rates, fees, and charges
- Escalation provisions
- Reversion clauses

**Term of Lease Agreement.** The term is the time period for which the lease is in effect. The term can be set by airports by policy, often specific to type of property (e.g., private hangar or FBO) or negotiated taking into account considerations such as future airport development plans or the tenant's proposed investment in the property. Federal, state, and local regulatory considerations may also affect maximum allowable terms, with a bias towards preventing very long-term agreements that constrain an airport sponsor's operational, development, or financial flexibility or are otherwise not commercially prevalent. (The FAA considers any lease with a term of more than 50 years as being a fee-simple transaction, with the tenant becoming the *de facto* owner of airport property.)



Other than airport policy, relevant regulations, or considerations specific to the land being leased, the ACRP Leasing Guidebook finds that the most important consideration in determining term is the value and type of investments made by the tenant. The Guidebook states that:

The typical airport land lease term will range from a 20- to 30-year term, where, at the termination of the lease, all improvements (financed by the tenant or otherwise) revert back to the airport. The length of the lease term must consider the ability of the developer to fully amortize its investment in improvements over the length of the lease agreement. The larger the investment in leasehold improvements, the longer the lease term will need to be.

The useful life of the investment is usually the most logical time period to use as the term for a lease agreement. While an argument can be made that rental rates should be lowered to enhance the financial feasibility of any investment, typical industry practice is to extend the term of the lease and therefore extend the period of time for the tenant to amortize its investment.

Scope of Rates, Fees, and Charges. The specific rates, fees, and charges to be paid by the tenant is also a key business term. Most general aviation leases typically charge only rent—either ground rent only, or ground and building rent if the tenant is a leasing an airport-owned building (most often one that reverted to the airport in a prior lease). Differential rental rates can be charged for improved (i.e., land with available utility connections or other infrastructure) and unimproved land, with the difference between rates representing the additional investment in the property. Rent payments to the airport thus represent fully fixed costs to the tenant and do not vary with activity or business cycles. Such potential upside or downside effects can be difficult to quantify over long-term leases. Consequently, some airports do have additional provisions for the tenant to pay for privilege fees as a percentage of gross receipts to add a variable cost component to the lease and thus link the airport's financial interests with the service provider. If a lease does consist of both rent and privilege fees, the rental rate is often less than those paid by similarly situated tenants not paying privilege fees. Additionally, some lease agreements may provide for the reimbursement for services provided by the airport, including utilities, trash collection, and maintenance requests.

In FRASCA's opinion, unless there is a specific motivation (typically as a matter of policy or management philosophy) for the airport to seek privilege fees from service providers, charging solely rent is preferable as a matter of administrative simplicity. The imposition of privilege fees imposes reporting requirements on the tenant, and the administrative burden of periodically auditing such reports for accuracy is high. To the extent the airport does directly provide services to tenants (or pays a service provider on behalf of a tenant), FRASCA agrees that agreements should require that such costs be reimbursable in full from the tenant.

**Escalation Provisions.** The Guidebook recommends that airport leases contain escalation provisions to compensate the sponsor for inflation. The Guidebook acknowledges that "the ideal situation is for an annual reappraisal of property, but this can be relatively expensive to administer." The ACRP found that "the most common form of rent escalation is a standard increase every 3 to 5 years, where rent escalation is tied to one or more of the consumer price indices set by the U.S. Department of Labor." Airport sponsors may also pair the standard increase with periodic rent studies during the lease term to reset the base rental rate.



**Reversion Clauses.** If the term of a lease is properly tied to the useful life of investments made by the tenants, it follows that such improvements should revert to the airport at the end of the lease. (It also logically follows that the property interest in the improvements (with obvious exceptions for furniture, fixtures, and equipment) must be tied to the property interest in the land, as the airport would be unable to lease the land for its highest productive use to another tenant if the land is occupied by a building owned by another party.) According to the Guidebook, these reversion clauses are typical in the industry because:

Leasehold improvements are "wasting assets" that have a limited useful life (typically the length of the lease term), and will depreciate through the course of the lease. In other words, most tenants will typically enter into long-term lease agreements with the understanding that any investment in leasehold improvements will be fully depreciated over the length of the lease and have no expectation of asset recovery at the termination of the lease.

However, these provisions often lead to disinvestment as the lease nears the end of its term, as there is little motivation for the lessee to make investments in the property. Accordingly, the Guidebook recommends that "enforceable specifications for upkeep and maintenance are appropriately detailed in the lease document or referenced in the Airport Minimum Standards document." Other ways for airports to address such issues include periodic requirements for reinvestment, or option periods with associated reinvestment requirements.

**Definition of Leasehold Areas.** One key provision not addressed by the ACRP Leasing Guidebook was the definition of leasehold areas. Together with the market rate for the properties, the definition of the actual rentable square footage of the leasehold area determines what the tenant pays in total for rented properties. Further, the relationship between varying rental rates for improved and unimproved land and the definition of such land has a significant impact on how the land is developed, and it is important for airport operators to adopt policies that lead to desired outcomes. These desired outcomes typically include:

- Ensuring that Airport land in general and individual parcels specifically are developed at their best and highest use
- Ensuring that leased parcels are actually developed for use and not leased for anticompetitive reasons to prevent development
- Maximizing the tenant's investment in the subject property

With these outcomes in mind, it is clear that certain leasing practices could lead to unintended results. For example, if below-market rates are charged for property, a tenant may have the incentive to lease adjacent parcels to prevent future development. Further, if lower, "unimproved" rates are charged for this property, the tenant could be disincentivized from developing the property.

The Wilson Appraisal (discussed in the later section "Review of Independent Appraisals of Subject Properties – Wilson Appraisal) noted the following best practices for leasing aeronautical property:



- Charge unimproved rates only for those "remote parcels that are vacant, unpaved, and unserved by utilities versus parcels that are served by utilities, may already be paved, may be proximate to or include improved ramp area, and/or are otherwise ready for development" (page 30)
- Do not distinguish between "improved" and "unimproved" land by whether it is occupied by a building, but rather charge a "uniform unit rental rate across the entire parcel" (pages 30-31)

Reward tenant investments in leaseholds by extending the term of the agreement (page 30)

#### The 2017 Rates and Charges Study

**Background.** The Airport contracted with Delta Airport Consultants in November 2016 to review general aviation rates and charges and related leasing policies at RAP. The study was completed in June 2017 and documented in a final report.

#### The report:

- Summarized RAP general aviation facility and operational data
- Summarized the availability of general aviation service providers by type
- Documented historical revenues from general aviation activities
- Summarized relevant federal regulations, including the "fair and reasonable," "not unjustly discriminatory," and "self-sustaining" principles discussed in the prior section, "Federal Regulations and Guidance Relevant to General Aviation Rate-Setting"
- Reviewed relevant Airport guiding documents, including general aviation agreement general provisions; minimum standards; rules and regulations; and permits and leases
- Reviewed financial, rates and charges, facility, and operational data for eight airports identified as peers of RAP due to their location and similar nature of operations

Study Findings. Findings of the 2017 Rates and Charges Study relevant to this report are:

#### The RAP General Aviation Market

RAP is "currently in a strong position to compete for regional general aviation customers.
 Nearby airports are limited in facilities, services, or, in some cases, both. Fuel sales and hangar utilization are both strong and are an indicator of RAP's competitive position in the region."

#### **RAP Guiding Documents and Policies**

• RAP has "an excellent set of primary guiding documents that provide a framework for its general aviation activities, service providers, leasing policy, and operation"



- These primary documents include
  - General provisions applied uniformly to general aviation lease agreements
  - Minimum standards intended to promote high quality, safe, secure, and economically healthy general aviation services and facilities developed in an orderly fashion
  - Rules and regulations to promote the safe, orderly, and efficient operation of the Airport
  - Standardized applications, permitting processes, and leases

#### **Peer Airport Review**

- Most airports charged a single ground rental rate for all leaseholders, regardless of purpose (e.g., same rate for general aviation service providers and private hangar owners)
- RAP's FBO ground rental rate is lower than all other airports reviewed
- Some airport sponsors charge a privilege fee as a percentage of gross revenues in addition to ground rent
- Most agreements at other airports provided for a periodic escalation in the ground rental, generally tied to the Consumer Price Index (CPI)

Study Recommendations. The recommendations of the 2017 Rates and Charges Study were general in nature (e.g., "ensure the rates and charges imposed on the users of the Airport are fair and reasonable" and "make the Airport available for public use on fair and reasonable terms without unjust discrimination"), which can primarily be summarized as "set rates and charges consistent with relevant federal regulations and policies" (which is—of course—a regulatory mandate). The study recommended that RAP "carefully consider each element of its overall general aviation revenue strategy" that "must consider the revenue potential across a range of various sources: land leases, hangar and building rentals, fuel flowage fees, and landing fees." Other recommendations concerned a review of leasing practices, specifically defining the scope of leased areas consistently; the classification of improved versus unimproved land; explicit reversion clauses; and direct billing for passthrough costs such as trash collection, maintenance requests, and snow removal.

FRASCA Review of Study. A primary result of the 2017 Rates and Charges Study was for the Airport to issue the November 2018 RFP for assistance with developing a specific methodology for general aviation rates and charges. FRASCA largely agrees with the findings of the 2017 Rates and Charges Study, except on two specific points. First, FRASCA disagrees with the study's implicit characterization of fuel flowage fees as additional financial consideration related to the leasing of airport land. Fuel flowage fees are typically charged to users by the FBO and remitted to the airport sponsor as a surrogate for landing fees to pay for airfield use (although a component may exist directly related to the cost of fuel infrastructure) due to its relative ease of collection and fair approximation of use. As a standard industry



practice, fuel flowage fees are most often credited in the cost-recovery landing fee calculation and are thus revenue-neutral to the airport sponsor, as is the case for RAP.

Similarly, Table 4 of the report overstates the relative cost of <u>most</u> general aviation operations at RAP. While RAP does charge a landing fee to certain general aviation users, it applies only to aircraft with maximum certified gross landed weight of 12,500 pounds or more (i.e., those classified as "Large Airplanes" by the FAA, with a representative aircraft being a Beechcraft King Air with maximum occupancy of 11 passengers or more). This fee is charged by RAP (and some other airports) due to the relatively higher burden such aircraft place on the Airport's runways and taxiways, reflecting more stringent FAA design standards for runways accommodating aircraft of such size. RAP experienced an estimated 691 landing operations by aircraft of this size (excluding passenger aircraft) in 2018, or just 1.5% of total operations

Since fuel flowage and landing fees in these examples are paid by all general aviation users for the use <u>airfield facilities</u>, FRASCA does not consider such fees relevant in establishing ground rental rates for general aviation facilities. However, it should be noted that the 2017 Rates and Charges Study found that all but 2 of 8 peer airports charged a fuel flowage fee rate <u>at least equal to RAP's</u>, providing market evidence that the rate does not unduly burden general aviation users.

#### The 2018 Airline Agreement

In November 2016, the Airport engaged members of FRASCA staff (then working for another firm) to assist with the renegotiation of its agreement with the commercial airlines. This airline agreement established the methodology for calculating the rates, fees, and charges paid by commercial air carriers for their use of the Airport. The then-current airline agreement was effective on January 1, 2015, expired on December 31, 2017, and allocated operation and maintenance expenses based on fixed percentages that resulted in inadequate recovery of the costs of aeronautical facilities.

Goals of the new airline were to both (1) develop maintainable, reasonable cost center accounting for operation and maintenance expenses and capital project costs; and (2) calculate commercial air carrier rates, fees, and charges on industry-standard basis consistent with applicable federal regulations so as to recover appropriate aeronautical facility costs. During 2017, a detailed review was done to reasonably assign the Airport's operation and maintenance expenses and capital project costs to cost centers and methodologies were developed to update those allocations periodically.

FRASCA assisted the Airport in reviewing alternate rates and charges methodologies, meeting with the commercial air carriers, and drafting a new airline agreement. The new rates and charges methodology increased the landing fee rate to ensure full cost recovery of related airfield facilities. The new airline agreement was effective January 1, 2018 and airlines representing nearly 90% of passengers at the Airport signed the agreement.

#### **Relevant Airport General Aviation Leasing Practices**

As alluded to in the prior section "The 2017 Rates and Charges Study," RAP adopted three documents in July 2013: the General Aviation Minimum Standards ("the Minimum Standards"; subsequently amended in September 2015); the Airport Rules and Regulations; and General Provisions in an effort to standardize Airport leasing practices and agreements. The Minimum Standards set the facility, operational, and



functional standards for aeronautical services, tenants, and users. The Rules and Regulations ensure safe, orderly, and efficient use of the Airport by operators, tenants, and users. The General Provisions (amended in March 2014) contain provisions common to all general aviation agreements. Together, the Airport refers to these documents as the Primary Guiding Documents.

In August 2014, the Airport also adopted standardized "boilerplate" leases (the Commercial Lease and Use Agreement (for lessees providing aeronautical services) and the Non-Commercial Use and Lease Agreement; together the "Standard Leases"). The Standard Leases are triple net leases, requiring tenants to pay monthly rent to RAP and pay separately all applicable property taxes, insurance premiums, and utilities and maintenance. The Standard Leases provide for annual, quarterly, or monthly payment of rent. The rental rate is established explicitly for the first year of the agreement, with annual adjustments based on the percentage change in the CPI. Finally, the leases provide for the adjustment of the rental rate every 5 years pursuant to the findings of a Rent Study to establish market rental rates. In FRASCA'S experience, and as recommended by the ACRP Leasing Guidebook, these provisions are consistent with industry best practices.

The Primary Guiding Documents are incorporated by reference into the Standard Leases. Together, these documents ensure equitable treatment of the Airport's lessees through consistent business terms. The Airport's use of Primary Guiding Documents and standardized leases is consistent with FAA recommendations and industry best practices.

The Airport publishes its rates and charges annually, coinciding with the Airport's fiscal year ending December 31. The FY 2019 rates and charges include annual ground lease rates per square foot of \$0.0717 (FBO land occupied by buildings); \$0.2056 (FBO tie-down area); \$0.13366 (other general aviation lessees for unimproved areas); and \$0.26722 (other general aviation lessees for improved areas). Improved areas include access to water, electric, and gas utilities. While in practice these are the rates that would be charged for new parcels, no new leases have been signed since June 2017. Likewise, prior to the appraisals summarized in this memo, the Airport had not completed a Rent Study since adopting the Standard Leases in 2014 (the Rent Study process was to apply every 5 years, with the first cycle in 2019), so the rates as provided in the existing agreements apply. Three primary distinguishing characteristics therefore define RAP's general aviation rates and charges:

- Differential rental rates for FBOs versus other general aviation tenants
- Differential rental rates for FBO land occupied by buildings versus tie down areas
- Differential rental rates for other general aviation land based on access to utility infrastructure ("improved" versus "unimproved")

As discussed in the prior section, "Industry Best Practices Regarding General Aviation Rate-Setting," the Wilson Appraisal noted that charging differential rental rates for land occupied by a building is not industry-standard and can lead to undesirable outcomes such as disincentivizing investment in airport property. The Wilson Appraisal used the following hypothetical example based on RAP's existing leasing practices to illustrate this point (page 30):

Historically, airport sponsors have rewarded ground lessees' investments in their leaseholds, usually by extending ground lease terms. In charging higher ground rent for the area within the



building envelope than for the balance of the site(s), RAP's current practice appears to run contrary to that philosophy, which can be illustrated in the following example reflecting two hypothetical SASO tenants, using the Airport's current annual ground lease rates:

	Lessee A	Lessee B	Current annual ground rental rate	Lessee A ground rent	Lessee B ground rent
Hypothetical lot size (sf)	10,000	10,000			
Proposed building footprint (sf)			\$0.26722	\$534.44	\$1,068.88
Net "unimproved area"			\$0.13366	\$1,069.28	801.96
Total ground rent				\$1,603.72	\$1,870.84

In this example, at the end of both hypothetical ground leases, the airport sponsor would theoretically be gaining a reversion in Lessee B's building that is twice as large and, potentially, twice as valuable as Lessee A's building. However, throughout the lease term, Lessee B would have been "penalized" in a relative sense for constructing a larger building because Lessee B's annual ground rent was \$267 \*about 17 percent) higher than Lessee A's ground rent for an identical 10,000-square-foot parcel.

#### **Subject Properties**

Airport management selected leases relating to three tenants and 13 parcels for FRASCA to review in connection with this report (the "Subject Properties"). The specific leases were selected because they (1) provided examples of leases for three different functions (aircraft storage, a SASO, and an FBO); (2) were located in the same general aviation development area of the Airport; and (3) were approaching the milestone in their leases requiring a market rent study.

Attachment B following this report summarizes the parcels evaluated.

#### **Review of Related Agreements**

FRASCA reviewed seven leases related to the three tenants: 1 each for the Schabauer Property and the WestJet Properties and 5 related to the Dale Aviation Properties. (The Dale Aviation leases included 4 reassigned to Rapid Fuel LLC.) The Schabauer lease is in the form of the standardized Non-Commercial Use and Lease Agreement, and the WestJet lease is in the form of the standardized Commercial Use and Lease Agreement. One of the five Dale Aviation leases is in the form of the Commercial Use and Lease Agreement, while the other four are in a prior format. For the purposes of this report (i.e., reviewing general aviation rates and charges), the only material differences in the prior lease format is that it does not allow for a periodic reset to market rent every five years. The annual escalation provisions based on CPI, however, are the same between the prior format and the Sample Leases.

#### **Review of Independent Appraisals of Subject Properties**

The Airport contracted with Shaykett Appraisal Company, Inc. and Alan M. Wilson & Associates to perform independent appraisals of the subject properties consistent with USPAP and FAA CGL 2018-3.



Appraising airport land is unique from appraising other types of land due to the specialized nature of its use and the fact that airport land is infrequently bought and sold. Whereas appraisals typically focus on the value of similar properties within the local market, those for airport properties must rely on values for comparable properties at similar airports. It is often the case that, even if multiple airports exist within a local area, such airports cannot be used as comparables due to differing facility capabilities. While Sturgis Municipal Airport and Black Hills Airport (Spearfish) are both within 60 miles of RAP, neither has as long of a runway as RAP or a control tower, among other amenities offered by RAP, and therefore being less attractive to a certain class of aeronautical users. Additionally, they are not as proximate to the main population center of the region, Rapid City. As such, facilities—and, by extension, land—can logically be considered more valuable at RAP than at its two closest airports, even though there may be competition for certain types of users among the airports. Therefore appropriate benchmarks for RAP are those in the region with similar facility features and capabilities.

Shaykett Appraisal. The Airport entered into a professional services agreement with Shaykett Appraisal Company, Inc. ("Shaykett") in June 2019. This agreement is provided in Attachment A-1. Shaykett provided an appraisal report dated July 31, 2019 with an effective date of value of June 6, 2019. The appraisal was performed by Steven C. Shaykett, MAI, a State (South Dakota) Certified General Appraiser. Shaykett has almost 45 years of professional appraisal experience and has recently performed appraisals of airport property in Sioux City, Iowa and Sioux Falls, South Dakota. The appraisal report is provided as Attachment C-1 to this report.

To estimate market rent for the subject properties, Shaykett surveyed seven similarly sized commercial airports located throughout the upper Midwest: Grand Forks International Airport (ND), Sioux Falls Regional Airport (SD), Bozeman Yellowstone International Airport (MT), Glacier Park International Airport (MT), Bismarck Airport (ND), Missoula International Airport (MT), and Billings Logan International Airport. FRASCA considers the airports selected appropriate comparables to RAP. The study found a range of current general aviation market ground rent at these airports between \$0.12 to \$0.40 per square foot per year. The study placed primary reliance on Glacier Park and Bismarck as being close geographically with passenger numbers and amenities similar to RAP, concluding a market ground rent of \$0.39 per square foot.

Additionally, the study found most airports did not charge differential rental rates based on type of access (i.e., airfield or landside), based on parcel size, or based on type of use. While no direct comparisons were available for parcels without utility connections, the appraiser estimated a market rent for the Schabauer Property (the only property surveyed without utility connections at \$0.30 based on differential rates charged by Bismarck based on differences in amenities. While the study found some instances of the FBO being charged lower rates than other tenants, it found that the FBOs were generally subject to other fees, thus suggesting that lower rental rates for FBOs for airports charging solely ground rent is not the norm.

Following the review of the report by FRASCA and RAP, Shaykett provided an addendum to the report dated August 15, 2019. This addendum is provided as Attachment C-2 to this report. The addendum provided further explanation as to the study's reliance on Glacier Park and Bismarck versus the other airports surveyed in estimating the market rent. The addendum also reiterated the problematic nature of estimating the value of airport land due to the lack of current sales data and the specialized nature of its use (discussed in the introductory paragraph of this section). Finally, the report reiterated the rationale



for charging a single rental rate for airport land, stating "[i]t makes no economic sense or best practice to rent an asset for less, solely because the tenant chooses not to utilize it to its full potential."

Wilson Appraisal. The Airport entered into a professional services agreement with Alan M. Wilson & Associates ("Wilson") in September 2019. This agreement is provided in Attachment A-2. Wilson provided an appraisal report dated January 15, 2020 with an effective date of value of October 3, 2019. The appraisal was performed by Alan M. Wilson, MAI, a State (California and South Dakota) Certified General Appraiser. Wilson has 40 years of professional appraisal experience and specializes in the appraisal of airport real estate. Wilson has prepared more than 50 appraisals of multiple aviation properties, including FBOs, for airports including Hollywood-Burbank Airport, Carlsbad McClellan-Palomar Airport (CA), and the Joint Reserve Base Ft. Worth. While Wilson was provided a copy of the Shaykett report, he did not rely on it in completing his independent appraisal.

To estimate market rent for the subject properties, Wilson created an initial benchmark set of 17 comparable airports according to the following criteria:

- Classified by the FAA as a primary commercial service non-hub
- Serviced by a control tower
- Annual operations between 20,000 and 70,000
- Annual enplaned passengers between 180,000 and 540,000
- Located in either the FAA Great Lakes or Northwest Mountain regions

The range of operations and enplaned passenger numbers was chosen because they bracket RAP's metrics by 50 percent on both ends. The benchmark airports were:

Airport name	Location	Airport name	Location
Quad City International	Moline, IL	Green Bay Int'l	Green Bay, WI
Peoria International	Peoria, IL	Aspen-Pitkin County	Aspen, CO
Evansville Regional	Evansville, IN	Grand Junction Reg	Grand Junction, CO
Fort Wayne Int'l	Fort Wayne, IN	Glacier Park Int'l	Kalispell, MT
South Bend Int'l	South Bend, IN	Missoula International	Missoula, MT
Bishop International	Flint, MI	Rogue Valley Int'l	Medford, OR
Bismarck Municipal	Bismarck, ND	Roberts Field	Redmond, OR
Tri-Cities	Pasco, WA	Appleton Int'l	Appleton, WI
Jackson Hole	Jackson, WY		

Three of the 17 airports were also used as benchmark airports in the Shaykett study: Bismarck, Glacier Park, and Missoula, so a total of 21 airports were reviewed between the two appraisal reports. Wilson narrowed the initial list of 17 airports to 9 airports: Fort Wayne, Jackson Hole, and Peoria as they have less than 50 percent of general aviation operations; and Roberts Field, South Bend, Evansville, Glacier Park, and Rogue Valley as they either had exceptionally higher or lower operations per based aircraft



ratios or low based aircraft numbers. (It is worth noting that Shaykett's report considered Glacier Park a primary comparable.) Additional benchmark airports were selected in the immediate region, including Spearfish, Mandan, and Sturgis.

Wilson provided individual appraisal reports for each of the lessees. For each of these reports, Wilson examined rental rates for similarly purposed properties (i.e., aircraft storage, SASO, or FBO) at the benchmark airports and "rated" each benchmark property as being "inferior," "similar," or "superior" based on his professional judgment. He then recommended market rental rates for improved land based on the weight of the evidence, i.e., estimating value as less than the benchmark rates for superior properties, more than the rates for inferior properties, and about the same as the rate for similar properties. Wilson's methodology of examining data by type of property meant that the same airports were not necessarily relied upon more than others for all types of properties. Once base rental rates by type were established, Wilson estimated an appropriate discount to the rate for unimproved properties. FRASCA considers the Wilson report to be more detailed and exhaustive in its benchmarking analysis than the Shaykett report. The annual market ground rental rates estimated by the Wilson report were less than that estimated by the Shaykett report and are:

Type of land	Improved	Unimproved
Aircraft storage (Schabauer)	\$0.30/sq ft/building envelope	\$0.27/sq ft/building envelope
SASO (Dale Aviation)	\$0.33/sq ft/land	\$0.30/sq ft/land
FBO (WestJet)	\$0.33/sq ft/land	\$0.31/sq ft/land

Other important conclusions from the Wilson report were:

- RAP's current practice of charging differential rental rates for land occupied by a building provides financial disincentives for tenants to invest in improvements (page 30)
- The market study did not provide prevailing evidence for charging an FBO a lower ground rental rate than other general aviation tenants (page 62)
- While airports can legally charge different rates for different parcels, "ground rental rates are typically applied uniformly for leasehold parcels on airports regardless of physical differences, with the possible exceptions of paved versus unpaved land, or land that is served by utilities versus land unserved by utilities" (page 60)
- Any rate "discounts" for unimproved land versus improved land are typically the outcome of lease negotiations (page 101)
- Market rent for all three types of land is "increased by CPI annually, but applied every few years, and subject to periodic 'resets-to-market'" (page 60)
- Aircraft storage rents are typically charged based on the footprint or envelope of the building and are exclusive of any apron that might tie the hangar into the adjacent taxilane or taxiway object-free area (TOFA) (page 100)



It should also be stressed that the estimated market rates concluded by the study fully consider the general aviation market analysis included in the report, which alludes to declining activity in the sector in general and recent decreases in general aviation activity at RAP specifically.

#### **Conclusions and Recommendations**

Our conclusions from this study are provided in the prior section "Executive Summary" for the convenience of the reader.



#### Attachment A-1

#### PROFESSIONAL SERVICES AGREEMENT WITH SHAYKETT APPRAISAL CO., INC.

## PROFESSIONAL SERVICES AGREEMENT BETWEEN RAPID CITY REGIONAL AIRPORT AND SHAYKETT APPRAISAL COMPANY INC. FOR GENERAL AVIATION APPRAISAL SERVICES

This Agreement, made and entered into this 6<sup>th</sup> day of June, 2019, by and between Rapid City Regional Airport, (hereinafter, "Airport") whose address is 4550 Terminal Road, #102, Rapid City, South Dakota, 57703, and Shaykett Appraisal Company Inc., (hereinafter, "Consultant"), whose address is 601 North Minnesota Avenue, Sioux Falls, SD 57104.

WHEREAS, the Airport requires the services of an appraiser to determine market value of certain general aviation parcels at the Airport; and

WHEREAS, Consultant has the necessary technical expertise to perform such services on behalf of the Airport; and

WHEREAS, the Airport wishes to retain the Consultant to perform the services so desired; and

WHEREAS, the purpose of this Agreement is to specify under what terms and conditions the services will be performed.

NOW THEREFORE, in consideration and the mutual covenants and agreements hereinafter set forth, the parties hereto agree as follows:

#### **ARTICLE 1 - SCOPE OF WORK**

- **1.1 Services.** Consultant agrees to perform the work consistent with the Scope of Work attached hereto and incorporated herein as Exhibit A.
- **1.2 Time and Availability.** Consultant estimates it will perform the appraisal services for the Airport and deliver the final written Appraisal Report as described in Exhibit A by July 17, 2019.
- **1.3 Standard of Conduct.** In rendering consulting services under this Agreement, Consultant shall conform to high professional standards of work and business ethics.

#### ARTICLE 2 - INDEPENDENT CONTRACTOR

- **2.1.** Independent Contractor. Consultant is an independent contractor and is not an employee of, or in any other service relationship with the Airport. The manner in which Consultant's services are rendered shall be within Consultant's sole control and discretion. Consultant is not authorized to speak for, represent, or obligate the Airport in any manner without the prior express written authorization from the Airport Director or his/her designee.
- **2.2. Taxes.** Consultant shall be responsible for all taxes arising from compensation and other amounts paid under this Agreement, and shall be responsible for all payroll taxes and fringe

benefits of Consultant's employees or other Consultant representatives. Neither federal, nor state, nor local income tax, nor payroll tax of any kind, shall be withheld or paid by the Airport on behalf of Consultant, its employees or other Consultant representatives.

**2.3. Benefits.** Consultant, Consultant employees or other Consultant representatives will not be eligible for, and shall not participate in, any employee pension, health, welfare, or other fringe benefit plan, of the Airport. No workers' compensation insurance shall be obtained by the Airport covering Consultant, Consultant's employees or other Consultant representatives.

#### **ARTICLE 3 - COMPENSATION FOR CONSULTING SERVICES**

- **3.1. Compensation.** The maximum amount of the fee for the Scope of Services shall not exceed Eight Thousand Dollars (\$8,000.00).
- **3.2 Invoicing and Payment.** Consultant shall invoice the Airport after the services have been completed and the final report delivered. The Airport will pay Consultant within 45 days of receipt of the invoice.

#### **ARTICLE 4 - TERM AND TERMINATION**

- **4.1. Term.** This Agreement shall be effective as of June 6, 2019, and shall continue in full force and effect for a term of two (2) months or upon Contract Completion, whichever occurs first.
- **4.2. Termination.** Both parties retain the right to terminate this Agreement at any time with written notice. Upon termination notice, Consultant shall cease work and invoice the Airport for work completed to date of termination. Unless Airport terminates the Agreement for cause, Consultant shall be compensated for all activity (professional fees) and expenses that have been obligated at the date of termination per the terms of this Agreement, on a pro-rata basis or for work completed, whichever is greater.
- **4.3. Contract Completion.** For purposes of this Agreement, Contract Completion means the consulting items have been delivered as noted in the Scope of Services listed in Exhibit A.

#### **ARTICLE 5 – INSURANCE AND INDEMNIFICATION**

- **5.1 Insurance**. Consultant shall maintain at a minimum the following insurance coverages with an insurer or insurers reasonably acceptable to the Airport:
  - Workers' compensation insurance with statutory limits required by South Dakota law.
     Coverage B-Employer's Liability coverage of not less than \$500,000 each accident,
     \$500,000 disease-policy limit, and \$500,000 disease-each employee.
  - Comprehensive General Liability Insurance with a combined single limit of \$1,000,000 per occurrence including bodily injury and property damage liability.

 Professional liability insurance providing claims-made coverage for claims arising from the negligent acts, errors or omissions of Consultant in the amount of \$1,000,000 each occurrence and \$1,000,000 annual aggregate. Coverage shall be maintained for at least three years after final completion of the services.

Consultant shall provide the Airport with a certificate of insurance evidencing such coverages and shall name the Airport and its respective directors, officers, agents, appointed officials, and employees as additional insureds.

**5.2 Indemnification**. Consultant shall defend, pay on behalf of, indemnify and hold harmless the Airport from any and all liabilities, costs or damages (including reasonable attorneys' fees) that may arise from any action or inaction of its employees, associates, and representatives in connection with the performance of the services outlined herein.

#### **ARTICLE 6 – NON-DISCRIMINATION POLICY STATEMENT**

In compliance with Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, the Age Discrimination act of 1975, the Americans with Disabilities Act of 1990, and other nondiscrimination authorities it is the policy of the City of Rapid City, 300 Sixth Street, Rapid City, SD 57701-5035, to provide benefits, services, and employment to all persons without regard to race, color, national origin, sex, disabilities/handicaps, age, or income status. No distinction is made among any persons in eligibility for the reception of benefits and services provided by or through the auspices of the City of Rapid City.

Consultant shall not discriminate against any employee or applicant for employment with respect to hire, tenure, terms, conditions or privileges of employment, or any matter related to employment because of such applicant's race, color, religion, national origin, ancestry, age or sex, except where a requirement as to age or sex is based on a bona fide occupational qualification.

Consultant will permit access to any and all records pertaining to hiring and employment and to other pertinent data and records for the purpose of enabling the Commission, its agencies or representatives, to ascertain compliance with the above provisions.

This section shall be binding on all subcontractors or suppliers. A breach in the above covenants shall be regarded as a material breach of this Agreement.

#### **ARTICLE 7 - GENERAL PROVISIONS**

**7.1.** Construction of Terms. If any provision of this Agreement is held unenforceable by a court of competent jurisdiction, that provision shall be severed and shall not affect the validity or enforceability of the remaining provisions.

**7.2. Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of South Dakota. Parties agree to submit to the exclusive venue and jurisdiction of the State of South Dakota, 7<sup>th</sup> Judicial Circuit, Pennington County.

**7.3. Entire Agreement.** This Agreement, together with Exhibits A and B, constitutes the entire agreement and sets forth the entire understanding and agreement of the parties as to the subject matter of this Agreement and supersedes all prior discussions and understandings in respect to the subject of this Agreement, whether written or oral.

**7.4. Modification.** No modification, termination or attempted waiver of this Agreement, or any provision thereof, shall be valid unless in writing signed by the party against whom the same is sought to be enforced.

**7.5. Waiver of Breach.** The waiver by a party of a breach of any provision of this Agreement by the other party shall not operate or be construed as a waiver of any other or subsequent breach by the party in breach.

**7.6. Successors and Assigns.** This Agreement may not be assigned by either party without the prior written notice of the other party. Furthermore, the benefits and obligations of this Agreement shall be binding upon and inure to the parties hereto, their successors and assigns.

**7.7.** No Conflict. Consultant warrants that Consultant has not previously assumed any obligations inconsistent with those undertaken by Consultant under this Agreement.

#### ARTICLE 8 – FEDERALLY MANDATED CLAUSES

During the performance of this Agreement, Consultant, for itself, its assignees, and successors in interest, agrees to comply with the Federally Mandated Contract Clauses attached hereto and incorporated herein as Exhibit B.

IN WITNESS WHEREOF, this Agreement is executed as of the date set forth above.

Shaykett Appraisal Company Inc.

By: Steven C. Shaylett MAI

Title: Owner

Rapid City Regional Airport

By: Patrick Dame, CM

Title: Airport Executive Director

Scope of Work

AIRPORT PROPERTY APPRAISAL SERVICES

City of Rapid City

Rapid City Regional Airport

#### Background

The City of Rapid City (the City) seeks a qualified Appraiser to provide real property appraisal services to determine the market value of 9 general aviation parcels at Rapid City Regional Airport (RAP or the Airport) and to assist with justification for new General Aviation ground rental rates at RAP as required by the leases.

#### **Minimum Qualifications**

#### The Appraiser must:

- Be a State-Certified General Appraiser in good standing with the State of South Dakota Department of Labor & Regulation (DLR)
- Be a member of the Appraisal Institute with a Member Appraisal Institute (MAI) designation
- Have a working knowledge of the aviation industry including FBOs, hangars, aviation support
  facilities, airport commercial development, and related general aviation facilities and associated
  aeronautical activities, and be familiar with Federal Aviation Administration (FAA), State of South
  Dakota, and City of Rapid City regulations, rules, and policies affecting airport property
- Have completed a minimum of 3 aeronautical property appraisals within the last 5 years
- Not have any outstanding litigation or regulatory issues that may materially affect its ability to provide the Scope of Services
- Not have any conflict of interests, direct or indirect, in the property being appraised that would in any way conflict with the preparation of the appraisal

#### Scope of Services

The subject properties are summarized in Attachment 1 and Attachment 2. Some parcels contain improvements such as an hangars, other aircraft storage, and fueling facilities owned by the lessee.

The leases for the subject properties obligate the tenants to pay land rent, with separate rates charged for improved and unimproved areas. The leases establish the annual rental rates for the first year of the term and require these rates to be adjusted to market rent every five years during the term. The leases require rates for the intervening years to be adjusted by the percentage change in the Consumer Price Index. Market rent is to be set based on the findings of a Rent Study, which is defined as an independent and qualified opinion as to the annual ground rental amount based upon a certified appraisal of the market value of the fee simple estate of the subject property.

The City seeks to retain a qualified Appraiser to prepare a Rent Study of the subject properties identified in Attachment 1 by providing the following services:

- Personally inspecting the subject properties and the surrounding environs
- · Analyzing the characteristics and development trends for the competing markets and environs
- Analyzing the highest and best use of the subject properties, giving consideration to existing zoning, airport use restrictions, and current and prospective uses for the property
- Conducting research and analysis to collect and verify market data related to the subject properties and comparable properties, especially sites restricted to airport-related land uses
- Considering the costs incurred by the City in providing operation and maintenance services related to the subject properties
- Developing a valuation opinion from the applicable valuation approach
- Calculating from the land value opinion an annual fair market ground rental rate consistent with the lease, separately for improved and unimproved areas
- Preparing a written Appraisal Report in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP) and in appropriate consideration of relevant FAA and other federal regulations and guidance, including FAA Advisory Circular 150/5100-17 and Uniform Standards for Federal Land Acquisitions ("Yellow Book"), that:
  - o Identifies and describes the subject properties
  - o Summarizes relevant provisions of the leases
  - Documents relevant definitions and concepts used in the analysis, including "market value" and "highest and best use," consistent with the definition of Rent Study provided above
  - o Sets forth the data and analyses upon which the valuation opinion was predicated
  - Documents any assumptions or limiting conditions upon which the valuation opinion was predicated

## Attachment 1 SUBJECT PROPERTIES

**Rapid City Regional Airport** 

		Leased Area (Square Feet)		eet)
Lessee/Area	Address	Improved Area	Unimproved Area	Total
Dale Aviation (S	pecialized Aviation Service Operation)			
Medical Air Rescue Hangar	3875 Airport Road	48,185	0	48,185
Dr. Ernest Schab	auer (Private Hangar)			
Hangar	4076 Hansen Hangar Lane	5,715	0	5,715
WestJet Aviation	WestJet Aviation Center, Inc. (Fixed Base Operator)			
A-Bidgs 1, 2, 3	Bldg 1 – 4160 Westjet Drive Bldg 2 – 4150 Airport Hangar Road (Bldg 2 since demolished) Bldg 3 – 4150 Schinzel Hangar Lane	28,544	102,376	130,920
B-Ramp Area	Not applicable	0	11,718	11,718
C-Bldg 4	4120 Cirrus Hangar Lane	0	29,483	29,483
D-Bldgs 5, 6, 7	Bldg 5 – 4025 La Croix Court Bldg 6 – 4000 La Croix Court Bldg 7 – 3951 Piper Hangar Lane	31,976	130,163	162,139
E-Fuel Tank Areas	Fuel Farm Road	0	4,935	4,935
F-New GA Bldg	4190 Westjet Dr	9,184	0	9,184
G-Bldg 8	4220 Westjet Dr	15,494	0	15,494
TOTAL		85,198	278,675	363,873

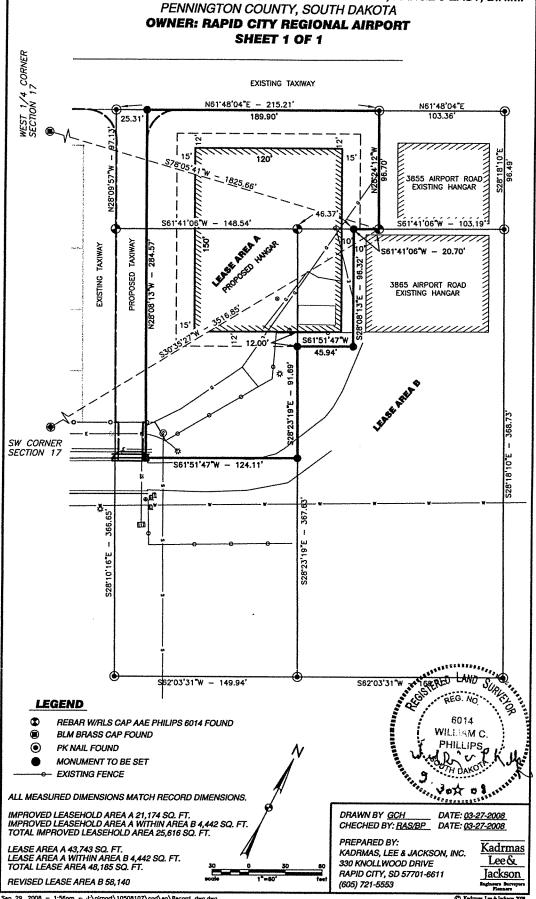
# Attachment 2 SUBJECT PROPERTIES Rapid City Regional Airport

Attachment	Description
2-1	Dale Aviation
2-2	Dr. Ernest Schabauer
2-3 (8 pages)	WestJet Air Center

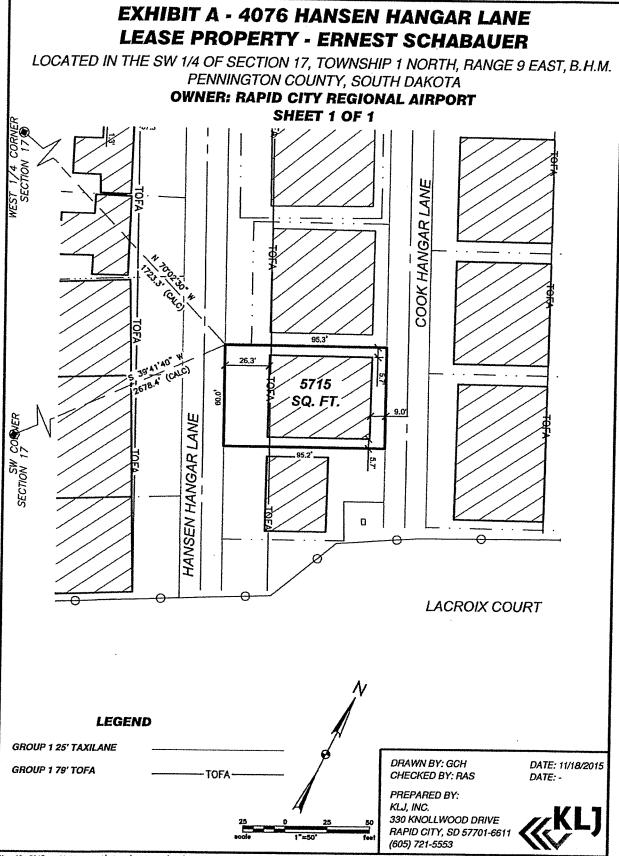
## Attachment 2-1

#### **EXHIBIT A EZ RIDER, LLC LEASE PROPERTY**

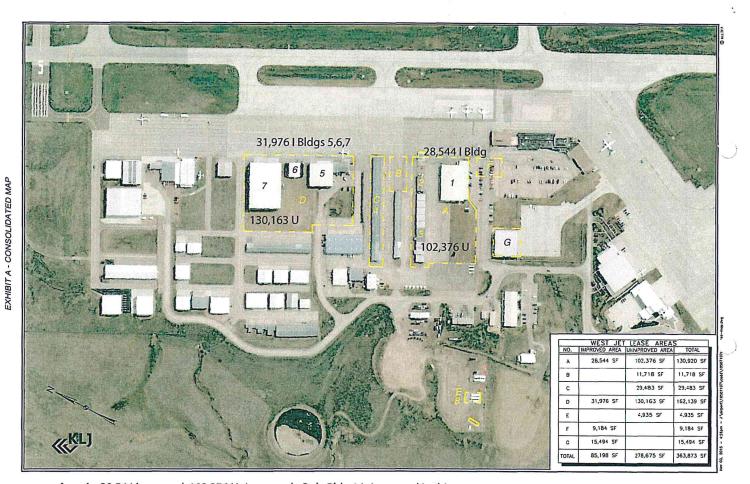
LOCATED IN THE W1/2 OF SECTION 17, TOWNSHIP 1 NORTH, RANGE 9 EAST, B.H.M.



## Attachment 2-2



## EXHIBIT A Attachment 2-3

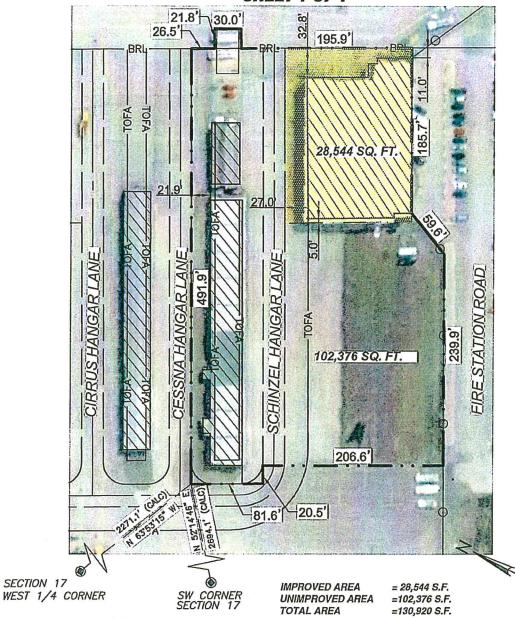


Area A - 28,544 Improved; 102,376 Unimproved. Only Bldg 1 is improved in this area. Area D - 31,976 Improved - (Bldgs 5, 6, 7); 130,1563 Unimproved. Any building square footage is considered improved, all other areas are considered unimproved.

# EXHIBIT A - 4160 FIRE STATION ROAD (AREA A) LEASE PROPERTY - WEST JET (DON & LINDA RYDSTROM)

LOCATED IN THE SW 1/4 OF SECTION 17, TOWNSHIP 1 NORTH, RANGE 9 EAST, B.H.M. PENNINGTON COUNTY, SOUTH DAKOTA

#### OWNER: RAPID CITY REGIONAL AIRPORT SHEET 1 OF 1



#### LEGEND

BUILDING RESTRICTION LINE BRL BRL GROUP 1 25' TAXILANE — — — — —

TOFA-

GROUP 1 79' TOFA

**CHAINLINK FENCE** 

DRAWN BY: GCH CHECHED BY: RAS DATE: 8/19/2014

PREPARED BY: KLJ, INC.

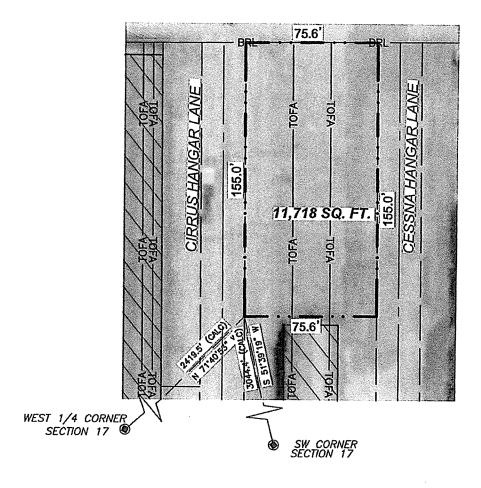
330 KNOLLWOOD DRIVE RAPID CITY, SD 57701-6611 (605) 721-5553



# EXHIBIT A - 4140 AIRPORT HANGAR RD. (AREA B) LEASE PROPERTY - WEST JET (DON & LINDA RYDSTROM)

LOCATED IN THE SW 1/4 OF SECTION 17, TOWNSHIP 1 NORTH, RANGE 9 EAST, B.H.M. PENNINGTON COUNTY, SOUTH DAKOTA

OWNER: RAPID CITY REGIONAL AIRPORT SHEET 1 OF 1



UNIMPROVED AREA = 11,718 S.F.

# 25 0 25 50

#### LEGEND

CHAINLINK FENCE

DRAWN BY: GCH CHECHED BY: RAS

DATE: 8/19/2014 DATE: -

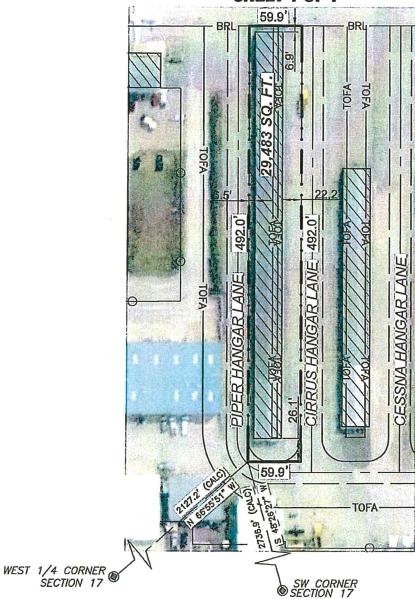
PREPARED BY: KLJ, INC. 330 KNOLLWOOD DRIVE RAPID CITY, SD 57701-6611 (605) 721-5553



## EXHIBIT A - 4102 AIRPORT HANGAR RD. (AREA C) LEASE PROPERTY - WEST JET (DON & LINDA RYDSTROM)

LOCATED IN THE SW 1/4 OF SECTION 17, TOWNSHIP 1 NORTH, RANGE 9 EAST, B.H.M. PENNINGTON COUNTY, SOUTH DAKOTA

#### **OWNER: RAPID CITY REGIONAL AIRPORT** SHEET 1 OF 1



LEGEND

SECTION 17

UNIMPROVED AREA = 29,483 S.F.

**BUILDING RESTRICTION LINE** -

**GROUP 1 25' TAXILANE GROUP 1 79' TOFA** 

TOFA-CHAINLINK FENCE

DRAWN BY: GCH CHECHED BY: RAS DATE: 8/19/2014 DATE: -

PREPARED BY: KLJ, INC.

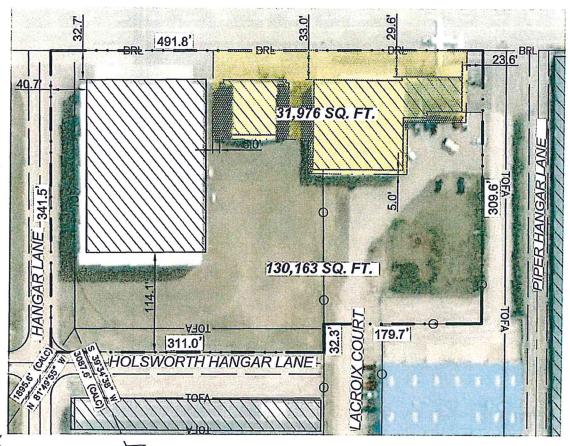
330 KNOLLWOOD DRIVE RAPID CITY, SD 57701-6611 (605) 721-5553



# EXHIBIT A - 4024 LACROIX COURT (AREA D) LEASE PROPERTY - WEST JET (DON & LINDA RYDSTROM)

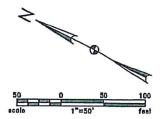
LOCATED IN THE SW 1/4 OF SECTION 17, TOWNSHIP 1 NORTH, RANGE 9 EAST, B.H.M. PENNINGTON COUNTY, SOUTH DAKOTA

OWNER: RAPID CITY REGIONAL AIRPORT SHEET 1 OF 1



© WEST 1/4 CORNER SECTION 17 SW CORNER SECTION 17

IMPROVED AREA UNIMPROVED AREA TOTAL AREA = 31,976 S.F. =130,163 S.F. =162,139 S.F.



#### LEGEND

DRAWN BY: GCH CHECHED BY: RAS DATE: 8/19/2014 DATE: -

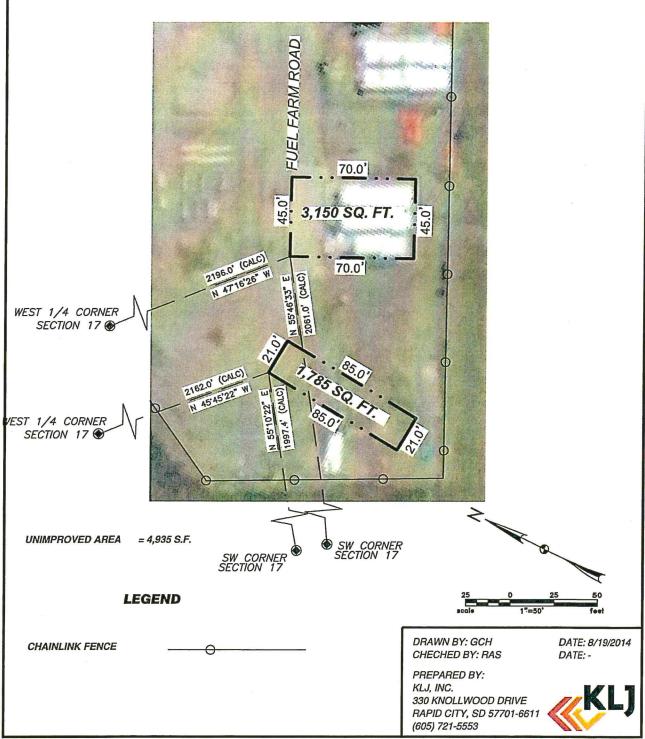
PREPARED BY: KLJ, INC. 330 KNOLLWOOD DRIVE RAPID CITY, SD 57701-6611 (605) 721-5553



# EXHIBIT A - FUEL FARM (AREA E) LEASE PROPERTY - WEST JET (DON & LINDA RYDSTROM)

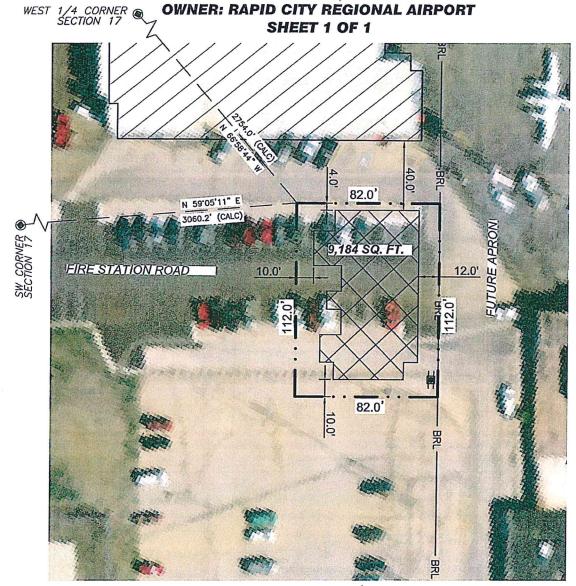
LOCATED IN THE SW 1/4 OF SECTION 17, TOWNSHIP 1 NORTH, RANGE 9 EAST, B.H.M. PENNINGTON COUNTY, SOUTH DAKOTA

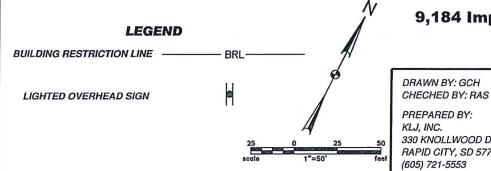
OWNER: RAPID CITY REGIONAL AIRPORT SHEET 1 OF 1



### **EXHIBIT A - 4170 FIRE STATION ROAD LEASE PROPERTY - WEST JET (DON & LINDA RYDSTROM)**

LOCATED IN THE NE1/4SW1/4 & NW1/4SE1/4 OF SECTION 17, TOWNSHIP 1 NORTH, RANGE 9 EAST, B.H.M. PENNINGTON COUNTY, SOUTH DAKOTA

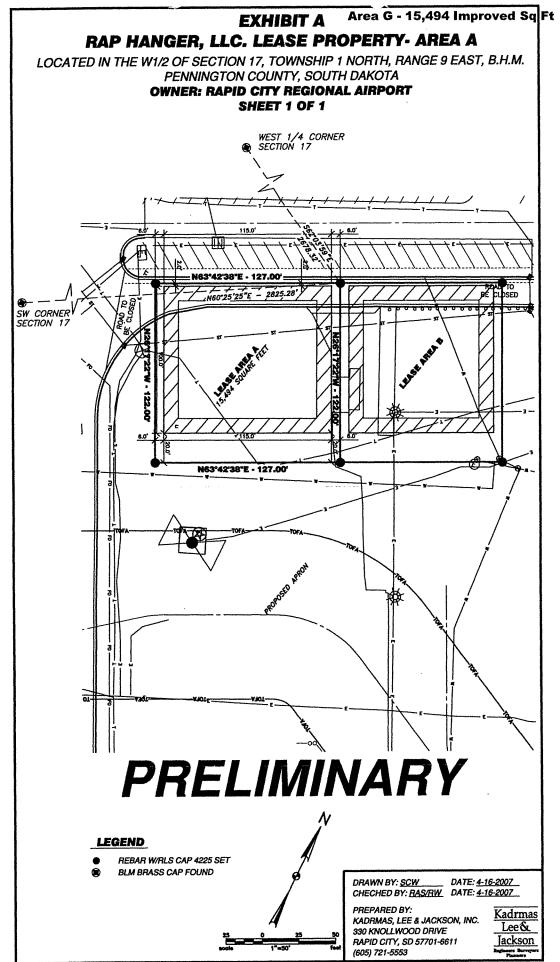




9,184 Improved Area

330 KNOLLWOOD DRIVE RAPID CITY, SD 57701-6611

DATE: 1/28/2015 DATE: -



#### **EXHIBIT B**

#### FEDERALLY MANDATED CLAUSES

During the performance of this Agreement, Consultant, for itself, its assignees, and successors in interest (hereinafter referred to as the "Consultant") agrees to comply with the following:

#### **CIVIL RIGHTS PROVISION**

Consultant agrees to comply with pertinent statutes, Executive Orders and such rules as are promulgated to ensure that no person shall, on the grounds of race, creed, color, national origin, sex, age, or disability be excluded from participating in any activity conducted with or benefitting from Federal assistance.

This provision binds the Consultant and subtier Consultants from the bid solicitation period through the completion of the contract. This provision is in addition to that required of Title VI of the Civil Rights Act of 1964.

#### COMPLIANCE WITH NONDISCRIMINATION REQUIREMENTS

During the performance of this contract, the Consultant, for itself, its assignees, and successors in interest (hereinafter referred to as the "Consultant") agrees as follows:

- 1. Compliance with Regulations: The Consultant (hereinafter includes consultants) will comply with the Title VI List of Pertinent Nondiscrimination Acts And Authorities, as they may be amended from time to time, which are herein incorporated by reference and made a part of this contract.
- 2. Non-discrimination: The Consultant, with regard to the work performed by it during the contract, will not discriminate on the grounds of race, color, or national origin in the selection and retention of subConsultants, including procurements of materials and leases of equipment. The Consultant will not participate directly or indirectly in the discrimination prohibited by the Nondiscrimination Acts and Authorities, including employment practices when the contract covers any activity, project, or program set forth in Appendix B of 49 CFR part 21.
- 3. Solicitations for Subcontracts, Including Procurements of Materials and Equipment: In all solicitations, either by competitive bidding, or negotiation made by the Consultant for work to be performed under a subcontract, including procurements of materials, or leases of equipment, each potential subConsultant or Consultant will be notified by the Consultant of the Consultant's obligations under this contract and the Nondiscrimination Acts And Authorities on the grounds of race, color, or national origin.
- 4. Information and Reports: The Consultant will provide all information and reports required by the Acts, the Regulations, and directives issued pursuant thereto and will permit access to its books, records, accounts, other sources of information, and its facilities as may be determined by the sponsor or the Federal Aviation Administration to be pertinent to ascertain compliance with such Nondiscrimination Acts And Authorities and instructions. Where any information required of a Consultant is in the exclusive possession of another who fails or refuses to furnish the information, the Consultant will so certify to the sponsor or the Federal Aviation Administration, as appropriate, and will set forth what efforts it has made to obtain the information.

- 5. Sanctions for Noncompliance: In the event of a Consultant's noncompliance with the Non-discrimination provisions of this contract, the Airport will impose such contract sanctions as it or the Federal Aviation Administration may determine to be appropriate, including, but not limited to:
  - a. Withholding payments to the Consultant under the contract until the Consultant complies; and/or
  - b. Cancelling, terminating, or suspending a contract, in whole or in part.
- 6. Incorporation of Provisions: The Consultant will include the provisions of paragraphs one through six in every subcontract, including procurements of materials and leases of equipment, unless exempt by the Acts, the Regulations and directives issued pursuant thereto. The Consultant will take action with respect to any subcontract or procurement as the Airport or the Federal Aviation Administration may direct as a means of enforcing such provisions including sanctions for noncompliance. Provided, that if the Consultant becomes involved in, or is threatened with litigation by a subConsultant, or Consultant because of such direction, the Consultant may request the Airport to enter into any litigation to protect the interests of the Airport. In addition, the Consultant may request the United States to enter into the litigation to protect the interests of the United States.

## FEDERAL FAIR LABOR STANDARDS ACT

All contracts and subcontracts that result from this solicitation incorporate by reference the provisions of 29 CFR part 201, the Federal Fair Labor Standards Act (FLSA), with the same force and effect as if given in full text. The FLSA sets minimum wage, overtime pay, recordkeeping, and child labor standards for full and part time workers.

The Consultant has full responsibility to monitor compliance to the referenced statute or regulation. The Consultant must address any claims or disputes that arise from this requirement directly with the U.S. Department of Labor – Wage and Hour Division.

## OCCUPATIONAL SAFETY AND HEALTH ACT OF 1970

All contracts and subcontracts that result from this solicitation incorporate by reference the requirements of 29 CFR Part 1910 with the same force and effect as if given in full text. Consultant must provide a work environment that is free from recognized hazards that may cause death or serious physical harm to the employee. The Consultant retains full responsibility to monitor its compliance and their subConsultant's compliance with the applicable requirements of the Occupational Safety and Health Act of 1970 (20 CFR Part 1910). Consultant must address any claims or disputes that pertain to a referenced requirement directly with the U.S. Department of Labor – Occupational Safety and Health Administration.

## TITLE V LIST OF PERTINENT NONDISCRIMINATION ACTS & AUTHORITIES

During the performance of this contract, the Consultant, for itself, its assignees, and successors in interest (hereinafter referred to as the "Consultant") agrees to comply with the following non-discrimination statutes and authorities; including but not limited to:

• Title VI of the Civil Rights Act of 1964 (42 U.S.C. § 2000d et seq., 78 stat. 252), (prohibits discrimination on the basis of race, color, national origin);

- 49 CFR part 21 (Non-discrimination In Federally-Assisted Programs of The Department of Transportation—Effectuation of Title VI of The Civil Rights Act of 1964);
- The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, (42 U.S.C. § 4601), (prohibits unfair treatment of persons displaced or whose property has been acquired because of Federal or Federal-aid programs and projects);
- Section 504 of the Rehabilitation Act of 1973, (29 U.S.C. § 794 et seq.), as amended, (prohibits discrimination on the basis of disability); and 49 CFR part 27;
- The Age Discrimination Act of 1975, as amended, (42 U.S.C. § 6101 et seq.), (prohibits discrimination on the basis of age);
- Airport and Airway Improvement Act of 1982, (49 USC § 471, Section 47123), as amended, (prohibits discrimination based on race, creed, color, national origin, or sex);
- The Civil Rights Restoration Act of 1987, (PL 100-209), (Broadened the scope, coverage and applicability of Title VI of the Civil Rights Act of 1964, The Age Discrimination Act of 1975 and Section 504 of the Rehabilitation Act of 1973, by expanding the definition of the terms "programs or activities" to include all of the programs or activities of the Federal-aid recipients, sub-recipients and Consultants, whether such programs or activities are Federally funded or not);
- Titles II and III of the Americans with Disabilities Act of 1990, which prohibit discrimination on the basis of disability in the operation of public entities, public and private transportation systems, places of public accommodation, and certain testing entities (42 U.S.C. §§ 12131 12189) as implemented by Department of Transportation regulations at 49 CFR parts 37 and 38;
- The Federal Aviation Administration's Non-discrimination statute (49 U.S.C. § 47123) (prohibits discrimination on the basis of race, color, national origin, and sex);
- Executive Order 12898, Federal Actions to Address Environmental Justice in Minority Populations and Low-Income Populations, which ensures non-discrimination against minority populations by discouraging programs, policies, and activities with disproportionately high and adverse human health or environmental effects on minority and low-income populations;
- Executive Order 13166, Improving Access to Services for Persons with Limited English Proficiency, and resulting agency guidance, national origin discrimination includes discrimination because of limited English proficiency (LEP). To ensure compliance with Title VI, you must take reasonable steps to ensure that LEP persons have meaningful access to your programs (70 Fed. Reg. at 74087 to 74100);
- Title IX of the Education Amendments of 1972, as amended, which prohibits you from discriminating because of sex in education programs or activities (20 U.S.C. 1681 et seq).



## Attachment A-2

## PROFESSIONAL SERVICES AGREEMENT WITH ALAN M. WILSON & ASSOCIATES

# PROFESSIONAL SERVICES AGREEMENT BETWEEN RAPID CITY REGIONAL AIRPORT AND ALAN M. WILSON & ASSOCIATES FOR GENERAL AVIATION APPRAISAL SERVICES

This Agreement, made and entered into this 12<sup>th</sup> day of September, 2019, by and between Rapid City Regional Airport, (hereinafter, "Airport") whose address is 4550 Terminal Road, #102, Rapid City, South Dakota, 57703, and Alan M. Wilson & Associates, (hereinafter, "Consultant"), whose address is 12315 Oak Knoll Rd., Suite 220, Poway, CA 92064.

WHEREAS, the Airport requires the services of an appraiser to determine market value of certain general aviation parcels at the Airport; and

WHEREAS, Consultant has the necessary technical expertise to perform such services on behalf of the Airport; and

WHEREAS, the Airport wishes to retain the Consultant to perform the services so desired; and

WHEREAS, the purpose of this Agreement is to specify under what terms and conditions the services will be performed.

NOW THEREFORE, in consideration and the mutual covenants and agreements hereinafter set forth, the parties hereto agree as follows:

#### **ARTICLE 1 - SCOPE OF WORK**

- **1.1 Services.** Consultant agrees to perform the work consistent with the Scope of Work attached hereto and incorporated herein as Exhibit A.
- **1.2 Time and Availability.** Consultant estimates it will perform the appraisal services for the Airport and deliver the final written Appraisal Report as described in Exhibit A within 75 days of last dated signature of this Agreement.
- **1.3 Standard of Conduct.** In rendering consulting services under this Agreement, Consultant shall conform to high professional standards of work and business ethics.

## **ARTICLE 2 - INDEPENDENT CONTRACTOR**

**2.1.** Independent Contractor. Consultant is an independent contractor and is not an employee of, or in any other service relationship with the Airport. The manner in which Consultant's services are rendered shall be within Consultant's sole control and discretion. Consultant is not authorized to speak for, represent, or obligate the Airport in any manner without the prior express written authorization from the Airport Director or his/her designee.

- **2.2. Taxes.** Consultant shall be responsible for all taxes arising from compensation and other amounts paid under this Agreement, and shall be responsible for all payroll taxes and fringe benefits of Consultant's employees or other Consultant representatives. Neither federal, nor state, nor local income tax, nor payroll tax of any kind, shall be withheld or paid by the Airport on behalf of Consultant, its employees or other Consultant representatives.
- **2.3. Benefits.** Consultant, Consultant employees or other Consultant representatives will not be eligible for, and shall not participate in, any employee pension, health, welfare, or other fringe benefit plan, of the Airport. No workers' compensation insurance shall be obtained by the Airport covering Consultant, Consultant's employees or other Consultant representatives.

## **ARTICLE 3 - COMPENSATION FOR CONSULTING SERVICES**

- **3.1. Compensation.** The maximum amount of the fee for the Scope of Services shall not exceed Twenty Nine Thousand Five Hundred Dollars (\$29,500.00), as indicated in Consultant's Amended Proposal dated September 7, 2019, attached and incorporated herein as Exhibit C.
- **3.2 Invoicing and Payment.** Consultant shall invoice the Airport once within 21 days after Consultant's formal property inspection and once after the services have been completed and final report delivered. The Airport shall pay Consultant within 45 days of receipt of the invoice.

#### **ARTICLE 4 - TERM AND TERMINATION**

- **4.1. Term.** This Agreement shall be effective as of September 12, 2019, and shall continue in full force and effect for a term of three (3) months or upon Contract Completion, whichever occurs first. This term may be extended by no more than two months by written consent by the Consultant and the Airport.
- **4.2. Termination.** Both parties retain the right to terminate this Agreement at any time with written notice. Upon termination notice, Consultant shall cease work and invoice the Airport for work completed to date of termination. Unless Airport terminates the Agreement for cause, Consultant shall be compensated for all activity (professional fees) and expenses that have been obligated at the date of termination per the terms of this Agreement, on a pro-rata basis or for work completed, whichever is greater. Airport recognizes that Consultant will have foregone other work while conducting this work for the Airport, potentially creating a material hardship for the Consultant in the event that the Airport cancels the Agreement. Measurement of that hardship is difficult to quantify.
- **4.3. Contract Completion.** For purposes of this Agreement, Contract Completion means the consulting items have been delivered as noted in the Scope of Services listed in Exhibit A.

## ARTICLE 5 - INSURANCE AND INDEMNIFICATION

**5.1 Insurance**. Consultant shall maintain at a minimum the following insurance coverages with an insurer or insurers reasonably acceptable to the Airport:

- Workers' compensation insurance with statutory limits required by South Dakota law.
   Coverage B-Employer's Liability coverage of not less than \$500,000 each accident,
   \$500,000 disease-policy limit, and \$500,000 disease-each employee.
- Comprehensive General Liability Insurance with a combined single limit of \$1,000,000 per occurrence including bodily injury and property damage liability.
- Professional liability insurance providing claims-made coverage for claims arising from the negligent acts, errors or omissions of Consultant in the amount of \$1,000,000 each occurrence and \$1,000,000 annual aggregate. Coverage shall be maintained for at least three years after final completion of the services.

Upon request, Consultant shall provide the Airport with a certificate of insurance evidencing such coverages and shall name the Airport and its respective directors, officers, agents, appointed officials, and employees as additional insureds.

**5.2 Indemnification**. Consultant hereby agrees to indemnify and hold the City harmless from any and all claims or liability including attorneys' fees arising out of the professional services furnished under this Agreement, providing that such claims or liability are the result of a negligent act, error or omission of the Consultant and/or its employees/agents arising out of the professional services described in the Agreement.

## **ARTICLE 6 – NON-DISCRIMINATION POLICY STATEMENT**

In compliance with Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, the Age Discrimination act of 1975, the Americans with Disabilities Act of 1990, and other nondiscrimination authorities it is the policy of the City of Rapid City, 300 Sixth Street, Rapid City, SD 57701-5035, to provide benefits, services, and employment to all persons without regard to race, color, national origin, sex, disabilities/handicaps, age, or income status. No distinction is made among any persons in eligibility for the reception of benefits and services provided by or through the auspices of the City of Rapid City.

Consultant shall not discriminate against any employee or applicant for employment with respect to hire, tenure, terms, conditions or privileges of employment, or any matter related to employment because of such applicant's race, color, religion, national origin, ancestry, age or sex, except where a requirement as to age or sex is based on a bona fide occupational qualification.

Consultant will permit access to any and all records pertaining to hiring and employment and to other pertinent data and records for the purpose of enabling the Commission, its agencies or representatives, to ascertain compliance with the above provisions.

This section shall be binding on all subcontractors or suppliers. A breach in the above covenants shall be regarded as a material breach of this Agreement.

## **ARTICLE 7 - GENERAL PROVISIONS**

- **7.1.** Construction of Terms. If any provision of this Agreement is held unenforceable by a court of competent jurisdiction, that provision shall be severed and shall not affect the validity or enforceability of the remaining provisions.
- **7.2. Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of South Dakota. Parties agree to submit to the exclusive venue and jurisdiction of the State of South Dakota, 7<sup>th</sup> Judicial Circuit, Pennington County.
- **7.3. Entire Agreement.** This Agreement, together with Exhibits A, B, and C, constitutes the entire agreement and sets forth the entire understanding and agreement of the parties as to the subject matter of this Agreement and supersedes all prior discussions and understandings in respect to the subject of this Agreement, whether written or oral.
- **7.4. Modification.** No modification, termination or attempted waiver of this Agreement, or any provision thereof, shall be valid unless in writing signed by the party against whom the same is sought to be enforced.
- **7.5. Waiver of Breach.** The waiver by a party of a breach of any provision of this Agreement by the other party shall not operate or be construed as a waiver of any other or subsequent breach by the party in breach.
- **7.6. Successors and Assigns.** This Agreement may not be assigned by either party without the prior written notice of the other party. Furthermore, the benefits and obligations of this Agreement shall be binding upon and inure to the parties hereto, their successors and assigns.
- **7.7. No Conflict.** Consultant warrants that Consultant has not previously assumed any obligations inconsistent with those undertaken by Consultant under this Agreement.

## **ARTICLE 8 – FEDERALLY MANDATED CLAUSES**

During the performance of this Agreement, Consultant, for itself, its assignees, and successors in interest, agrees to comply with the Federally Mandated Contract Clauses attached hereto and incorporated herein as Exhibit B.

## --ACKNOWLEDGEMENT PAGE--

IN WITNESS WHEREOF, this Agreement is executed as of the date set forth above.

Alan Mayyilson & Associates

By: Alan M. Wilson

Title: Owner

Rapid City Regional Airport

By: Patrick Dame, CM

Title: Airport Executive Director

## **EXHIBIT A**

Scope of Work
AIRPORT PROPERTY APPRAISAL SERVICES

City of Rapid City - Rapid City Regional Airport August 19, 2019

#### **Background**

The City of Rapid City (the City) seeks a qualified Appraiser to provide real property appraisal services to determine the market value of 14 general aviation parcels at Rapid City Regional Airport (RAP or the Airport) and to assist with justification for new General Aviation ground rental rates at RAP as required by the leases.

#### **Minimum Qualifications**

The Appraiser must:

- Be a State-Certified General Appraiser in good standing with the State of South Dakota Department of Labor & Regulation (DLR)
- Be a member of the Appraisal Institute with a Member Appraisal Institute (MAI) designation
- Have a working knowledge of the aviation industry including FBOs, hangars, aviation support
  facilities, airport commercial development, and related general aviation facilities and associated
  aeronautical activities, and be familiar with Federal Aviation Administration (FAA), State of South
  Dakota, and City of Rapid City regulations, rules, and policies affecting airport property
- Have completed a minimum of 3 aeronautical property appraisals within the last 5 years
- Not have any outstanding litigation or regulatory issues that may materially affect its ability to provide the Scope of Services
- Not have any conflict of interests, direct or indirect, in the property being appraised that would
  in any way conflict with the preparation of the appraisal

## **Scope of Services**

The subject properties are summarized in Attachment 1 with maps included as Exhibits A and B. Some parcels contain improvements such as hangars, other aircraft storage, and fueling facilities owned by the lessee.

The leases for the subject properties obligate the tenants to pay land rent, with separate rates charged for improved and unimproved areas. The leases establish the annual rental rates for the first year of the term and require these rates to be adjusted to market rent every five years during the term. The leases require rates for the intervening years to be adjusted by the percentage change in the Consumer Price Index. Market rent is to be set based on the findings of a Rent Study, which is defined as an independent and qualified opinion as to the annual ground rental amount based upon a certified appraisal of the market value of the fee simple estate of the subject property.

## **EXHIBIT A**

The City seeks to retain a qualified Appraiser to prepare a Rent Study of the subject properties identified in Attachment 1 by providing the following services:

- Personally inspecting the subject properties and the surrounding environs
- Analyzing the characteristics and development trends for the competing markets and environs
- Analyzing the highest and best use of the subject properties, giving consideration to existing zoning, airport use restrictions, and current and prospective uses for the property
- Conducting research and analysis to collect and verify market data related to the subject properties and comparable properties, especially sites restricted to airport-related land uses
- Considering the costs incurred by the City in providing operation and maintenance services related to the subject properties
- Developing a valuation opinion from the applicable valuation approach
- Calculating from the land value opinion an annual fair market ground rental rate consistent with the lease, separately for improved and unimproved areas
- Preparing a written Appraisal Report in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP) and in appropriate consideration of relevant FAA and other federal regulations and guidance, including FAA Advisory Circular 150/5100-17 and Uniform Standards for Federal Land Acquisitions ("Yellow Book"), that:
  - Identifies and describes the subject properties
  - Summarizes relevant provisions of the leases
  - Documents relevant definitions and concepts used in the analysis, including "market value" and "highest and best use," consistent with the definition of Rent Study provided above
  - Sets forth the data and analyses upon which the valuation opinion was predicated
  - Documents any assumptions or limiting conditions upon which the valuation opinion was predicated

# **EXHIBIT A**

# **Attachment 1 – Subject Properties**

Rates Listed	are as of January 1, 2019	Lease	ed Area (Square	Feet)
		Improved	Unimproved	
Lessee/Area	Address	.26722	.13366	Total
Exhibits A 1-6 Dale	Aviation (Specialized Aviation Ser	vice Operation)		
1 - Medical Air	3875 Airport Road	25,616	22,569	48,185
Rescue Hangar		\$6,845.11	\$3,016.57	\$9,861.68
2 & 3 – Rapid Fuel,	3865 & 3900 Airport Road	37,279	25,303	62,582
L&D Aero		\$9,961.69	\$3,382	\$13,343.69
4 – Rapid Fuel,	Ramp	1,000	0	1,000
Fuel Tanks		\$267.22		\$267.22
5 – Rapid Fuel,	3843 Cook Hangar Ln	15,758	0	15,758
Avionics		\$4,210.85		\$4,210.85
6 – Rapid Avionics	3940 Cook Hangar Ln	7,050	0	7,050
		\$1,883.90	47.070	\$1,883.90
TOTAL		86,703 \$23,168.78	47,872 \$6,398.57	134,575 \$29,567.35
		\$25,100.76	\$0,396.57	323,307.33
	st Schabauer (Private Hangar)		<u> </u>	
7 – Hangar	4076 Hansen Hangar Lane	5,715	0	5,715
		\$1,527.16		\$1,527.16
	pt. i			
		FBO	FBO	
1 / 0	Address	Improved .07017	Unimproved .02056	Tatal
Lessee/Area			1	Total
	WestJet Aviation Center, Inc. (Fix			
Area A-Bldgs 1, 2,	Bldg 1-4160 Westjet Dr	28,544	102,376 <b>\$2,104.85</b>	130,920
3	Bldg 2-has been torn down Bldg 3-4150 Schinzel Hangar Ln	\$2,002.93	\$2,104.85	\$4,107.78
Area B-Ramp Area	No street address	0	11,718	11,718
Alea b-Nailly Alea	NO street address	U	\$240.92	\$240.92
Area C-Bldg 4	4120 Cirrus Hangar Ln	0	29,483	29,483
Alea C-blug 4	4120 Chrus Hungar En		\$606.17	\$606.17
Area D-Bldgs 5, 6,	Bldg 5-4025 La Croix Ct	31,976	130,163	162,139
7	Bldg 6-4000 La Croix Ct	\$2,243.76	\$2,676.15	\$4,919.91
-				
	Bldg 7-3951 Piper Hangar Ln			
Area E-Fuel Tank		0	4,935	4,935
Area E-Fuel Tank Areas	Bldg 7-3951 Piper Hangar Ln	0	4,935 <b>\$101.46</b>	4,935 <b>\$101.46</b>
ŧ .	Bldg 7-3951 Piper Hangar Ln	9,184		•
Areas	Bldg 7-3951 Piper Hangar Ln Fuel Farm Rd		\$101.46	\$101.46
Areas Area F-New GA	Bldg 7-3951 Piper Hangar Ln Fuel Farm Rd	9,184	\$101.46	<b>\$101.46</b> 9,184
Areas Area F-New GA Bldg	Bldg 7-3951 Piper Hangar Ln Fuel Farm Rd 4190 Westjet Dr	9,184 <b>\$644.44</b>	<b>\$101.46</b>	\$101.46 9,184 \$644.44
Areas Area F-New GA Bldg	Bldg 7-3951 Piper Hangar Ln Fuel Farm Rd 4190 Westjet Dr	9,184 <b>\$644.44</b> 15,494	<b>\$101.46</b>	\$101.46 9,184 \$644.44 15,494

## FEDERALLY MANDATED CLAUSES

During the performance of this Agreement, Consultant, for itself, its assignees, and successors in interest (hereinafter referred to as the "Consultant") agrees to comply with the following:

## CIVIL RIGHTS PROVISION

Consultant agrees to comply with pertinent statutes, Executive Orders and such rules as are promulgated to ensure that no person shall, on the grounds of race, creed, color, national origin, sex, age, or disability be excluded from participating in any activity conducted with or benefitting from Federal assistance.

This provision binds the Consultant and subtier Consultants from the bid solicitation period through the completion of the contract. This provision is in addition to that required of Title VI of the Civil Rights Act of 1964.

## COMPLIANCE WITH NONDISCRIMINATION REQUIREMENTS

During the performance of this contract, the Consultant, for itself, its assignees, and successors in interest (hereinafter referred to as the "Consultant") agrees as follows:

- 1. Compliance with Regulations: The Consultant (hereinafter includes consultants) will comply with the Title VI List of Pertinent Nondiscrimination Acts And Authorities, as they may be amended from time to time, which are herein incorporated by reference and made a part of this contract.
- 2. **Non-discrimination:** The Consultant, with regard to the work performed by it during the contract, will not discriminate on the grounds of race, color, or national origin in the selection and retention of subConsultants, including procurements of materials and leases of equipment. The Consultant will not participate directly or indirectly in the discrimination prohibited by the Nondiscrimination Acts and Authorities, including employment practices when the contract covers any activity, project, or program set forth in Appendix B of 49 CFR part 21.
- 3. Solicitations for Subcontracts, Including Procurements of Materials and Equipment: In all solicitations, either by competitive bidding, or negotiation made by the Consultant for work to be performed under a subcontract, including procurements of materials, or leases of equipment, each potential subConsultant or Consultant will be notified by the Consultant of the Consultant's obligations under this contract and the Nondiscrimination Acts And Authorities on the grounds of race, color, or national origin.
- 4. Information and Reports: The Consultant will provide all information and reports required by the Acts, the Regulations, and directives issued pursuant thereto and will permit access to its books, records, accounts, other sources of information, and its facilities as may be determined by the sponsor or the Federal Aviation Administration to be pertinent to ascertain compliance with such Nondiscrimination Acts And Authorities and instructions. Where any information required of a Consultant is in the exclusive possession of another who fails or refuses to furnish the information, the Consultant will so certify to the sponsor or the Federal Aviation Administration, as appropriate, and will set forth what efforts it has made to obtain the information.

- 5. Sanctions for Noncompliance: In the event of a Consultant's noncompliance with the Non-discrimination provisions of this contract, the Airport will impose such contract sanctions as it or the Federal Aviation Administration may determine to be appropriate, including, but not limited to:
  - a. Withholding payments to the Consultant under the contract until the Consultant complies; and/or
  - b. Cancelling, terminating, or suspending a contract, in whole or in part.
- 6. Incorporation of Provisions: The Consultant will include the provisions of paragraphs one through six in every subcontract, including procurements of materials and leases of equipment, unless exempt by the Acts, the Regulations and directives issued pursuant thereto. The Consultant will take action with respect to any subcontract or procurement as the Airport or the Federal Aviation Administration may direct as a means of enforcing such provisions including sanctions for noncompliance. Provided, that if the Consultant becomes involved in, or is threatened with litigation by a subConsultant, or Consultant because of such direction, the Consultant may request the Airport to enter into any litigation to protect the interests of the Airport. In addition, the Consultant may request the United States to enter into the litigation to protect the interests of the United States.

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- The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, (42 U.S.C. § 4601), (prohibits unfair treatment of persons displaced or whose property has been acquired because of Federal or Federal-aid programs and projects);
- Section 504 of the Rehabilitation Act of 1973, (29 U.S.C. § 794 et seq.), as amended, (prohibits discrimination on the basis of disability); and 49 CFR part 27;
- The Age Discrimination Act of 1975, as amended, (42 U.S.C. § 6101 et seq.), (prohibits discrimination on the basis of age);
- Airport and Airway Improvement Act of 1982, (49 USC § 471, Section 47123), as amended, (prohibits discrimination based on race, creed, color, national origin, or sex);
- The Civil Rights Restoration Act of 1987, (PL 100-209), (Broadened the scope, coverage and applicability of Title VI of the Civil Rights Act of 1964, The Age Discrimination Act of 1975 and Section 504 of the Rehabilitation Act of 1973, by expanding the definition of the terms "programs or activities" to include all of the programs or activities of the Federal-aid recipients, sub-recipients and Consultants, whether such programs or activities are Federally funded or not);
- Titles II and III of the Americans with Disabilities Act of 1990, which prohibit discrimination on the basis of disability in the operation of public entities, public and private transportation systems, places of public accommodation, and certain testing entities (42 U.S.C. §§ 12131 12189) as implemented by Department of Transportation regulations at 49 CFR parts 37 and 38;
- The Federal Aviation Administration's Non-discrimination statute (49 U.S.C. § 47123) (prohibits discrimination on the basis of race, color, national origin, and sex);
- Executive Order 12898, Federal Actions to Address Environmental Justice in Minority Populations and Low-Income Populations, which ensures non-discrimination against minority populations by discouraging programs, policies, and activities with disproportionately high and adverse human health or environmental effects on minority and low-income populations;
- Executive Order 13166, Improving Access to Services for Persons with Limited English Proficiency, and resulting agency guidance, national origin discrimination includes discrimination because of limited English proficiency (LEP). To ensure compliance with Title VI, you must take reasonable steps to ensure that LEP persons have meaningful access to your programs (70 Fed. Reg. at 74087 to 74100);
- Title IX of the Education Amendments of 1972, as amended, which prohibits you from discriminating because of sex in education programs or activities (20 U.S.C. 1681 et seq).

## **EXHIBIT C**

## ALAN M. WILSON & ASSOCIATES

Real Estate Appraisers and Consultants

Ms. Toni Broom, C.M.
Rapid City Regional Airport
Deputy Director for Finance & Administration
4550 Terminal Rd., #102
Rapid City, SD 57703

September 7, 2019

Reference:

Revised Proposal for Appraisal Services

Market Ground Rent Estimates For Improved and Unimproved Land

Designated for SASO, G.A. Storage, and FBO Uses

Rapid City Regional Airport

Dear Ms. Broom:

As you know, I submitted a proposal dated August 23 to the Airport to undertake the referenced assignment. This is inform you that, if I am awarded the assignment, I will modify my professional fee to \$29,500 as an accommodation to the Airport and my requested retainer will now be \$7,375. All of the other terms contained in my original proposal (incorporated herein by reference) remain valid.

Thank you once again for considering me to perform the appraisal of market ground rent and underlying fee land value at Rapid City Regional Airport. If my revised proposal meets with your approval, I will look forward to reviewing the Airport's contract for services.

Respectfully submitted,

Alan M. Wilson, MAI

AG006308

12315 Oak Knoll Rd., Suite 220 Poway, CA 92064 awmai@protonmail.com (858) 248-6180



## Attachment B

## **SUBJECT PROPERTIES**

(Rates Liste	d are as of January 1, 2019)	Leased Area (	Square Feet and M	onthly Rent)
Lessee/Area	Address	Improved \$0.26722	Unimproved \$0.13366	Total
Dale Aviation (Specia	lized Aviation Service Operation)			
1 - Medical Air Rescue Hangar	3875 Airport Road	25,616 <b>\$6,845.11</b>	22,569 <b>\$3,016.57</b>	48,185 <b>\$9,861.68</b>
2 & 3 – Rapid Fuel, L&D Aero	3865 & 3900 Airport Road	37,279 <b>\$9,961.69</b>	25,303 <b>\$3,382</b>	62,582 <b>\$13,343.69</b>
4 – Rapid Fuel, Fuel Tanks	Ramp	1,000 <b>\$267.22</b>	0	1,000 <b>\$267.22</b>
5 – Rapid Fuel, Avionics	3843 Cook Hangar Ln	15,758 <b>\$4,210.85</b>	0	15,758 <b>\$4,210.85</b>
6 – Rapid Avionics	3940 Cook Hangar Ln	7,050 <b>\$1,883.90</b>	0	7,050 <b>\$1,883.90</b>
TOTAL		86,703 \$23,168.78	47,872 \$6,398.57	134,575 \$29,567.35
Dr. Ernest Schabauer	(Private Hangar)		<u> </u>	
Hangar	4076 Hansen Hangar Lane	5,715 <b>\$1,527.16</b>	0	5,715 <b>\$1,527.16</b>
	•		1	
Lessee/Area	Address	FBO Improved .07017	FBO Unimproved .02056	Total
WestJet Aviation Cen	iter, Inc. (Fixed Base Operator)		-	
A-Bldgs 1, 2, 3	Bldg 1-4160 Westjet Dr Bldg 2-has been torn down Bldg 3-4150 Schinzel Hangar Ln	28,544 <b>\$2,002.93</b>	102,376 <b>\$2,104.85</b>	130,920 <b>\$4,107.78</b>
B-Ramp Area	No street address	0	11,718 <b>\$240.92</b>	11,718 <b>\$240.92</b>
C-Bldg 4	4120 Cirrus Hangar Ln	0	29,483 <b>\$606.17</b>	29,483 <b>\$606.17</b>
D-Bldgs 5, 6, 7	Bldg 5-4025 La Croix Ct Bldg 6-4000 La Croix Ct Bldg 7-3951 Piper Hangar Ln	31,976 <b>\$2,243.76</b>	130,163 <b>\$2,676.15</b>	162,139 <b>\$4,919.91</b>
E-Fuel Tank Areas	Fuel Farm Rd	0	4,935 <b>\$101.46</b>	4,935 <b>\$101.46</b>
F-New GA Bldg	4190 Westjet Dr	9,184 <b>\$644.44</b>	0	9,184 <b>\$644.44</b>
G-Bldg 8	4220 Westjet Dr	15,494 <b>\$1,087.21</b>	0	15,494 <b>\$1,087.21</b>
TOTAL		85,198 \$5,978.34	278,675 \$5,729.56	363,873 \$11,707.90



## Attachment C-1

## **SHAYKETT APPRAISAL REPORT**

## MARKET RENT STUDY RAPID CITY REGIONAL AIRPORT 4550 TERMINAL ROAD, #102 RAPID CITY, SOUTH DAKOTA

## **CONTROL NUMBER 19-59R**

## **CLIENT**

RAPID CITY REGIONAL AIRPORT BOARD ATTN: MR. PATRICK DAME 4550 TERMINAL ROAD, #102 RAPID CITY, SOUTH DAKOTA 57703

EFFECTIVE DATE OF VALUE -JUNE 6, 2019

 $\mathbf{BY}$ 

SHAYKETT APPRAISAL COMPANY, INC. 601 NORTH MINNESOTA AVENUE, SUITE 100 SIOUX FALLS, SOUTH DAKOTA 57104-8413 (605) 332-3553

# Shaykett Appraisal Company, Inc.

601 N. Minnesota Avenue, Suite 100 Sioux Falls, South Dakota 57104-8413 Phone (605) 332-3553 • Fax (605) 332-0243 Email: shaykettappraisal@shaykettappraisal.com

**Travis E. Shaykett**State Certified General Appraiser

Steven C. Shaykett, MAI State Certified General Appraiser

George P. Stavrenos State Certified General Appraiser

July 31, 2019

Rapid City Regional Airport Board Attn: Mr. Patrick Dame 4550 Terminal Road, #102 Rapid City, South Dakota 57703

RE: Market

Market Rent Study

Rapid City Regional Airport Rapid City, South Dakota

Control #19-59R

Dear Mr. Dame:

In accordance with your request, I have prepared a market rent study for properties located within the above referenced property. Purpose and intended use of the study is to estimate the fair market ground rent effective June 6, 2019.

After viewing the subject property on June 6, 2019, as well as completing research and analysis necessary for the study, it is my opinion that the fair market ground rent as of June 6, 2019 for each of the 13 parcels was as follows:

	Estimated		Estimated Market
Lease No.	Market Rent	Lease No.	Rent
1	\$1,715	Α	\$51,059
2	\$18,792	В	\$4,570
2-1	\$6,146	С	\$11,498
2-2	\$24,407	D	\$63,234
2-3	\$390	Ε	\$1,925
2-4	\$2,750	F	\$3,582
		G	\$6,043

Analysis of the subject property and the data on which the appraiser's opinions are based are set forth in the following report. Appraisal has been made in conformity with generally accepted appraisal practices in accordance to the Uniform Standards of Professional Appraisal Practice (USPAP) and Uniform Appraisal Standards for Federal Land Acquisitions. Appraisal is subject to all general assumptions, limiting conditions, and other special limiting conditions as set forth in this report, or as specifically presented on the following page.

July 31, 2019 Mr. Dame Page 2

Client and intended user of the appraisal is Mr. Patrick Dame and the members of the Rapid City Regional Airport Board as additional intended users, for the intended use as stated. Use of this report without the consideration of the whole, or for any other use or by any other user is strictly prohibited, and this appraisal, when used in this manner, is null and void and of no effect.

Thank you for this opportunity to provide appraisal services. Please contact me if you have any questions or require additional information.

Respectfully submitted,

Steven C. Shaykett, MAI

State Certified General Appraiser

No. 155CG-2019

SCS

## GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal report and the letter of transmittal and the certification of value are made expressly subject to the following general assumptions and limiting conditions, and any special limiting conditions contained elsewhere which are incorporated herein by reference.

- 1. This appraisal is subject to the accuracy of the legal description furnished the appraiser; however, I can assume no responsibility for matters legal in nature, nor can I render an opinion as to the title.
- 2. The distribution of the total valuation between land and improvements applied only under the existing program of utilization. The separate valuations for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used.
- 3. I believe the information which was furnished to me by others is reliable, but I assume no responsibility for its accuracy. The comparable data relied upon in this appraisal is believed to be from reliable sources. However, it was not possible to view the comparables completely and it was necessary to rely on the information furnished by others as to said data. Therefore, the value conclusions are subject to the correctness of said data.
- 4. Unless otherwise indicated, all existing liens and encumbrances have been disregarded and the property is appraised as though it were free and clear of any such impediments that might affect value. The property is appraised as though it were under responsible ownership and competent management.
- 5. Subsurface rights (minerals and oil) were considered as they may contribute to the value of the surface rights unless otherwise indicated.
- 6. All furnishings and equipment, except those specifically indicated, have been disregarded by the appraiser. Only the real estate has been considered.
- 7. The appraiser has viewed, as far as possible, by observation, the land and the improvements thereon and has reported damage, if any, by termites, dry rot, wet rot, or other infestations as a matter of information. However, it was not possible to personally observe conditions beneath the soil or hidden structural components within the improvements. Viewing by the appraiser does not guarantee the lack of the presence of any hazardous materials, gases, or other materials which could be considered to pollute the environs of the subject property. Therefore, no representations are made herein as to these matters and unless specifically considered in the report, my value estimate is subject to any such conditions that could cause a loss in value.
- 8. Any sketches in this report are included to assist the reader in visualizing the property. I have made no survey of the property and assume no responsibility in connection with such matters.

## GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

- 9. I am not required to give testimony or to appear in court by reason of this appraisal with reference to the property in question unless arrangements have been previously made therefore.
- 10. Possession of this report or a copy thereof does not carry with it the right of publication. Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales or other media, nor for any purpose, without the written consent and approval of the appraiser, particularly as to valuation conclusions, the identity of the appraiser or firm with which he is connected, or any reference to the Appraisal Institute or to the MAI designation.
- 11. It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless non-compliance is stated, defined and considered in the appraisal report.
- 12. The appraiser is not aware of the presence of soil contamination on the subject property, unless otherwise noted in this appraisal report. The effect upon market value, due to contamination was not considered in this appraisal, unless otherwise stated.
- 13. The appraiser is not aware of the presence of asbestos or other toxic contaminants in the building(s), unless otherwise noted in this report. The effect upon market value, due to contamination was not considered in this appraisal, unless otherwise stated.
- 14. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.
- 15. The limit of liability of the appraiser or Shaykett Appraisal Company, Inc. is limited to the client only and to the amount of the fee received. Further there is no accountability, obligation or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of this assignment. The appraiser is also in no way responsible for the costs to correct any physical, economic, legal or any other deficiencies of the property. In the case of any third party actions brought against the client, the client will hold the appraiser completely harmless.

## APPRAISER'S CERTIFICATION

I certify that, to the best of my knowledge and belief:

- 1. The statements of fact contained in this report are true and correct.
- 2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- 4. I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- 5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- 6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- 7. My compensation is not contingent on an action or even resulting from the analyses, opinions, or conclusions in this review or from its use.
- 8. My compensation for completing this assignment is not contingent upon the development or reporting of predetermined assignment results or assignment results that favors the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal review.
- 9. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- 10. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- 11. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- 12. I have personally viewed the property that is the subject of this report.
- 13. No one provided significant real property appraisal assistance to the person signing this certification.
- 14. As of the date of this report, Steven C. Shaykett, MAI has completed the continuing education program for Designated Members of the Appraisal Institute.

Date /

Steven C. Shaykett, M

State Certified General Appraiser #155CG-2019

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**EXHIBITS:** 

1 – Photographs of Subject 2 – Exhibit A for Each Parcel

## MARKET RENT STUDY

## **IDENTIFICATION OF THE PROPERTY**

## LOCATION:

All 13 parcels are within the Rapid City Regional Airport which is located at 4550 Terminal Road, Rapid City, South Dakota. Aerial map on the following page shows the airport and the general aviation area. Rapid City Regional Airport is located 9 miles east of downtown on State Highway 44.

## CLIENT AND INTENDED USER

Client and intended user of the appraisal is Mr. Patrick Dame and the members of the Rapid City Regional Airport Board as additional intended users for the intended use as stated.

## EFFECTIVE DATE OF VALUE AND DATE OF THE REPORT

Effective date of the estimated fair market ground rent is June 6, 2019 and date of report is July 29, 2019.

## **DEFINITION OF MARKET RENT**

Definition of market rent, as used in this report, is taken from <u>The Dictionary of Real Estate</u> <u>Appraisal</u>, 6<sup>th</sup> <u>Edition</u>, published in 2015 at page 140, and reads as follows:

Market Rent. The most probable rent that a 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 (TIs).

## SCOPE OF WORK

The following steps were undertaken in arriving at a final estimate of fair market ground rent:

- The Degree to Which the Property Was Observed or Identified On June 6, 2019, Mr. Steven C. Shaykett, MAI, personally inspected the subject property. Photos were taken on that date and presented as Exhibit 1 in the Addenda of the report.
- 2. The Extent of Research into Physical or Economic Factors That Could Affect the Property A review of the information with regard to the City of Rapid City in general and the subject neighborhood as well as national and regional market conditions in particular has been undertaken to determine recent industry trends and rents. Shaykett Appraisal Company, Inc. maintains files and tracks economic conditions throughout South Dakota.
- 3. Extent of Data Research I have researched competitive airports throughout the Upper Midwest United States in my search for comparable rental data in an effort to document a fair market ground rental rate for similar sites. The primary focus of the search was sites located inside the secure fence on FAA rated airports that are considered to be similar to the Rapid City Regional Airport.
- 4. The Type and Extent of Analysis Applied to Arrive at Opinions or Conclusions In order to arrive at a final estimate of market rent, I have complied lease information in completing the comparative process, which included contrasting properties that are judged to be similar to the subject property. Important variables noted include the fact that most leases are written to reflect an annual rent on a dollar per square foot (\$/sq) basis.

# **AERIAL MAP**



## **SCOPE OF WORK**

One method to establish rental rates based on FMV is to answer the questions: How much would an airport tenant pay monthly to buy the property, allowing the airport sponsor to make a rate of return on its investment (the property's value), that is similar to what a property owner in the local geographic area might earn on comparable properties? This concept is similar to a mortgage payment, except market rent considers 100 percent of the property's value and reflects the overall investor/owner demanded rate of return on their property value.

In this method a market rent required on a typical airport ground lease which requires the tenant to construct its own building and pay all operating expenses including any real estate tax on its development and use of the property. Following is an example.

- Appraised Fair Market Value (FMV) An appraiser has completed an appraisal of airport land based on recent market land sales with highest best use for industrial development similar to the proposed development of airport land (without access to the ramp) and has concluded that the FMV of the land is \$10 per square foot of a typical building lot.
- Cap Rate The appraiser determines that a local owner/investor currently would expect to earn about 8 percent annually on a ground lease for industrial development after vacancy and land owner management expenses are paid.
- Vacancy Rate The appraiser finds that in the region's property market, ground rent leases for industrial properties have a 3 percent vacancy rate.
- Annual Management Fee Rate The airport land owner can expect to incur another 5
  percent of gross rent annually for airport management expense on the leased property.

Given the above values, what would be the estimated FMV gross rent (before deducting any airport expenses) charged on a ground lease of airport land, ignoring (for this illustration) all other factors or assuming they have zero impact in this case?

In equation form:

Gross Annual Rent @ FMV =  $(CAP Rate \times Appraised FMV)/(1-Vacancy Rate-Annual Management Fee Rate)$ 

Gross Rent @ FMV =  $(8\% \times 10)/(1-0.03-0.05) = 0.87$  per square foot/year (rounded).

The Gross Rent, therefore, to be received on the airport land with an FMV of \$10/sqft for a market required 8 percent return on value is \$0.87 per square foot/year before expenses.

There is much difficulty in establishing the fair market value of the land in this method.

The second method is direct comparison of market rents from other similar airports. This method is utilized in this report.

Subject property is located in Rapid City, South Dakota. Rapid City is the primary economic influence in the region and is located in the front range of the Black Hills of western South Dakota. Map on the following page shows the location of Rapid City in relation to the state. The heavily forested Black Hills rise immediately west of Rapid City, with rolling prairies reaching to the north, east, and south of the city. Interstate 90 skirts the northern edge of Rapid City, while State Highway 79 approaches from the south. Rapid City is strategically located between Denver, CO and Minneapolis, MN. The Rapid City MSA includes all of Pennington County. Area data is based on the intended user of the report already having some basic understanding of the economic, social, and governmental forces affecting the Rapid City real estate market. Following tables present data for the reader's review and conclusions. Data and conclusions are based on and from research maintained in the appraiser's file. After a review of this data, the appraiser's conclusions of the factors influencing the real estate market are generally positive. Historically, population and employment continually show growth. Every market goes through normal economic cycles, even in a positive market location. Market stages of the cycle are recognized, and ongoing adjustments are made so that market does not experience any significant downturn in values. Overall, growth in the Rapid City market is expected to continue, but any development or purchase of real estate should be based on specific market conditions at the time.

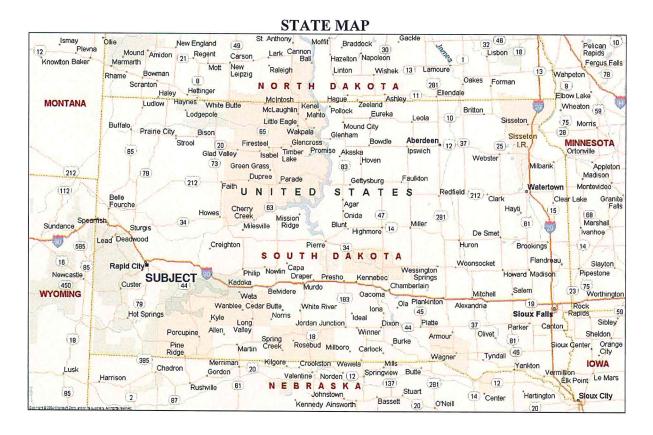
Employment growth slowed during the recession and some segments of the market laid off workers, yet some segments were still expanding and providing jobs. Through this time period many existing laid off residents started taking the new jobs. However, both job and population growth has occurred over the last three years or so to reach a level above pre-recession numbers. Economic policies regarding interest rates will help provide additional disposable income and may encourage spending and growth. Ellsworth Air Force Base is one of the largest employers and has a major influence on the local economy.

## POPULATION COMPARISONS

	NINE BUT THE PARTY OF THE PARTY	#Italy common second					
	1970	1980	1990	2000	2010	% CHANGE	% CHANGE
						1990-2000	2000-2010
RAPID CITY, SD	59,900*	69,716*	54,523	59,607	67,956	9.3%	14.0%
SIOUX FALLS, SD	94,600*	109,970*	100,814	123,975	153,888	23.0%	24.1%
SIOUX CITY, IA	116,189*	117,120*	80,505	85,013	82,684	5.6%	-2.7%
FARGO, ND	120,238*	137,835*	74,111	90,599	105,549	22.2%	16.5%
SOUTH DAKOTA	665,507	690,768	696,004	754,844	814,180	8.5%	7.9%

SOURCE: Census Data

<sup>\*</sup> indicates the population of city's MSA for that year



## RAPID CITY ~ NEW CONSTRUCTION BUILDING PERMITS

The second secon		descent and the second	TOTAL CONTRACTOR AND ADDRESS OF	-		Salva Marada marana			~ ~~~		
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Single Family	198	173	180	110	178	226	201	204	189	199	204
Multi-Family	14	12	10	102	181	427	122	210	385	157	264
2-Unit Multi-Family	2	2	0	42	10	2	0	0	0	16	18
3 & 4 Multi-Family	0	4	0	0	0	0	0	0	4	0	0
5+ Multi-Family	12	6	10	60	171	425	122	210	381	141	246
Total	212	185	190	212	359	653	323	414	574	356	468

SOURCE: SOCDS Building Permits Database

## RAPID CITY ~ LEADING EMPLOYERS

TONIE CITT DEADING EMI	LOILING
NAME	# EMPLOYEES
Rapid City Regional Hospital	5,100
Ellsworth Air Force Base	4,252
Federal Government	2,912
Rapid City Area Schools	1,774
Wal-Mart / Sam's Club	1,399
State of South Dakota	1,217
VA Black Hills Healthcare System	1,051
Black Hills Corp / Black Hills Power	850
City of Rapid City	815
Pennington County	743
Liv Hospitality	733
Ditech Fiancial Customer Service Center	650
Black Hills Works	550
South Dakota School of Mines & Technology	370
South Dakota National Guard	370

SOURCE: Rapid City Chamber of Commerce

## MEDIAN FAMILY INCOME

	2000	2010	2018	% CHANGE	ANNUAL %
				2000-2018	CHANGE
Pennington County	\$44,796	\$57,278	\$70,100	56.5%	3.1%
South Dakota	\$43,237	\$58,958	\$71,300	64.9%	3.6%

SOURCE: U.S. Department of Housing and Urban Development

# **GROSS RETAIL SALES (\$000)**

						<u> </u>			
	2011	2012	2013	2014	2015	2016	2017	2018	ANNUAL %
									CHANGE
Rapid City	2,657,014	2,839,609	2,898,840	2,981,181	2,989,834	2,896,639	2,906,884	2,961,636	1.43%
Pennington County	2,818,114	3,005,274	3,067,707	3,162,519	3,190,371	3,111,055	3,141,086	3,231,045	1.83%
South Dakota	25,472,464	29,215,473	25,122,436	27,848,227	27,394,724	25,574,118	27,553,901	28,727,494	1.60%

SOURCE: South Dakota Department of Revenue

## RAPID CITY MSA ~ NON-FARM WAGE AND SALARY EMPLOYMENT

	2010	2011	2012	2013	2014	2015	2016	2017	2018	TOTAL	ANNUAL
										CHANGE	CHANGE
Non-Farm											
Employment	70,056	70,132	70,479	70,709	71,116	71,529	72,237	73,642	74,411	6.2%	0.7%

SOURCE: SD Department of Labor

## NOT SEASONALLY ADJUSTED UNEMPLOYMENT RATE

	2010	2011	2012	2013	2014	2015	2016	2017	2018
	AVERAGE								
Rapid City MSA	5.3%	4.9	4.4%	3.9%	3.5%	3.2%	3.2%	3.5%	3.2%
South Dakota	4.7%	4.3%	3.8%	3.8%	3.4%	3.1%	3.0%	3.3%	3.0%

SOURCE: SD Department of Labor

South Dakota School of Mines and National American University provide advanced education opportunities. Rapid City is a regional trade center for 100 miles in all directions. This trade area supports the Rushmore Mall and the new and expanding Rushmore Crossing. Over the last few years, Target and Scheels moved from the Rushmore Mall to new buildings at Rushmore Crossing. Bed Bath and Beyond and Sam's Club also built new buildings at Rushmore Crossing.

Numerous small retail stores such as Interstate Battery, Dollar Tree, Petco, and others have opened within the last couple of years in Rushmore Crossing. Also, a strip mall called Furniture Row at Rushmore Crossing opened and consists of five different furniture stores.

Rapid City is the home to the only Target, Scheels, and Cabela's within 100 miles. K-Mart has one location on the corner of East North Street and North Cambell Street. Shopko has one location on North Haines Avenue and Interstate 90.

Primary employer for the Rapid City area is Ellsworth Air Force Base. Uncertainties at the air base have a profound effect on the area; however, this effect is less severe due to the economic base becoming more diversified. Military influence in Rapid City is also becoming more diverse, as a military financing center moved to Ellsworth a few years ago and continues to expand. The next largest employer, Rapid City Regional Hospital, has 3,281 employees. Medical services associated with the hospital continue to expand, helping to bring in new people from a large surrounding area. Wal-Mart developed a second super store on the south side of Rapid City, which added 300 to 400 jobs in 2011. In conclusion, the demonstrated stability of the economy and the slow but continued growth of the area provide an environment for continued slow expansion for most sectors of the real estate market.

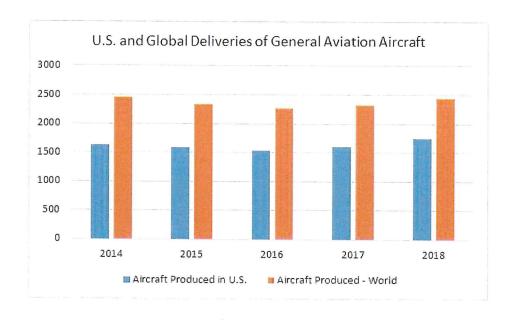
Below is a summary of commercial passenger activity at the Rapid City Regional Airport for the 5 years.

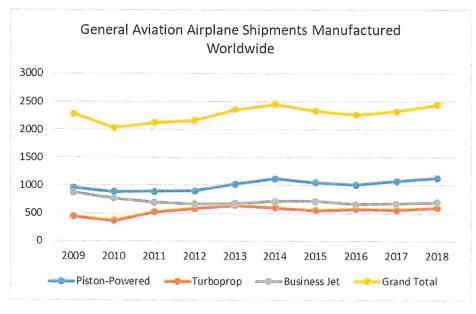
Calendar Year	<b>Enplaned Passengers</b>	Deplaned Passengers	Total Passengers
2018	310,810	315,108	625,918
2017	295,215	300,721	595,936
2016	279,558	281,544	561,102
2015	270,608	275894	546,502
2014	270,100	272,152	542,252

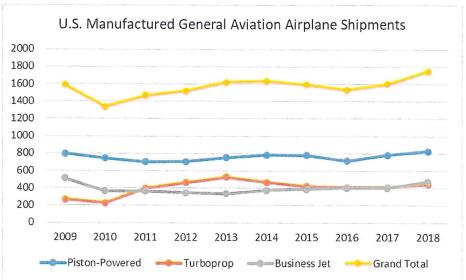
This data shows a steady growth trend of 15.4 percent over the five-year period, which would be just over 3.1 per year. This is a slow, but steady increase similar to other similar airports in recent years. According to a recent FAA report the Rapid City Regional Airport ranks 164<sup>th</sup> for commercial service airports in 2018. Below is a table that shows that the Rapid City Airport with an 8,701 foot runway is one of 235 airports with runway of 8,000 feet to 10,000 feet out of a total of 5,054 airports with paved runways.

	Number of Airports													
	Airports with Paved Runways							Airports with Unpaved Runways						
1	Over	8,000 ft to	5,000 ft to	3,000 ft to	Under	Total	Over	8,000 ft to	5,000 ft to	3,000 ft to	Under	Total		
	10,000 ft	10,000 ft	8,000 ft	5,000 ft	3,000 ft	Airports	10,000 ft	10,000 ft	8,000 ft	5,000 ft	3,000 ft	Airports	Heliports	
United States	189	235	1,478	2,249	903	5,054	1	6	140	1,552	6,760	8,459	5,287	

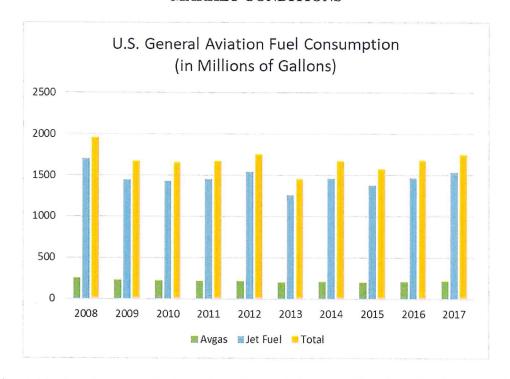
Following three tables show that the number of deliveries of new general aviation aircraft has been fairly flat in recent years.



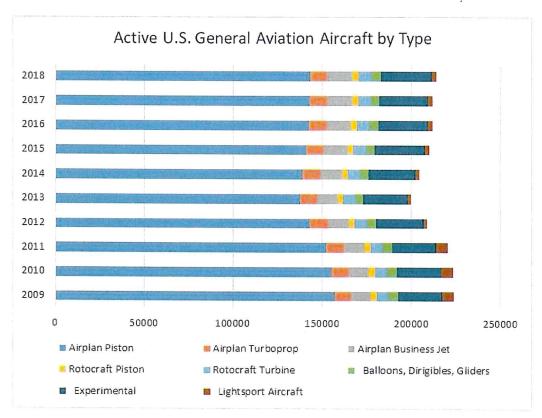




On the following page is a table showing the consumption of general aviation fuel over the last 10 years. This data also, shows a fairly stable demand, but the peak year of 2008. This may be a reflection of more fuel efficient aircraft.



Below is a table that shows the total number of aircraft by type. This data clearly shows the number declined during our last recession, but has recovered to almost the same total number. Also, it appears that the loss is in the Airplane Piston class.



Below is a summary of the number of the FAA certified pilots and flight instructors in the US and in South Dakota by type.

Active FAA Certified Pilots and Flight Instuctors

						Airplar	ne .			
	Total Pilots	Students	Recreational	Sport	Private	Commercial	Airline Transport	Rotor, Glider & Balloon	Remote Pilot	Flight Instructor
United States Total	591,189	156,216	147	6,220	168,049	100,793	159,764	77,259	105,419	105,642
South Dakota	2,392	562	1	56	790	524	459	289	387	442

Total number of pilots in South Dakota represent less than one-half a percent and about the same percentage as private pilots to total private pilots. Total number of pilots in recent years in the US and in South Dakota has remained fairly steady.

## Conclusion:

Overall, it appears that commercial aviation activity has been on the upward trend since the national recession. Also, it appears that the general aviation industry to some degree parallel the commercial segment, in that the activity level in recent years has been fairly steady and likely to continue at a slow pace.

## SUBJECT PROPERTY DESCRIPTION

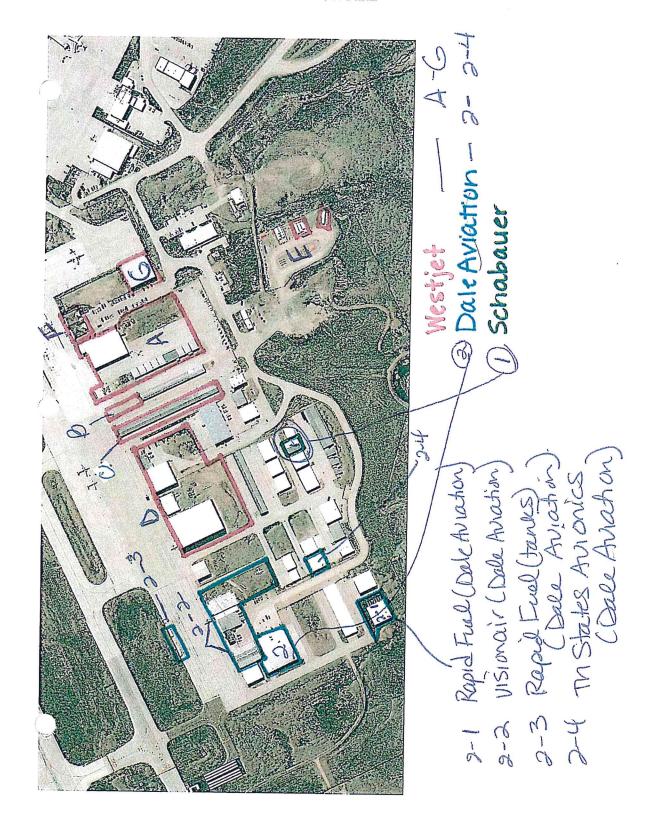
Subject property is 13 parcels located within the Rapid City Regional Airport proper. Rapid City Regional Airport is a non-primary commercial hub that is served by four commercial airlines with 20 flights a day. Westjet Air Center, Inc is the Fixed Base Operator (FBO) and there are a number of Specialized Aviation service Operations (SASOs). Airport proper covers about 1,650 acres and has two runways. The primary runway 14/32 is 8,701 feet by 150 feet concrete and the secondary runway 5/23 is asphalt at 3,601 feet by 75 feet. Passenger terminal was constructed in 1988 and a major renovation completed in 2012. Map on the following page shows the location of each parcel and are identified on the map by the lease number shown on the property summary below.

Lease No.	1	2	2-1	2-2	2-3	2-4	A	В	C	D 8,9,10,11,	E	F	G
Map Building # or Area #	38	12	31	3,4,5,6, Area A	1	21	46,47, Area B	Area B-1	44, Area B-2		59,60	48	50
		EZ Rider, LLC			Rapid Fuel								
		(Medical Air	Rapid Fuel		LLC (Fuel	Tri-State Avionics,							
Lessee	Schaubauer	Rescue)	LLC	VisionAir LLC	Tanks)	LLC	Westjet	Westjet	Westjet	Westjet	Westjet	Westjet	Westjet
ΛKA		Date Aviation	Dale Aviation	Dale Aviation	Dale Aviation	Dale Aviation							
	4076 Hansen Hanger	3875 Holsworth	3843 Cook	3865 & 3900	3900 Airport	3940 Cook	4160 Fire	4140 Airport	4102 Airrort	4024 Lacroix		4170 Fire	
Address	Lane, State B	Hangar Lane	Hangar Lane	Airport Road	Road	Hangar Lane	Station Rd	Hanger Rd	Hangar Rd	Crt	Fuel Farm	Station Rd	,
Lease Date	12/22/2015	4/28/2008	7/1/2016	3/14/2006	6/20/2006	11/27/2006	8/5/2015				8/5/2015		8/5/2015
Lease Term Years	5	30	20	30	20	30	25	25	5 25	25			
Deginning	1/1/2016	5/1/2008	7/1/2016	3/14/2006	5/1/2006	10/1/2006							
Ending	12/31/2020		6/30/2036	3/14/2037	4/30/2027	9/30/2036							
Options	NA	One 10 yr	NA	One 10 yr	One 10 yr	One 10 yr							
Adjusted to Market	Every 5 years	NA	Every 5 years	NA	NA	Every 5 years	Every 5 years	Every 5 years	Every 5 years	Every 5 years	Every 5 years	Every 5 years	Every 5 years
Annual Adjustment	Change in CPI	Change in CPI		Charge in CPI	Change in CPI	Change in CPI	Change in CPI	Change in CPI	Change in CPI	Change in CPI	Change in CP	Change in CPI	Change in CPI
			Commercial	Conmercial	Connercial	Commercial	Commercial	Commercial	Connervial	Connercial	Connercial	Connercial	Commercial
		Commercial	neronautical	aeronautical	aeronautical	aeronautical	acronautical	acronutical	aeronautical	acronautical	aeronautical	aeronautical	aeronautical
Use	Aircraft storage	aeronautical activities	activities	activities	activities	activities	activities	activities	activities	activities	activities	activities	activities
Utilities	e	w,s,g,e	w,s,g,e	w,s,g,e	w,s,g,e	w,s,g,e	w,s,g.e	w,s,g,c	w,s,g,e	wage	w,s,g,e	w,s,g,e	w.s.g.e
Lease Type	Triple Net	Triple Net	Triple Net	Triple Net	Triple Net	Triple Net	Triple Net	Triple Net	Triple Net	Triple Net	Triple Net	Triple Net	Triple Net
Base Rent-Improved	\$0.13					\$0.22	\$0.06670	\$0,06670	\$0.06670	\$0,06670	\$0.06670	\$0.06670	\$0.06670
Base Rent-Unimproved	\$0,00		\$0.00		\$0,00	\$0.00			\$0.01955	\$0.01955	\$0.01955	\$0.01955	\$0.01955
Improved Size-SqFt	5,715								0	31,976	. 0	9,184	15,494
Unsuproved Size-SqFt	C			20,000				11,718	29,483	130,163	4,935	. 0	0
Gross Size-SqFt	5,715	48,185	15,758	62,582	1,000	7,050	130,920	11,718	29,483	162,139	4,935	9,184	15,494
CURRENT RENT													
Improved	\$0.26722		\$0.26722	\$0.26722	\$0.26722	\$0.26722	\$0,07017	\$0.07017	\$0.07017	\$0,07017	\$0.07017	\$0.07017	\$0.07017
Unimproved	\$0,00000					\$0.00000	\$0.02056	\$0.02056	\$0.02056	\$0.02056	\$0.02056	\$0.02056	\$0.02056
Total Current Rent	\$1,527.16	\$9,861.68	\$4,210.85	\$13,343.69	\$267.22	\$1,883.90	\$4,107.78	\$240.92	\$606.17	\$4,919.91	\$101.46	\$644,44	\$1,087.21

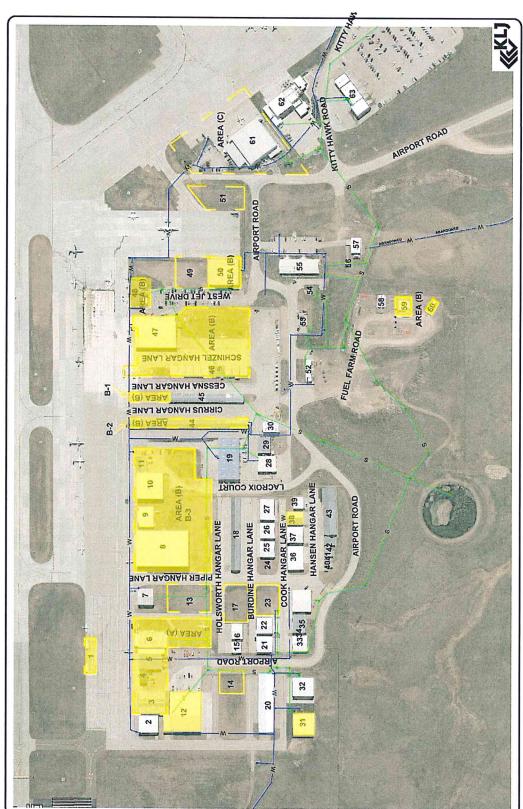
As shown on the lease summary some of the leases include a combination of "Improved Area" and "Unimproved Area" and shows the gross square feet of the site. It appears that the improved area is the building footprint with some buffer area around the building, while the unimproved area is an area beyond this improved area. There does not appear to be consistency in how the two categories are established. However, the rental rate for the unimproved area is 50 percent of the rent for the improved area. It does not seem reasonable that there should be a difference in the rental rates, as there is an opportunity of cost loss for what is identified as unimproved area to the airport. These areas identified as unimproved areas could be utilized by improved area users. This is especially true of the large parcels where it appears much of the unimproved area is underutilized by the lessee. A copy of the exhibit for each parcel showing the dimensions of the parcel can be found in Addenda as Exhibit 2.

On page 17 is the utilities map for the airport, which also identifies each of the 13 parcels by the building number associated with the lease and the unimproved area associated with the leased parcel. Lease No. 1 property is the only one shown not to have water, sewer and gas service, but does have electricity. Leases 2-2, 2-3, A, B, C, D, F and G are on the apron, while the others have taxiway access, except for Lease E, which is the fuel tank farm. This is a secured area accessible only by a gravel road and does not have aircraft access.

# **LOCATION MAP**



### **UTILITIES MAP**



July 22, 2019 - 4:30 PM - P:\Airport\SD\RapidCity\Property\Lease Areas\Lease-area-map.dwg (North)

### **VALUATION PROCESS (MARKET RENT)**

This report has been written in an effort to estimate a current market rent for ground parcels located "inside the fence" at the Rapid City Regional Airport. It should be clearly noted that structural improvements are not valued within this rent study. The method for determining a fair market rent includes a survey of similar sized commercial airports located throughout the upper Midwest. Airport officials have been interviewed and questions regarding the underlying ground leases have been asked. The lease rates and terms have been studied and compared with subject in an effort to determine an appropriate annual fair market ground rent for 13 parcels located within the fenced area of the airport.

The ground lease rates apply to sites that are fully improved with all necessary utilities for development. A leased parcel typically includes the hangar footprint and, in most cases, additional land for side setbacks (5'-10') from the building, parking area and an apron area. Lease rates are typically written on 10 to 30-year terms with some type of renewal option. Upon expiration of renewal options, improvements will either revert to the ownership of the airport's controlling entity or be extended. Lease rates often increase annually at rates of 2 to 3 percent or by the consumer price index and are adjusted periodically through market rent studies performed by independent third parties.

Particular attention is focused on airports that offer commercial service; however, large non-commercial airports that have active rental markets have also been included. All data has been confirmed by an individual knowledgeable of the rent negotiation and/or listing data, and important market variables for each comparable are summarized and analyzed in the table presented below.

					GRO	UND REN	TCOMPARAI	BLES			
				Improved	Unimproved						
Comparable	Name &			Site Lease	Site Lease		Location	Site Size	<b>Annual Change</b>		
No.	Location	Population	2017 Rank	Rate	Rate	Lease Type	Adjustment	Adjustment	Factor	Utilities	Comments
Subject	Rapid City, SD	74,000	164								
1	Grand Forks, ND	57,000	223	\$0.320	na	Triple Net	None	None	CPI	W,S,G,E	FBO same ground lease rate
2	Sioux Falls, SD	183,000	122	\$0.400	na	Triple Net	None	None	CPI	W,S,G,E	FBO ground lease rate at \$0.12
3	Bozeman, MT	48,000	109	\$0.120	na	Triple Net	None	None	CPI	W,S,G,E	Non-Commercial at \$0.10
4	Kelispell, MT	23,000	163	\$0.390	na	Triple Net	None	None	CPI+10%	W,S,G,E	Bldg foot print plus 20Ft buffer
5	Bismarck, ND	72,000	171	\$0.386	na	Triple Net	See Comments	None	CPI	W,S,G,E	T-Hangar Area \$0.2287, Corp Area \$0.234
6	Missoula, MT	73,000	135	\$0.160	na	Triple Net	None	None	See Comments	W,S,G,E	Board SetsAnnual Adjustment
7	Billings, MT	111,000	132	\$0.230	na	Triple Net	See Comments	None	CPI	W,S,G,E	Executive Hanger \$0.28

This summary shows a range of current general aviation market ground rent at 7 regional airports that range from \$0.12 to a high of \$0.40 per square foot per year. As shown in the comments section on the summary there are some variations within the general aviation area, for reasons as shown or discussed in the following paragraphs.

#### **VALUATION PROCESS**

### Comparable No. 1- Grand Forks International Airport

This commercial airport is operated by the Grand Forks Regional Airport Authority in a community of about 57,000 people. This airport ranked 223 in 2018 with 114,578 enplanements, which was down from 2017 by 2.50 percent. This airport offers daily flights to a number of larger metropolitan communities. The airport manager was interviewed by phone regarding current lease rates and general operations. Current rental rates of \$0.32 per square foot were set by survey completed 3 years ago and adjusted annually by the change in CPI since then. University of North Dakota receives a discounted rate of \$0.31 per square foot. Site size is building footprint and buffer. FBO lease is based on same rate. Strong weight is placed on this comparable when selecting a market rent for the subject property due to the similarity in community size and amenities offered.

### Comparable No. 2- Sioux Falls Regional Airport

This commercial airport is operated by the Sioux Falls Regional Airport Authority in a community of about 183,000 people. This airport ranked 122 in 2018 with 529,895 enplanements, which was down from 2017 by 2.03 percent. This airport offers daily flights to a number of larger metropolitan communities. The airport manager was interviewed by phone regarding current lease rates and general operations. Current rental rate of \$0.40 per square foot for new leases was set by inhouse survey and adjusted annually by change in CPI. Site size is building footprint and buffer. FBO lease is based on \$0.12 due to larger footprint. Strong weight is placed on this comparable when selecting a market rent for the subject property due to the ongoing updating of rent from the market, as well as the similarity in amenities offered.

### Comparable No. 3 Bozeman Yellowstone International Airport

This commercial airport is operated by the Gallatin Airport Authority, Belgrade, Montana. Bozeman is a community of about 48,000 people. This airport ranked 109 in 2018 with 671,777 enplanements, which was up from 2017 by 12.20 percent. This airport offers daily flights to a number of larger metropolitan communities and is considered the primary gateway to the north entrance to Yellowstone National Park. The airport manager was interviewed by phone regarding current lease rates and general operations. Current rental rates are \$0.10 per square foot for non-commercial aviation and \$0.12 per square foot for commercial aviation, which increased this year after being at \$0.085 and \$0.10 per square foot for over 10 years. There are additional fees for utility hookup, taxiway fees and reclamation fees. New rates were not set by survey. Site size is building footprint and minimum buffer of 10 feet. FBO lease is at same rate. Leases are typically 10 years with one 10-year option for small sites and up to 25 years with one 15-year option for larger sites. Limited weight is placed on this comparable when selecting a market rent for the subject property due to the recreation influence on the passenger numbers to the community size and that relationship to general aviation demand, as well as different method of setting rates.

### Comparable No. 4- Glacier Park International Airport

This commercial airport is operated by the Flathead Municipal Airport Authority in the city of Kalispell, Montana a community of about 23,000 people. This airport ranked 163 in 2018 with 307,568 enplanements, which was up from 2017 by 12.96 percent. This airport offers daily flights to a number of larger metropolitan communities and is considered the primary gateway to Glacier National Park. The airport manager was interviewed by phone regarding current lease

#### **VALUATION PROCESS**

rates and general operations. Current rental rates are \$0.39 per square foot and adjusted by change in CPI, plus 10 percent. Site size is building footprint and 20 foot minimum buffer. FBO lease is based on same rate. Some weight is placed on this comparable when selecting a market rent for the subject property due to the recreation influence on the passenger numbers to the community size and that relationship to general aviation demand.

### Comparable No. 5- Bismarck Airport

This commercial airport is owned and operated by the City of Bismarck, North Dakota a community of about 72,000 people. This airport ranked 171 in 2018 with 285,253 enplanements, which was up from 2017 by 3.69 percent. This airport offers daily flights to a number of larger metropolitan communities and serves the capitol city. The airport manager was interviewed by phone regarding current lease rates and general operations. Current rental rates for public general aviation are \$0.386 per square foot, corporate apron rate is \$0.234 per square foot and the Thangar area is \$0.2287 per square foot and are adjusted annually by change in CPI. Site size is building footprint and a 7 foot up to 20 foot minimum buffer. FBO lease is based on same rate. Corporate apron is at separate location on south end of the airport. This area has its own access and pays for the apron area, while the airport provides the taxiway. T-hangar area has access by gravel road, but direct access to the taxiway. Strong weight is placed on this comparable when selecting a market rent for the subject property due to the similarity in community size and amenities offered.

### Comparable No. 6- Missoula International Airport

This commercial airport is owned and operated by the Missoula County Airport Authority in Missoula, Montana a community of about 73,000 people. This airport ranked 135 in 2018 with 425,818 enplanements, which was up from 2017 by 9.75 percent. This airport offers daily flights to a number of larger metropolitan communities. The airport manager was interviewed by phone regarding current lease rates and general operations. Current rental rates for public general aviation are \$0.16 per square foot with no adjustment for location on the airport or the site size. Rate is adjusted each July by the airport authority, based on rates at similar size airports. Site size is building footprint and a 5 foot buffer on three sides and a 20 foot buffer in front. FBO lease is based on same rate. Limited weight is placed on this comparable when selecting a market rent for the subject property due to what appears to be a discrepancy in the method for setting rental rates.

### Comparable No. 7- Billings Logan International Airport

This commercial airport is operated by Aviation and Transit Board within the City of Billings, Montana a community of about 111,000 people. This airport ranked 132 in 2018 with 440,465 enplanements, which was up from 2017 by 6.11 percent. This airport offers daily flights to a number of larger metropolitan communities. The airport manager was interviewed by phone regarding current lease rates and general operations. Current rental rates for public general aviation are \$0.23 per square foot and the executive hangar area is \$0.28 per square foot with no adjustment for location on the airport or the site size. Rate is adjusted annually by the change in CPI and adjusted every 3 to 5 years to market rent. Site size is building footprint and a 5 foot buffer on three sides and a 20 foot buffer in front. FBO lease is based on same rate. Some weight is placed on this comparable when selecting a market rent for the subject property due to the community size.

### **VALUATION PROCESS**

### Conclusion:

There are 7 field side parcels with direct access to the apron and 3 taxiway parcels that all have access to all public utilities, while Parcel 1 has taxiway, but no water or sewer service. The appraiser has placed primary reliance on Comparable No. 4 and Comparable No. 5 for consideration of the market rent for the field side parcels. As these are fairly close geographically, as well as commercial passenger numbers and the amenities offered for a conclude market ground rent of \$0.39 per square foot. Most of the rent comparables did not make an adjustment for non-field side sites and neither has subject in the past, so no adjustment for location for the non-field side parcels. This is also generally true for size. At some of the airports FBO tenants were given lower rates, but also generally paid other fees. All of the comparable airports provide utilities and subject does to the majority of the parcels, but not Parcel 1. There is no direct comparison for lack of utilities, but Comparable No. 5 does demonstrate some differences for lack of other amenities. This difference is about \$0.15 per square foot. However, this difference was not only the utilities, but also access from a gravel road. Subject Parcel 1 is close to all utilities and has paved road access. For this reason, the appraiser has estimated the market rent for Parcel 1 at \$0.30 per square foot. Furthermore, none of the comparable airports made a distinction between improved site size and unimproved site size. Most all considered the building footprint, plus adequate area for onsite vehicle parking and buffer area between buildings to constitute the site. For this reason, the estimated market ground rent is also applied to the unimproved site size as well. A summary of the estimated market ground rent for each of the parcels can be found on the following page.

# **VALUATION SUMMARY**

Lease No.	,	7	2-1	2-2	2.3	2.7	A A	В	3	a	E	Ŀ	B
Man D. 114 11 1	G C	\$	;		•	;	:						
iviap building # of Area #	38	FZ Rider, LLC	5	3,4,5,6, Area A	Ranid Fivel	21	46,47, Area B	46,47, Area B Area B-1 44, Area B-2	44, Area B-2	Area B-3	29,60	<b>\$</b>	S,
		(Medical Air	Rapid Fuel		LLC (Fuel								
Lessee	Schaubaner	Rescue)	TTC	VisionAir LLC	Tanks)	Rapid Fuel, LLC	Westjet	Westjet	Westjet	Westjet	Westjet	Westjet	Westjet
AKA		Dale Aviation	Dale Aviation	Dale Aviation	Dale Aviation	Rapid Avionics						i	
	4076 Hansen Hanger 3875 Holsworth	3875 Holsworth	3843 Cook	3865 & 3900	3900 Airport	3940 Cook	4160 Fire	4140 Aimort	4140 Aimort 4102 Aimort 40241 across	4074 Lacroix	,	4170 Fire	
Address	I and Strife B	Hannarlane						Hence Bd	II-mark			71.70	
Lease Date	12/22/2015	5 4/28/2008	7/1/7	3/14/2006	9002/02/9	11/7/7/00/	Station Nul 8/5/2015	11906/5/0018	Frangal Kd 8/5/2015	C.f. 8/5/2015	rueirami 8/5/2015	Station Kd /	31000
Lease Term Years											25	2104/2/8	30
Beginning	1/1/2016	2/1/2	2/1/2	3/14/2	5/1/2006	2/1/01					3	3	3
Ending	12/31/2020		٠		4								
Options	NA	One 10 yr	AN	One 1	One I	One 10 vr							
Adjusted to Market	Every 5 years	NA	Every 5 years	NA	NA	NA	Every 5 years 1	Every 5 years	Every 5 years Every 5 years Every 5 years	Every 5 years	Every 5 years	Every 5 years Every 5 years Fyery 5 years	very 5 years
Annual Adjustment	Change in CPI	Change in CPI	Change in CPI	Change in CPI	Change in CPI	Change in CPI	Change in CPI (	Change in CPI	Change in CPI	Change in CPI	Change in CPI (	Change in CPI C	hange in CPI
			Commercial	Commercial	Commercial	Commercial	Commercial	Commercial	Commercial	Commercial	Commercial	Commercial	Commercial
		Commercial	aeronautical	aeronautical	aeronautical	aeronautical	aerorautical	aeronautical	aeronautical	aeronautical		aeromutical	aeronautical
Use	Aircraft storage	aeronautical activities	activities	activities	activities	activities	activities	activities	activities	activities	activities	activities	activities
Utilities	e	w,s,g,e	w,s,g,e	w,s,g,e	w,s,g,e	w,s,g,e	w,s,g,e	w,s,g,e	W.s.g.e	w.s.g.e	W.S.g.e	W.S.g.e	W.S.o.e
Lease Type	Triple Net	Triple Net	Triple Net	Triple Net	Triple Net	Triple Net	Triple Net	et	ŧ	et	ë	et	Trink Net
Base Rent-Improved	\$0.13	3 \$0.22	\$0.26	\$0.22	\$0.22	\$0.22	\$0.06670	670	670	029	570	920	\$0.06670
Base Rent-Unimproved	\$0.00	11.08	\$0.00	\$0.11	\$0.00	\$0.00	\$0.01955	\$0.01955	\$0,01955	\$0.01955	\$0.01955	\$0.01955	\$0,01955
Improved Size-SqFt	5,715		15,758	, ,	1,000	7,050	28,544	0	0	31,976	0	9.184	15.494
Unimproved Size-SqFt	)	22,569	0	25,303	0	0	102,376	11,718	29,483	130,163	4,935	0	
Gross Size-SqFt	5,715		15,758	62,582	1,000	7,050		11,718		162,139	4,935	9,184	15,494
CURRENT RENT													
Improved	\$0.26722	\$0.26722	\$0.26722	\$0,26722	\$0.26722	\$0.26722	\$0.07017	\$0.07017	\$0.07017	\$0.07017	\$0.07017	\$0,07017	\$0.07017
Unimproved	\$0.0000	50.13366	\$0.0000	\$0.13366	\$0.0000	\$0.0000	\$0.02056	\$0.02056	\$0.02056	\$0.02056	\$0.02056	\$0.02056	\$0.02056
Total Current Rent	\$1,527.16	5 \$9,861.68	\$4,210.85	\$13,343.69	\$267.22	\$1,883.90	\$4,107.78	\$240.92	\$606.17	\$4,919.91	\$101.46	\$644.44	\$1,087.21
ESTIMATED MARKET RENT	T.												
Improved	\$0.30	\$0.39	\$0.39	\$0.39	\$0.39	\$0.39	\$0.39	\$0.39	\$0.39	\$0.39	\$0.39	\$0.39	\$0.39
Unimproved	\$0.00		\$0.39	\$0.39	\$0.39	\$0.39	\$0.39	\$0.39	\$0.39	\$0.39	\$0.39	\$0.39	\$0.39
Gross Size-SqFt			15,758	62,582	1,000	7,050	130,920	11,718	29,483	162,139	4,935	9,184	15,494
Annual Estimated Market Rent	\$1,715	\$18,792	\$6,146	\$24,407	\$390	\$2,750	\$51,059	\$4,570	\$11,498	\$63,234	\$1,925	\$3,582	\$6,043

# APPRAISER QUALIFICATIONS STEVEN C. SHAYKETT, MAI

**EDUCATION**:

College:

B.S. Degree, University of South Dakota, 1975

Appraisal Education: Completed required 165 hours of educational instruction, appraisal

experience and comprehensive examination to be awarded Member Appraisal Institute (MAI) from the Appraisal Institute in May 1981.

Continuing Education: Complete listing found at the end of this section

**SPECIALIZED EDUCATION:** 

- Successfully completed the Valuation of Conservation

**Easements Certificate Program** 

- Successfully completed the Appraisal Institute's Fundamentals of Separating Real Property, Personal Property and Intangible Business Assets Course for Small

Business Administration (SBA) Appraisals

**ASSOCIATION MEMBERSHIP:** 

Appraisal Institute

- MAI Member #6249

- North Star Chapter President 2012

State Certified General Appraiser

- State of South Dakota (#155CG-2019)

- State of Iowa (#CG01446)

- State of Minnesota (#20100995)

Licensed Real Estate Broker - State of South Dakota

Appraisers Advisory Council Member - South Dakota Appraisers Certification Program - 1989 to 2001

### **EXPERIENCE:**

Mr. Shaykett has been owner of Shaykett Appraisal Company, Inc. since 1979, which was located in Prairie Village, Kansas from August 1979 to June 1984, and since June 1984 in Sioux Falls, South Dakota. Mr. Shaykett was also a partner in the firm of Shaykett Agency in Miller, South Dakota from August 1979 to June 1984, when the two offices were consolidated.

Mr. Shaykett has been qualified as an expert valuation witness in a number of Circuit Courts in South Dakota, as well as Johnson County, Kansas; Cass County, Missouri; and in Federal District Court, Western Division of Missouri.

# APPRAISER QUALIFICATIONS STEVEN C. SHAYKETT, MAI

From May 1975 to August 1979, Mr. Shaykett was an associate appraiser with Appraisal Associates of Kansas City, Missouri. Appraisal assignments completed by the appraiser during that employment include rural, urban fringe and commercial properties, as well as a number of special use properties in the Kansas City Metro Area and throughout Missouri and Kansas. From May 1971 to May 1975, Mr. Shaykett was associated on a part-time basis with Shaykett Agency in Miller, South Dakota. During this time, the appraiser assisted in real estate sales and management, and appraisal work throughout South Dakota.

Principal clients served include private industry, banks and attorneys, including US Bank, Wells Fargo Bank, Great Western Bank, Plains Commerce Bank, First National Bank, First Premier Bank, CorTrust Bank, First Midwest Bank - Deerfield Branch, Marquette Bank, Citicorp, Security Bank, Frontier Bank, Security National Bank, and Firstar of Sioux City. Governmental agencies served include the Department of Justice; U.S. Corps of Engineers; South Dakota Department of Transportation; City of Sioux Falls; City of Yankton; City of Mitchell; City of Kansas City, Missouri; Federal Aviation Administration; Department of Energy; Federal Deposit Insurance Corporation; U.S. Forest Service; City of Independence, Missouri; and the City of Maryville, Missouri.

Mr. Shaykett has been involved in the appraisal of a number of rock mining operations, including the Carthage Marble Mining and Storage Operation in Carthage, Missouri; Alrok Quarries and Underground Development in Kansas City, Missouri. Other specialty assignments include North American University, National Foods 1.2 million bird egg laying facility, Nor-Am Cold Storage, Western Mall, Kmart, other large retail, daycare centers, assisted living centers, nursing homes, country clubs, churches, mobile home parks, hotels and motels. General assignments have included the appraisal of grain facilities, wildlife hunting clubs, fast food restaurants, industrial properties, office buildings, apartment projects, commercial properties, multi-family developments, and valuation of full and partial acquisition for detention basins for flood control. Appraisals for leasehold value have also been completed.

Rural properties appraised include farms in South Dakota, North Dakota, Montana, Nebraska, Kansas and Missouri. Mr. Shaykett has completed many appraisal assignments for full or partial acquisition for flowage easement or conservation easements.

Mr. Shaykett has completed multiple tract appraisal projects. During late 1979 and early 1980, Mr. Shaykett was one of two appraisers hired by the Department of Energy to appraise 260 farm tracts for right-of-way acquisition for a 230 KV transmission line in Montana and South Dakota. In 1983, Mr. Shaykett completed 38 farm appraisals for acquisition for the 3,000 acre Mozingo Creek Watershed Project. Also completed are a number of multi-tract appraisal projects for street widening and detention basins.

As of the date of this appraisal, Steven C. Shaykett has completed the requirements of the Continuing Education Program of the Appraisal Institute.

# APPRAISER QUALIFICATIONS STEVEN C. SHAYKETT, MAI

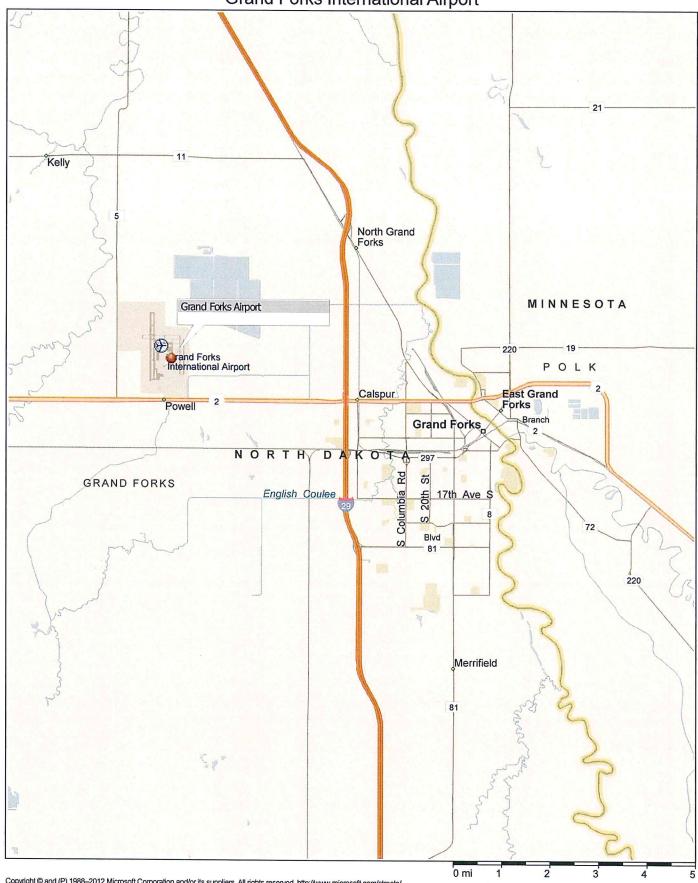
# **CONTINUING EDUCATION - Since 2008:**

<u>DATE</u>	<u>COURSE DESCRIPTION</u>
09-2016	Essential Elements of Disclosures and Disclaimers
09-2016	Work File Documentation for Appraisers
01-2016	2016-2017 7-Hour National USPAP Update Course
01-2016	FHA Appraising for Valuation Professionals: FHA Single
	Family Housing Appraisal Requirements
04-2015	Property Management
10-2015	Dealing with Disclosure
03-2014	Business Practices and Ethics
08-2014	Appraisal of Self-Storage Facilities
08-2014	Land and Site Valuation
08-2014	Introduction to Legal Description
09-2014	Valuation of Donated Real Estate Including Conservation
	Easements
12-2013	7 Hour National USPAP Update
01-2012	A New Economy: A Guide for Real Estate Professionals
02-2012	15 Hour National Uniform Standards of Professional
	Appraisal Practice
03-2012	A Walk Through the Minnesota Property Tax System
04-2012	Fundamentals of Separating Real Property, Personal
	Property and Intangible Business
05-2012	Social Media
05-2012	14 <sup>th</sup> Annual Real Estate Trends Seminar
06-2012	7 Hour National USPAP Equivalent Course
09-2012	Appraising the Appraisal: Appraiser Review - Residential
05-2011	Critical Rules
05-2011	13 <sup>th</sup> Annual Real Estate Trends Seminar
06-2011	Residential Report Writing: More than Forms
06-2011	Understanding the Uniform Mortgage Data Program and
	the Uniform Appraisal Data Set
08-2011	Appraising the Appraisal: Appraisal Review - General
10-2011	Multi-Family Housing
01-2010	USPAP 7 Hour Course Update
01-2009	Training Course for Supervising Appraisers
08-2009	Residential Writing Report
11-2009	Responsible Broker Course
01-2008	USPAP Update
06-2008	Your Promise of Professionalism - The Code of Ethics
09-2008	Valuation of Conservation Easements
12-2008	Appraising Convenience Stores

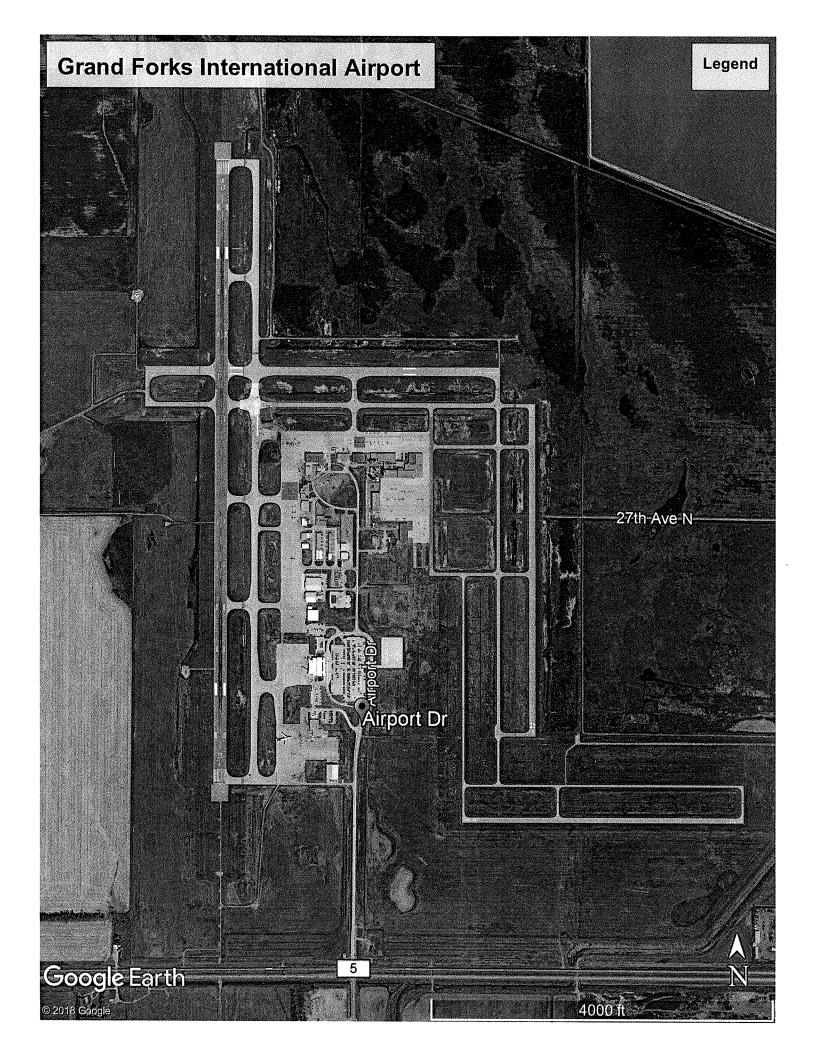
AIRPORT .	APPRAISAL LIST	
Year	Location	Valuation Request
2019	Yankton Airport Hangers	Leasehold interest in two hangers
2016	Webster Airport	land acquisition of airport expansion
2016	Tea Airport	land acquisition of airport expansion
2014	Wagner Airport	land acquisition of airport expansion
2014	Yankton Airport Hangers	Leasehold interest in two hangers
2014	Parkston Airport	land acquisition of airport expansion
2014	Redfield Airport	land acquisition of airport expansion
2014	Rapid City Airport	Westject Office
2014	Mobridge Airport	land acquisition of airport expansion
2012	Sioux City Airport	Land swap

# **ADDENDA**

Grand Forks International Airport



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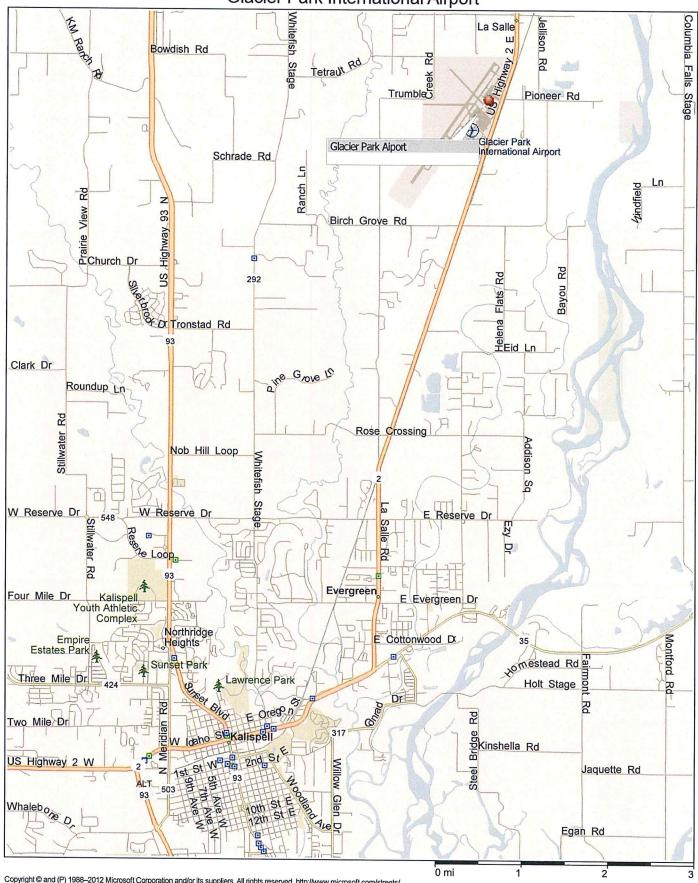
# Bozeman Yellowstone International Airport



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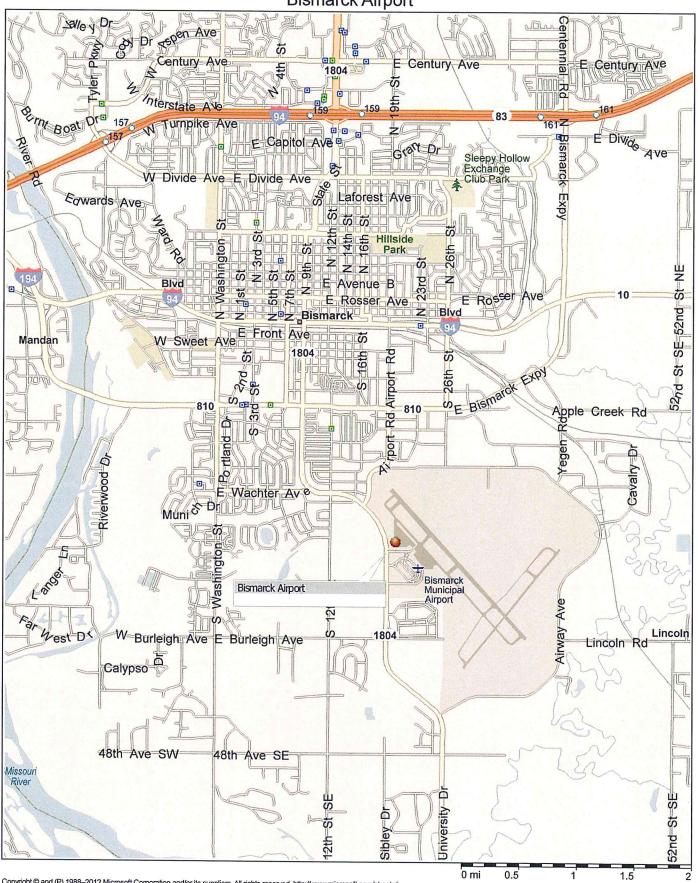
Glacier Park International Airport



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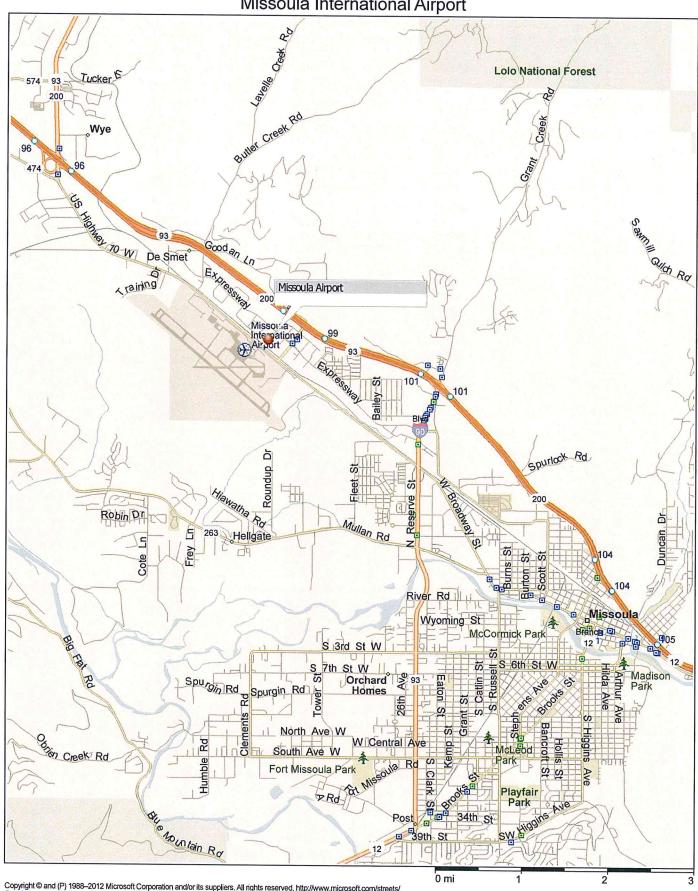
**Bismarck Airport** 



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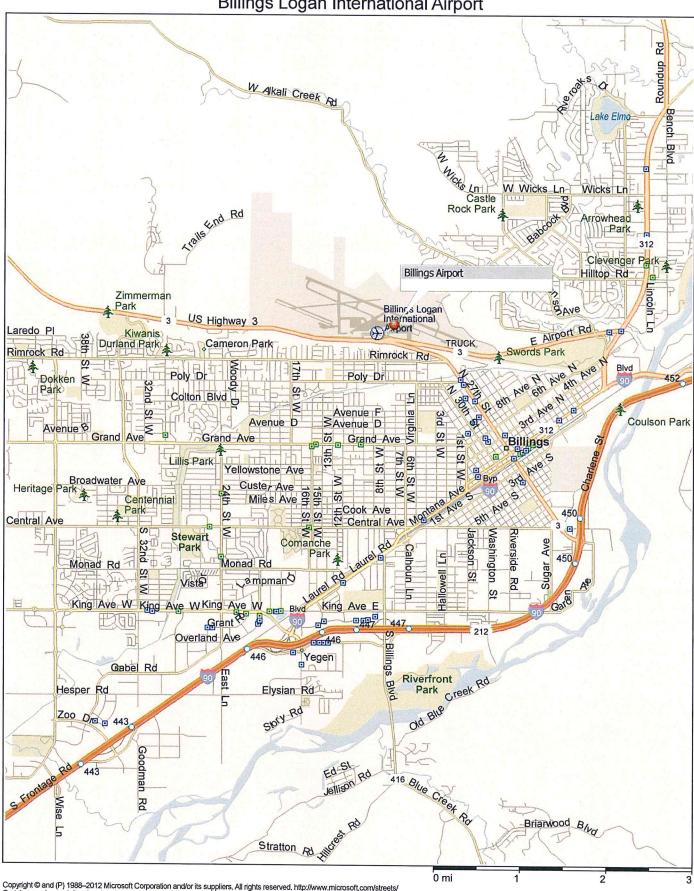
Missoula International Airport



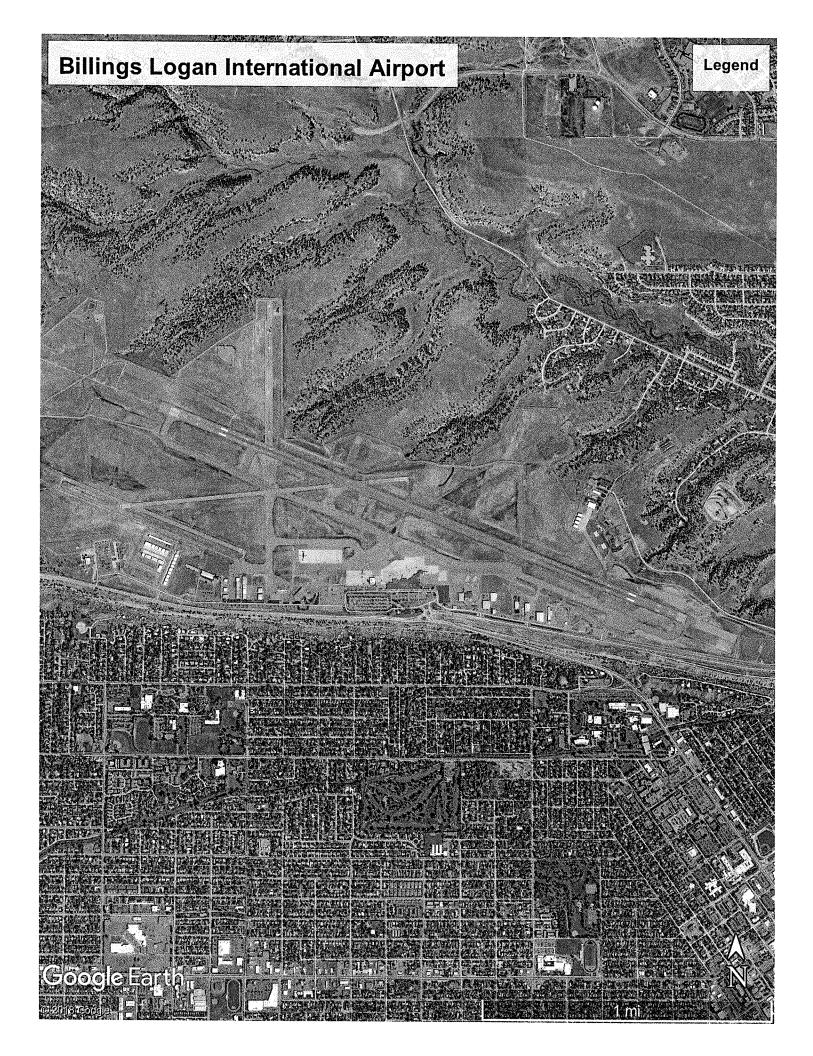
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Billings Logan International Airport

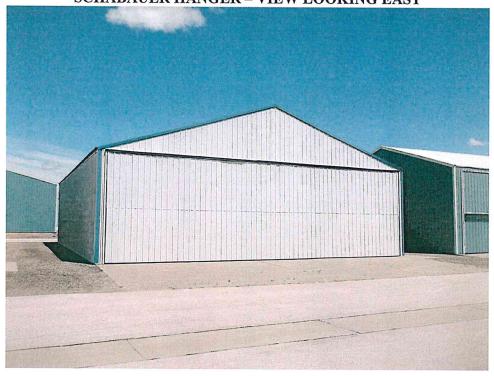


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# EXHIBIT 1

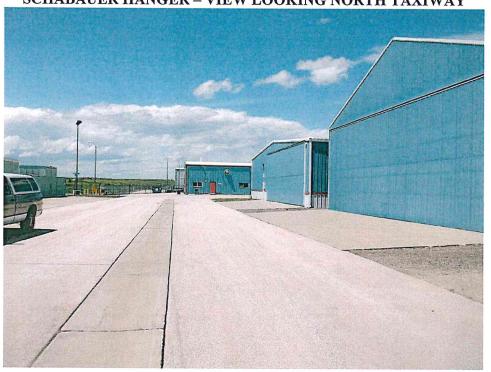
SCHABAUER HANGER – VIEW LOOKING EAST



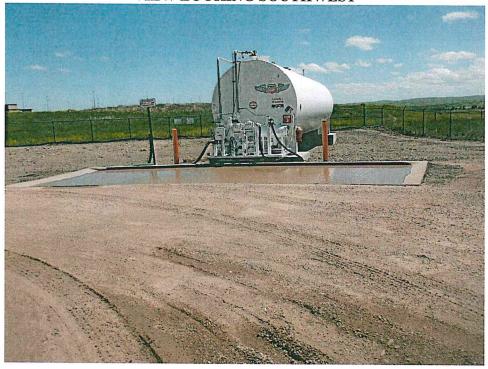
SCHABAUER HANGER – VIEW LOOKING SOUTH TAXIWAY



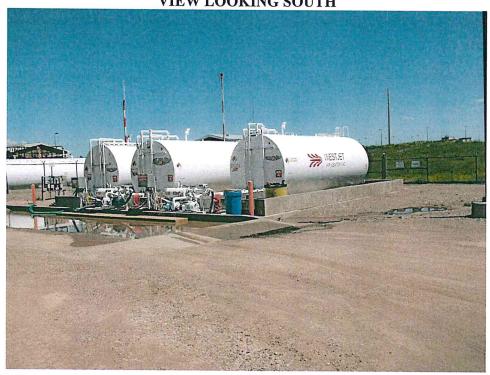
SCHABAUER HANGER – VIEW LOOKING NORTH TAXIWAY



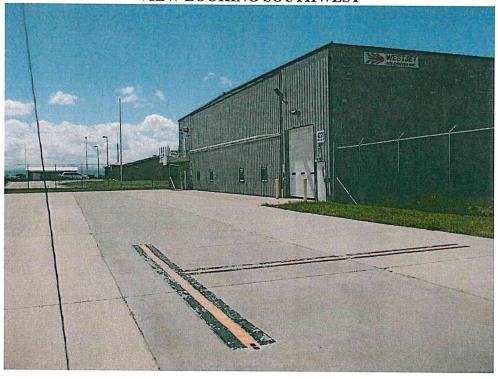
WESTJET E – FUEL TANKS VIEW LOOKING SOUTHWEST



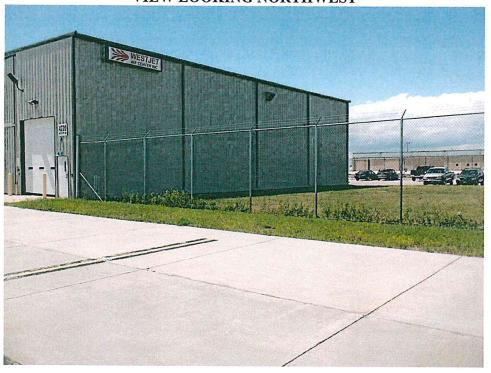
# WESTJET E – FUEL TANKS VIEW LOOKING SOUTH



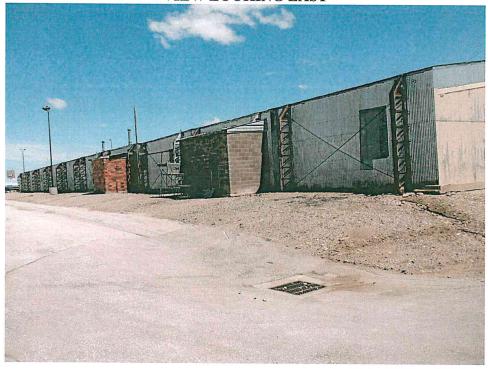
WESTJET 6 – HANGER VIEW LOOKING SOUTHWEST



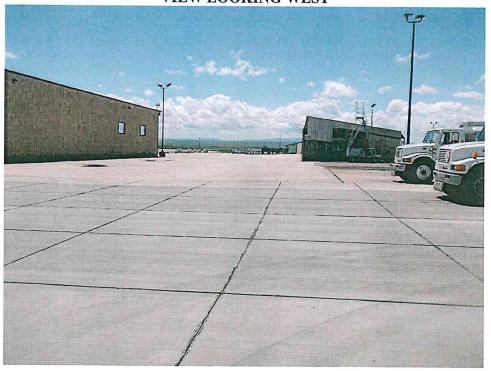
### WESTJET 6 – HANGER VIEW LOOKING NORTHWEST



WESTJET A – OLD HANGER VIEW LOOKING EAST



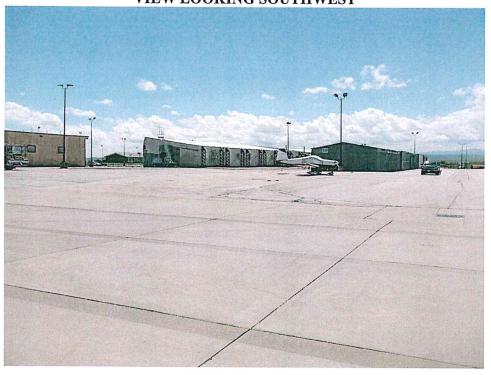
### WESTJET A – OLD HANGER VIEW LOOKING WEST



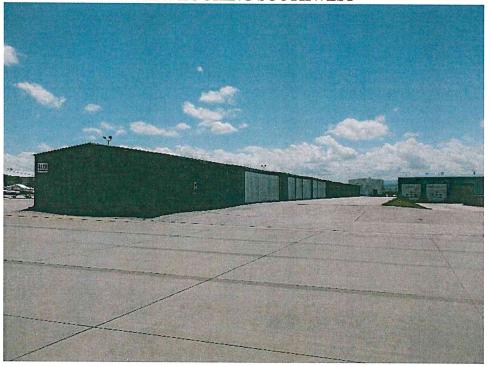
WESTJET A – OLD HANGER VIEW LOOKING WEST



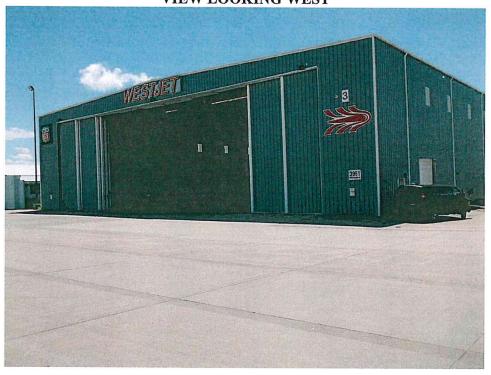
# WESTJET B – TIE DOWN VIEW LOOKING SOUTHWEST



WESTJET C – HANGER VIEW LOOKING SOUTHWEST



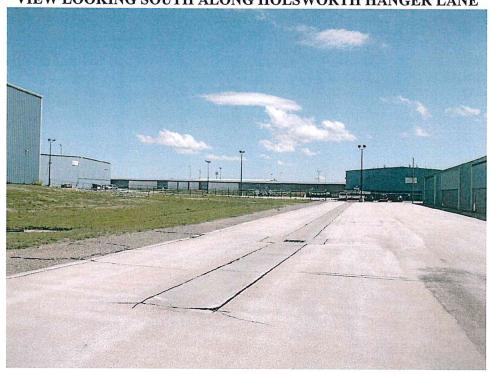
### WESTJET D – NORTH HANGER VIEW LOOKING WEST



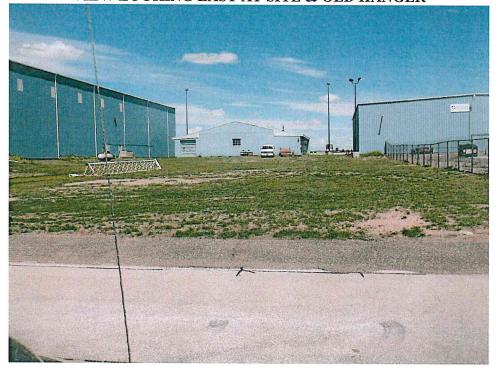
VIEW LOOKING EAST ALONG HANGER ROAD



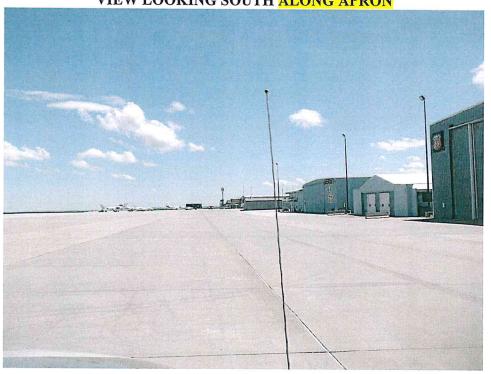
VIEW LOOKING SOUTH ALONG HOLSWORTH HANGER LANE



VIEW LOOKING EAST AT SITE & OLD HANGER



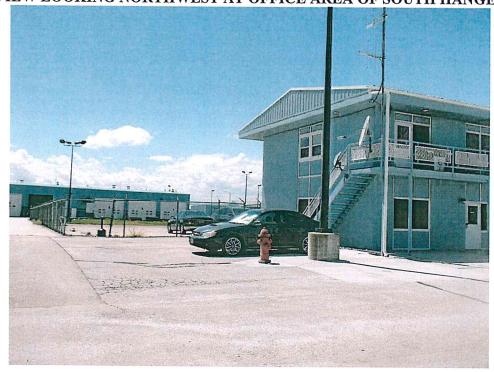
# VIEW LOOKING SOUTH ALONG APRON



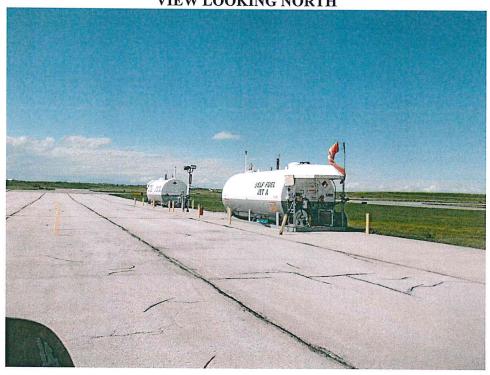
VIEW LOOKING EAST PARKING & ACCESS TO SOUTH HANGER



### VIEW LOOKING NORTHWEST AT OFFICE AREA OF SOUTH HANGER



DALE AVIATION – RAPID FUEL TANKS (2-3) VIEW LOOKING NORTH



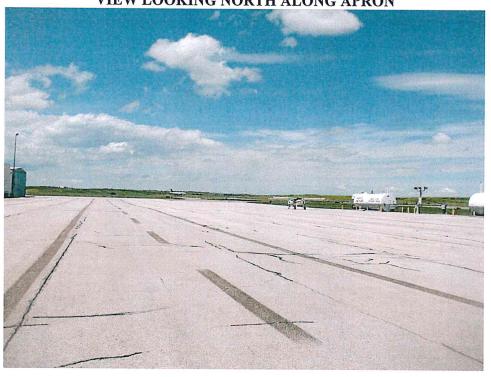
## DALE AVIATION – VISIONAIR (2-2) SOUTH HANGER VIEW LOOKING SOUTHWEST



DALE AVIATION – VISIONAIR (2-2) SOUTH HANGER VIEW LOOKING WEST



DALE AVIATION – VISIONAIR (2-2) SOUTH HANGER VIEW LOOKING NORTH ALONG APRON



DALE AVIATION – VISIONAIR (2-2) SOUTH HANGER VIEW LOOKING SOUTH ALONG APRON



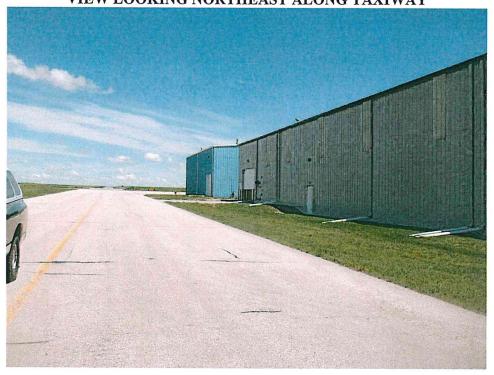
## DALE AVIATION – VISIONAIR (2-2) SOUTH HANGER VIEW LOOKING EAST



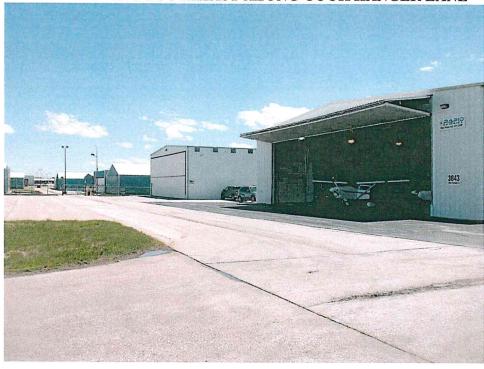
DALE AVIATION – (2) NORTH HANGER VIEW LOOKING SOUTH



### DALE AVIATION – (2) NORTH HANGER VIEW LOOKING NORTHEAST ALONG TAXIWAY



DALE AVIATION – (2-1) RAPID FUEL VIEW LOOKING SOUTHEAST ALONG COOK HANGER LANE



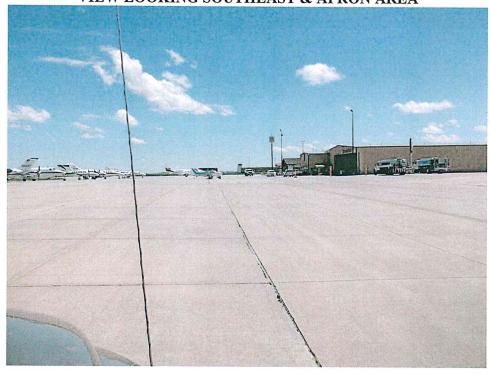
DALE AVIATION – (2-1) RAPID FUEL VIEW LOOKING WEST ALONG NORTH SIDE OF HANGER



DALE AVIATION – (2-4) TRI STATE AVIONICS VIEW LOOKING NORTH



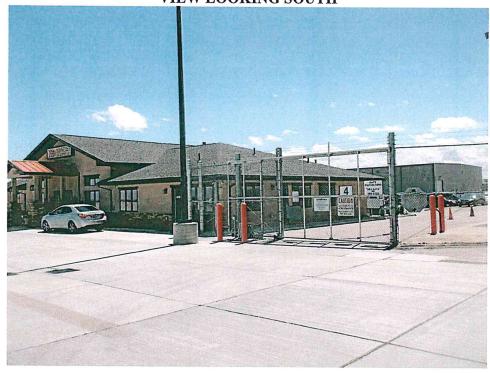
WESTJET H – MAIN HANGER VIEW LOOKING SOUTHEAST & APRON AREA



WESTJET H – MAIN HANGER VIEW LOOKING EAST & TIE DOWN AREA

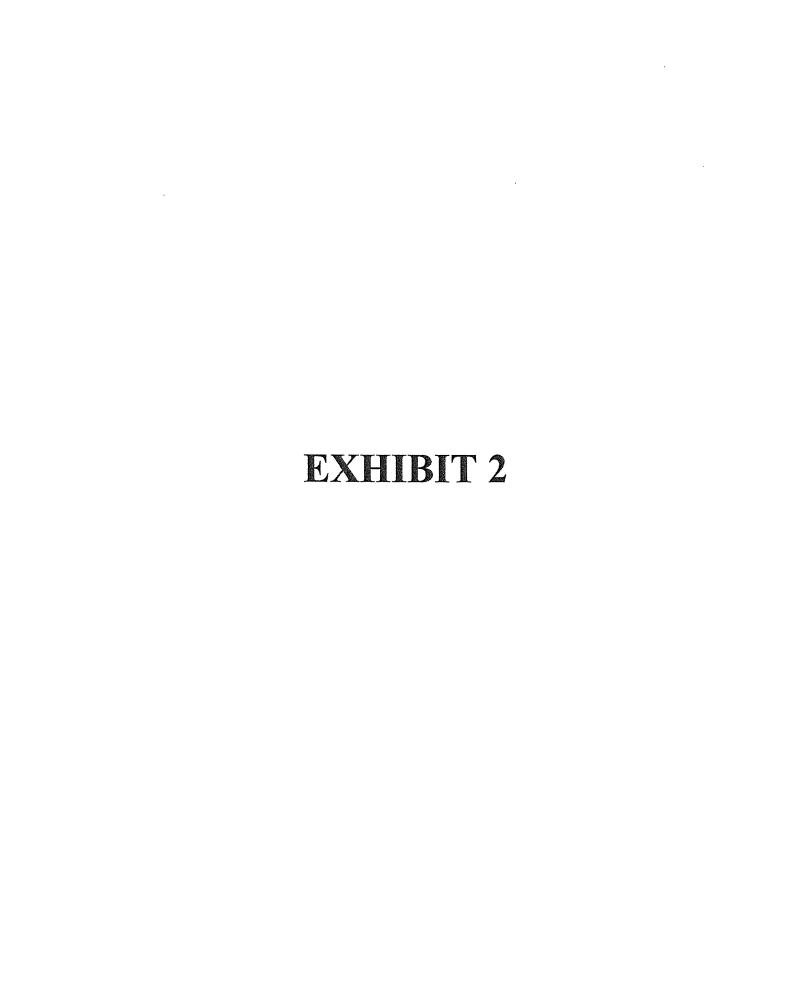


## WESTJET F – MAIN OFFICE VIEW LOOKING SOUTH



WESTJET F – MAIN OFFICE VIEW LOOKING NORTH ALONG APRON





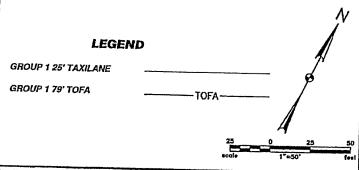
## Attachment 2-2

## EXHIBIT A - 4076 HANSEN HANGAR LANE LEASE PROPERTY - ERNEST SCHABAUER

LOCATED IN THE SW 1/4 OF SECTION 17, TOWNSHIP 1 NORTH, RANGE 9 EAST, B.H.M.
PENNINGTON COUNTY, SOUTH DAKOTA

### OWNER: RAPID CITY REGIONAL AIRPORT SHEET 1 OF 1





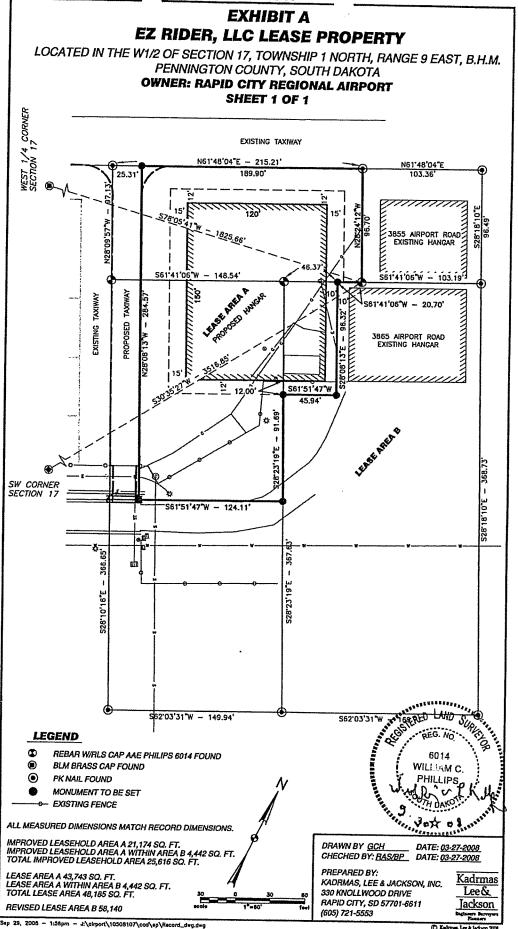
DRAWN BY: GCH CHECKED BY: RAS

PREPARED BY: KLJ, INC.

KLJ, INC. 330 KNOLLWOOD DRIVE RAPID CITY, SD 57701-6611 (605) 721-5553 DATE: 11/18/2015 DATE: -

(KL)

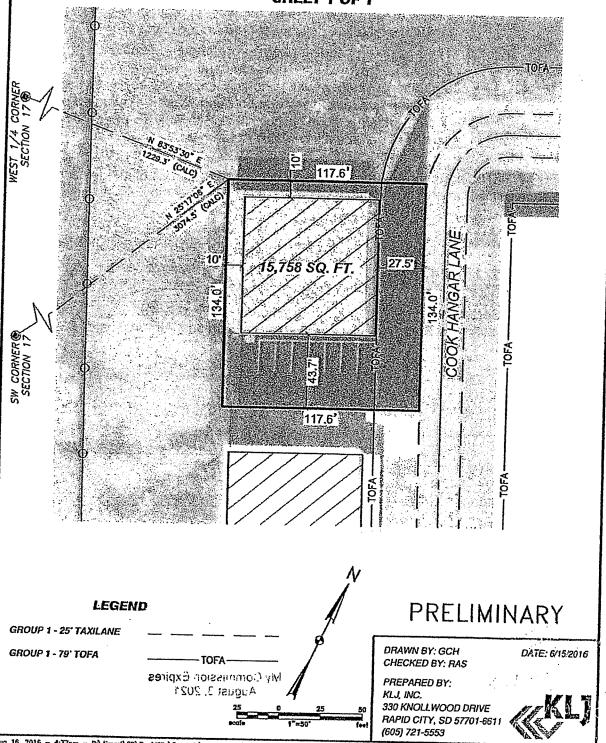
## Attachment 2-1



## EXHIBIT A - 3843 COOK HANGAR LANE LEASE PROPERTY - RAPID FUEL, LLC (JERRY DALE)

LOCATED IN THE SW 1/4 OF SECTION 17, TOWNSHIP 1 NORTH, RANGE 9 EAST, B.H.M.
PENNINGTON COUNTY, SOUTH DAKOTA

OWNER: RAPID CITY REGIONAL AIRPORT SHEET 1 OF 1



Jun 16, 2016 - 4:37pm - P:\Airport\S0\RopidCity\Property\Local Areas\10512114\cod\10512114 Lease Areas.dwg
Commercial Lease and Use Agreement-Rapid Fuel LLC
City of Rapid City, Rapid City Regional Airport (07/01/2016)

(D Kil) 2016

LEASE PROPERTY - 3865 AIRPORT ROAD & 3900 AIRPORT ROAD LEASED PROPERTY LOCATED IN THE W 1/2 OF SECTION 17, TOWNSHIP 1 NORTH, RANGE 9 EAST, B.H.M. PENNINGTON COUNTY, SOUTH DAKOTA OWNER: RAPID CITY REGIONAL AIRPORT SHEET 2 OF 2 WEST 1/4 SECTION 17 CORNER S 28'10'16" 97.13' 28 18 10" 96 49 1825.66 ≨ ٤ 61'41'06" E 170.25 N 61'41'06" E 148.54' 67.06 12.6 3865 AIRPORT ROAD (EXISTING HANGAR) 366,65 FUEL **TANKS** 63 ASPH. 367. 28"18'10" ₹ 28.23'19" SW CORNER SECTION 17 368.73 z 12.6 28'10'16" 3900 AIRPORT ROAD (EXISTING HANGAR) z 49 Ň 'n S 62'03'31" W 149.94' S 62'03'31" W 169.71 PK BUILDING ENVELOPE = 37279 SQ FT EAST AREA REMAINDER = 25303 SQ FT WEST AREA = 54791 SQ FT THE SECOND THE DAY OF THE PROPERTY OF THE PROP PHILLIPS - BUILDING ENVELOPE 60 SCALE: 1" - 60' SET NO. 5 REBAR/PLASTIC CAP, "AAE PHILIPS 6014" PREPARED BY: enVision Design, Inc 706 WEST BOULEVARD RAPID CITY, SOUTH DAKOTA FOUND BLM BRASS CAP

DRAWN BY R. DEIBERT CHECKED BY W. C. PHILLIPS

JOB NO.: 06.1265.002

DATE 02-27-06 DATE 02-27-06

SHEET 2 OF

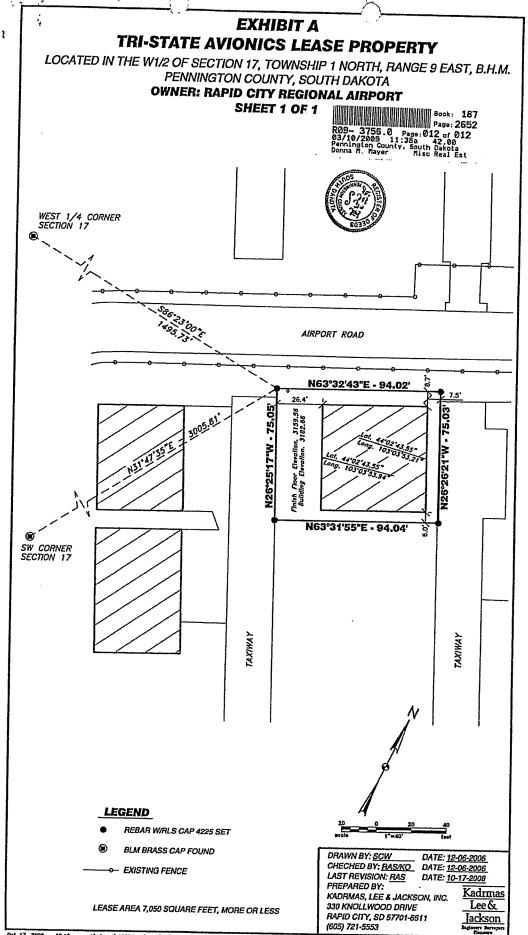
OPK PK NAIL (SET)

SECTION 17, T1N, R9E, B.H.M.

DATE: 02-27-06

FRE: 1265-002PL01.0G

## EXHIBIT A LEASE PROPERTY - 3900 AIRPORT ROAD LEASED PROPERTY FOR RAPID FUEL 1/4 OF SECTION 17, TOWNSHIP 1 NORTH, RANGE 9 EAST, B.H.M. PENNINGTON COUNTY, SOUTH DAKOTA OWNER: RAPID CITY REGIONAL AIRPORT SHEET 2 OF 2 61°52'13" E J.P.O.B. 10.00' 28.07'47" 28.07,47 Z -S 61°52'13" 10.00' LEASE AREA ± 1000 SQUARE FEET SET NO. 5 REBAR/PLASTIC CAP, "AAE PHILLIPS 6014" FOUND BLM BRASS CAP 10 PK NAIL (SET) SCALE: 1" - 20' PREPARED BY: enVision Design, Inc 706 WEST BOULEVARD RAPID CITY, SOUTH DAKOTA The State of the S DRAWN BY R. DEIBERT DATE 05-30-06 CHECKED BY W. C. PHILLIPS DATE 05-30-06 DATE: 05-24-06 SECTION 17, T1N, R9E, B.H.M. JOB NO. 06-1265,006 SHEET 1 OF 1



C Kademaa, Lor & Jackson 2006

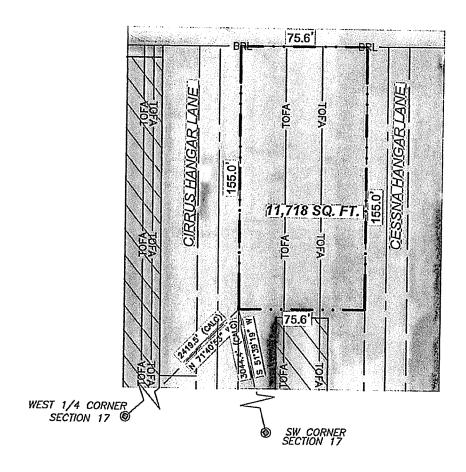
## EXHIBIT A - 4160 FIRE STATION ROAD (AREA A) Lease Property - West Jet (Don & Linda Rydstrom) LOCATED IN THE SW 1/4 OF SECTION 17, TOWNSHIP 1 NORTH, RANGE 9 EAST, B.H.M. PENNINGTON COUNTY, SOUTH DAKOTA OWNER: RAPID CITY REGIONAL AIRPORT SHEET 1 OF 1 21.8' \30.0' 26.5 195.9' SECTION 17 IMPROVED AREA = 28,544 S.F. WEST 1/4 CORNER SW CORNER SECTION 17 UNIMPROVED AREA =102,376 S.F. TOTAL AREA =130,920 S.F. LEGEND BUILDING RESTRICTION LINE -- BRL-**GROUP 1 25' TAXILANE** DRAWN BY: GCH DATE: 8/19/2014 CHECHED BY: RAS DATE: -GROUP 1 79' TOFA -TOFA-PREPARED BY: CHAINLINK FENCE KLJ, INC. 330 KNOLLWOOD DRIVE RAPID CITY, SD 57701-6611

(605) 721-5553

## EXHIBIT A - 4140 AIRPORT HANGAR RD. (AREA B) LEASE PROPERTY - WEST JET (DON & LINDA RYDSTROM)

LOCATED IN THE SW 1/4 OF SECTION 17, TOWNSHIP 1 NORTH, RANGE 9 EAST, B.H.M. PENNINGTON COUNTY, SOUTH DAKOTA

OWNER: RAPID CITY REGIONAL AIRPORT SHEET 1 OF 1

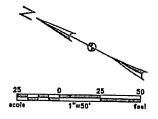


UNIMPROVED AREA = 11,718 S.F.

#### LEGEND

BUILDING RESTRICTION LINE -**GROUP 1 25' TAXILANE** GROUP 1 79' TOFA -TOFA--

CHAINLINK FENCE



DRAWN BY: GCH CHECHED BY: RAS

DATE: 8/19/2014 DATE: -

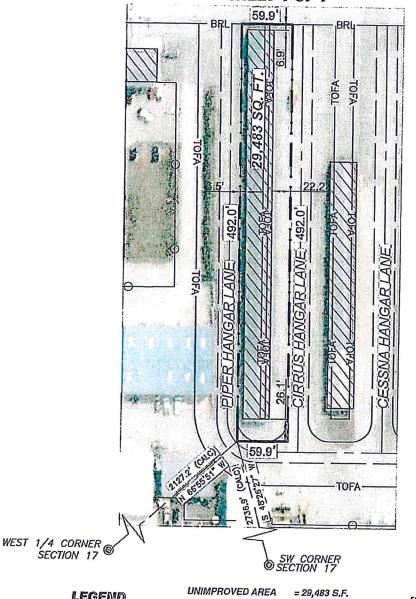
PREPARED BY: 330 KNOLLWOOD DRIVE RAPID CITY, SD 57701-6611 (605) 721-5553



exhibit a - 4102 airport hangar Rd. (Area C) LEASE PROPERTY - WEST JET (DON & LINDA RYDSTROM) LOCATED IN THE SW 1/4 OF SECTION 17, TOWNSHIP 1 NORTH, RANGE 9 EAST, B.H.M.

PENNINGTON COUNTY, SOUTH DAKOTA

Owner: Rapid City Regional Airport SHEET 1 OF 1



LEGEND

BUILDING RESTRICTION LINE .

**GROUP 1 25' TAXILANE** 

GROUP 1 79' TOFA TOFA-

CHAINLINK FENCE

DRAWN BY: GCH CHECHED BY: RAS

DATE: 8/19/2014 DATE: -

PREPARED BY: KLJ, INC.

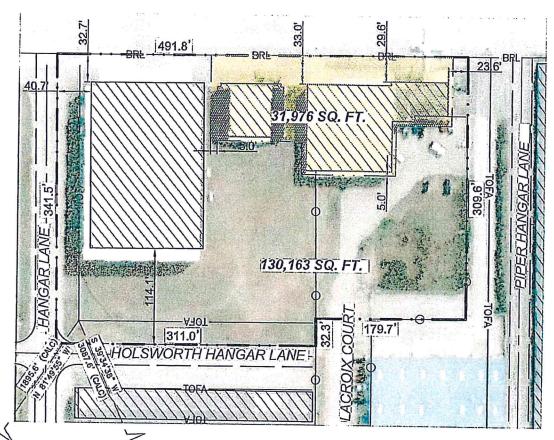
330 KNOLLWOOD DRIVE RAPID CITY, SD 57701-6611 (605) 721-5553



## EXHIBIT A - 4024 LACROIX COURT (AREA D) LEASE PROPERTY - WEST JET (DON & LINDA RYDSTROM)

LOCATED IN THE SW 1/4 OF SECTION 17, TOWNSHIP 1 NORTH, RANGE 9 EAST, B.H.M. PENNINGTON COUNTY, SOUTH DAKOTA

OWNER: RAPID CITY REGIONAL AIRPORT SHEET 1 OF 1



© WEST 1/4 CORNER SECTION 17

SW CORNER SECTION 17

> IMPROVED AREA UNIMPROVED AREA TOTAL AREA

= 31,976 S.F. =130,163 S.F. =162,139 S.F.

# 50 0 50 100 acolo 1"=50" feel

#### LEGEND

BUILDING RESTRICTION LINE BRL BRL GROUP 1 25' TAXILANE

GROUP 1 79' TOFA TOFA—TOFA—

CHAINLINK FENCE \_

DRAWN BY: GCH CHECHED BY: RAS

DATE: 8/19/2014 DATE: -

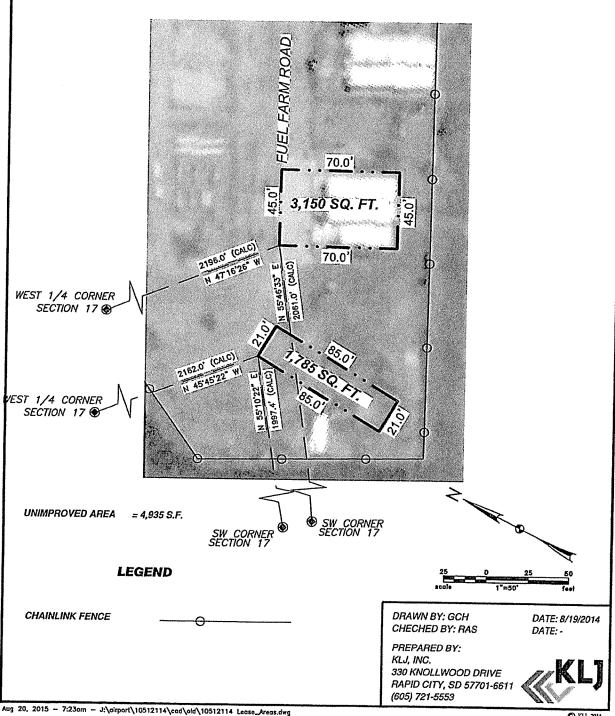
PREPARED BY: KLJ, INC. 330 KNOLLWOOD DRIVE RAPID CITY, SD 57701-6611 (605) 721-5553



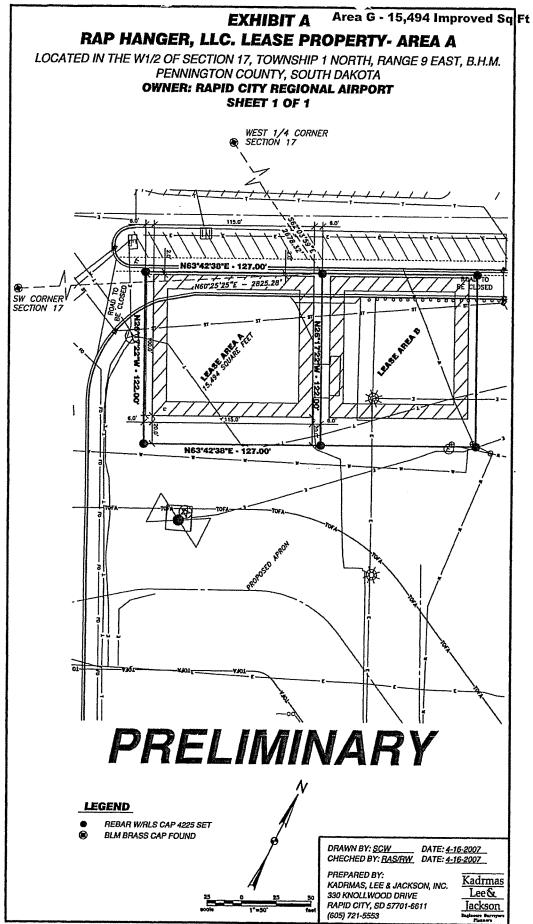
## EXHIBIT A - FUEL FARM (AREA E) LEASE PROPERTY - WEST JET (DON & LINDA RYDSTROM)

LOCATED IN THE SW 1/4 OF SECTION 17, TOWNSHIP 1 NORTH, RANGE 9 EAST, B.H.M. PENNINGTON COUNTY, SOUTH DAKOTA

OWNER: RAPID CITY REGIONAL AIRPORT SHEET 1 OF 1



## **EXHIBIT A - 4170 FIRE STATION ROAD** LEASE PROPERTY - WEST JET (DON & LINDA RYDSTROM) LOCATED IN THE NE1/4SW1/4 & NW1/4SE1/4 OF SECTION 17, TOWNSHIP 1 NORTH, RANGE 9 EAST, B.H.M. PENNINGTON COUNTY, SOUTH DAKOTA WEST 1/4 CORNER © SECTION 17 **OWNER: RAPID CITY REGIONAL AIRPORT** SHEET 1 OF 1 N 59'05'11" E 3060.2' (CALC) EIRE STATION ROAD 82.0 9,184 Improved Area **LEGEND** BUILDING RESTRICTION LINE -DRAWN BY: GCH DATE: 1/28/2015 e LIGHTED OVERHEAD SIGN CHECHED BY: RAS DATE: -PREPARED BY: KLJ, INC. 330 KNOLLWOOD DRIVE RAPID CITY, SD 57701-6611 (605) 721-5553





### Attachment C-2

### ADDENDUM TO SHAYKETT REPORT

### Shaykett Appraisal Company, Inc.

601 N. Minnesota Avenue, Suite 100 Sioux Falls, South Dakota 57104-8413 Phone (605) 332-3553 • Fax (605) 332-0243 Email: shaykettappraisal@shaykettappraisal.com

Travis E. Shaykett State Certified General Appraiser Steven C. Shaykett, MAI State Certified General Appraiser

George P. Stavrenos State Certified General Appraiser

August 15, 2019

Rapid City Regional Airport Board Attn: Mr. Patrick Dame 4550 Terminal Road, #102 Rapid City, South Dakota 57703

RE: Addendum to
Market Rent Study
Rapid City Regional Airport
Rapid City, South Dakota
Control #19-59

Dear Mr. Dame:

This addendum to the above referenced study has been prepared at the request of Mr. Matt Townsend of Frasca & Associates, LLC in response to Mr. Townsend's review of the study and questions detailed in his email of August 7, 2019. A copy of that email is attached.

Additional Conclusion Remarks – Report Page 21 (PDF Page 26)

As discussed on Page 19, Comparable No. 1 was given strong weight in the range of comparables shown, but discounted in the final conclusion, due to the influence of this airport being utilized by the University of North Dakota in their aviation program. This is one of the few in the upper Midwest. This is atypical to the other comparables and the subject and may have some influence on the total activity at this airport. Comparable No. 2 was also given strong weight in the range of comparbles, but relied upon less in the final conclusion due to much larger community. Comparable No. 3 had the highest ranking in commercial passenger numbers, but one of the smallest communities. This comparable appears to be below the prevailing rates for similar airports and is discounted in the final conclusion. This is also true for Comparable No. 6 even though it is one of the more similar in community size. Comparable No. 7, even though a larger community it was at the lower end of the market range. Those comparables at the lower end of the range were not given as much weight as those at the upper end of the range, as the scope of work is to estimate the current market rent potential and to that goal, it appears that reasonable similar airports are obtaining rents that better reflect the current market conditions and activity level.

August 15, 2019 Mr. Dame Page 2

Income-producing approach -

There are two possible methods using the income to the land. First method is utilizing an estimated land value for each parcel and estimating an acceptable annual rate of return. Example is if the estimated land value is \$3.00 per square foot and the market acceptable annual rate of rent is 7.0 percent, the annual rent would be \$0.21 per square foot. I considered this method, but the problems in estimating the market land value is the lack of current comparable land sales in similar airports. Alternatively, a market land value can be estimated from sales of industrial sites in the community, but there are many dissimilarities between the demand for industrial sites and sites on airports. Also, due to the lack of airport site sales that were leased at time of sale, it is difficult to support the acceptable annual rate of return. There are other ways to impute that rate, but that also requires many assumptions. Second method is simply applying a percentage rent rate to the income produced by the tenant. It appears this method has been used on some level in the past in some airports, but apparently currently not widely used for setting land rental rates. Problems associated with this method is the requirement for the tenant to provide detailed accounting and also the selection of the property percentage rent rate.

Single Rental Rate — This is explained in the report on page 21. Again, the scope of work is to estimate the market rent for each parcel. None of the comparables reported any difference for parcels that had portions of the site that were not within the footprint of the building. The current practice is like someone renting a four bedroom house, and only paying 50 percent for the two bedrooms they intend to use as storage. It makes no economic sense or best practice to rent an asset for less, solely because the tenant chooses not to utilize it to its full potential.

Hopefully, this addendum will provide additional understand of those sections of the study.

Respectfully submitted,

Steven C. Shaykett MAI



### Attachment C-3

### **WILSON APPRAISAL REPORT**

### APPRAISAL REPORT

### Subject Property:

Market Ground Rent and Hypothetical Fee Simple Market Values
Three Types of Aviation Use Land
Rapid City Regional Airport
Rapid City, South Dakota

### Prepared for:

Ms. Toni Broom, C.M.
Deputy Director for Finance & Administration
Rapid City Regional Airport
4550 Terminal Rd., #102
Rapid City, SD 57703

### Date of Value:

October 3, 2019

### Date of Report:

January 24, 2020

### Appraised by:

Alan M. Wilson & Associates 12315 Oak Knoll Road, Suite 220 Poway, CA 92064 (858) 248-6180 awmai@protonmail.com

### ALAN M. WILSON & ASSOCIATES

Real Estate Appraisers and Consultants

Ms. Toni Broom, C.M. Deputy Director for Finance & Administration Rapid City Regional Airport 4550 Terminal Rd., #102 Rapid City, SD 57703 January 24, 2020

Re: Three types of aviation use land Rapid City Regional Airport Rapid City, South Dakota 57703

Dear Ms. Broom:

At your request, I conducted appraisals of market rent and hypothetical fee simple market value for three different types of aviation use land at Rapid City Regional Airport. The three use types were: Specialized Aviation Service Operations (SASOs), Fixed Base Operations (FBOs), and General Aviation Storage. Each type of land was further segregated into "improved" and "unimproved" categories (as defined later), so that there are a total of six ground rent and six market value estimates reported herein. The effective date of the appraisals, also known as the "date of value" was October 3, 2019.

The results of my appraisals are presented in this Appraisal Report, which is intended to comply with the following: reporting requirements set forth under Standards Rule 2-2(a) of the current Uniform Standards of Professional Appraisal Practice and with the applicable portions of FAA Advisory Circular 150/5100-17. The report contains detailed descriptions of the appraiser's process of data collection, reasoning, and analyses that were used to develop the opinions of market rent and market value. It is intended to be in a format that was formerly referred to as a "self-contained" appraisal report.

My Client for this assignment is the City of Rapid City and this report is intended for the Client's exclusive use. It is understood that the Client may provide access to the appraisal to interested parties; however, the appraiser accepts no further duties arising from the review of this report by any third parties. The intended use of the appraisals is to assist the Client in establishing an appropriate "Rates and Charges" policy for the airport, operable guidelines for which were most recently published by Federal Aviation Administration in the Federal Register on September 10, 2013.

Both General and Extraordinary Assumptions were adopted for this assignment. Extraordinary assumptions are assumptions directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions.

Page ii Ms. Broom January 24, 2020

To the extent any of the General or Extraordinary Assumptions made during the course of the appraisal later prove to have been inappropriate, the estimates of market ground rent and hypothetical fee simple market value may be compromised, and the appraiser reserves the right to modify the appraisals. All of the assumptions and limiting conditions pertaining to the assignment are reported herein and the Client is encouraged to read and understand all of those assumptions. Additionally, the Client's acceptance and use of this report is evidence of its acceptance of the Limiting Conditions under which the appraisals were made.

The investigation, analysis, and reporting of the hypothetical fee simple value estimates were **limited in scope**, which will be explained in detail later in the report. Additionally, the fee simple value estimates reflect the **hypothetical condition** that fee simple interests in the subject properties could have actually been transferred in the open market on the date of value when, in fact, they could not have been. The hypothetical fee simple valuations were provided only as an accommodation to the Client for its own internal purposes.

In conducting this appraisal, three actual leaseholds at the airport (one representing each use type) were identified by the Client, adopted by the appraiser as being representative of their respective use categories, and used as the "subject properties" for comparison purposes.

This letter of transmittal is only a part of a 132-page narrative appraisal report (plus Addenda), organized in a manner consistent with a Project Appraisal Report. Use of a Project Appraisal Report format is appropriate when there are multiple subject properties with numerous commonalities. Accordingly, this report consists of three major parts: **Part I** contains an introduction, factual data, and analysis relating to all properties included in the report; Part II includes the individual parcel descriptions and valuations; and Part III consists of Addenda and exhibits relating to all properties included in the report.

Should you have any questions about this appraisal report, please don't hesitate to call. Thank you for this opportunity to be of service, Ms. Broom.

Respectfully submitted,

California #AG 006308

South Dakota 1819-T-2019

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### PART III - GENERAL EXHIBITS AND ADDENDA

APO Terminal Area Forecast Detail Report
Airport Zoning District Regulations
Subject Property Plats
Temporary License to Appraise in South Dakota
Qualifications of Appraiser
Partial List of Appraiser's Aviation-Related Assignments

#### EXECUTIVE SUMMARY

Property Type: Three categories of aviation use land: a) Fixed Base Operation

(FBO), b) Specialized Aviation Service Operation (SASO) and

c) General Aviation Aircraft Storage

Location: Rapid City Regional Airport (RAP)

4550 Terminal Road

Rapid City, South Dakota 57703

Purpose of the Appraisal: To estimate market ground rent and hypothetical fee simple

market value of improved and unimproved land in each

category

Intended Use of the Appraisal: To assist the Client in establishing appropriate General

Aviation Rates and Charges on an airport-wide basis

Date of Value: October 3, 2019

Date of Appraisal: January 24, 2020

**Estimated Annual** 

Market Ground Rents FBO: \$0.33/SF/Land/Yr. (Improved): SASO: \$0.33/SF/Land/Yr.

GA Storage: \$0.30/SF/Bldg. Envelope

Implied Ground Lease Terms: Applicable to all three uses – Minimum 25 years

Implied Expense Basis: Triple net expense basis, with the lessee responsible for

payment of all operating expenses including property taxes,

insurance, maintenance, management and utilities

Implied Equity Contributions: Non-specific, but implied in market ground rent estimates for

all three use categories

Implied Percentage Rent: None

Estimated Hypothetical

Fee Simple Market Values: FBO Land: \$4.77 per square foot

SASO Land: \$4.61 per square foot GA Storage Land: \$4.11 per square foot

Hypothetical Condition: Estimating fee simple market values for portions of an

operating airport reflects the hypothetical condition that portions of airport land could be sold in the open market when,

in fact, they cannot.

### **EXECUTIVE SUMMARY (Continued)**

Limited Scope Analysis: The process used to estimate hypothetical fee simple market

values of the underlying land was limited in scope, primarily because application of a Sales Comparison approach was not possible. An Income Capitalization approach was applied, using the appraiser's estimated market ground rents, for the fee simple valuations; however, the process of estimating an appropriate overall capitalization rate was limited to an examination of published sources and researching investment

sales of improved industrial properties on a broad basis.

Subject Properties: The ultimate purpose of this appraisal is to assist the Client in

establishing an appropriate General Aviation Rates and Charges policy on an airport-wide basis. Certain existing leaseholds, each representing one of the use categories addressed in the appraisal, were selected by the Client and

adopted as template subject properties for analysis purposes.

Highest and Best Use: As if Vacant – Hold for future construction of aviation use

improvements appropriate to the subject properties' respective

legal uses

As Improved – Not applicable to this assignment

#### ASSUMPTIONS AND LIMITING CONDITIONS

This Appraisal Report is subject to the following general and extraordinary assumptions. To the extent that any of the assumptions made during the course of the assignment later prove to have been inappropriate or erroneous, the estimates of market rent and market value are compromised and the appraiser reserves the right to revise this appraisal.

### **General Assumptions**

- 1. No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
- 2. The subject properties' market ground rent and fee simple market value are estimated under the assumption that the parcels are free and clear of any or all liens or encumbrances unless otherwise stated.
- 3. Responsible ownership and competent property management are assumed.
- 4. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
- 5. All engineering is assumed to be correct, unless otherwise stated in this report. The plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.
- 6. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
- 7. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the report.
- 8. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a non-conformity has been stated, defined and considered in the report.
- 9. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the opinions contained in this report are based.
- 10. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.

### ASSUMPTIONS AND LIMITING CONDITIONS (Continued)

11. Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyls, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, or other environmental conditions, were not called to the attention of nor did the analyst become aware of such during the analyst's inspection. The analyst has no knowledge of the existence of such materials on or in the property unless otherwise stated. The analyst, however, is not qualified to test or even detect such substances or conditions. The presence of such substances, such as asbestos, urea-formaldehyde foam insulation, or other hazardous substances or environmental conditions, may affect the market rental rate and/or value of the property. The estimated market rent is predicated on the assumption that there is no such condition on or in the property or in such proximity thereto that it would cause a loss in rent. No responsibility is assumed for any such conditions, nor for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

### **Extraordinary Assumptions**

Extraordinary assumptions are assumptions, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions.

- 12. It is understood that the appraisal will be used to assist in setting Rates and Charges on an airport-wide basis. The methodology used in this appraisal was to adopt three existing leaseholds as being representative of each of the aforementioned use categories, and to use them as "template" subject properties for analysis purposes. Therefore, the assumption was made that the adopted subject properties are appropriate to use for that purpose and that they represent the airport standard for their particular property type.
- 13. No specific capital improvement requirements (tenant dollar contributions) are reflected in the estimate of market rent. However, it is assumed that a material consideration of granting a long-term ground lease at the airport would, at a minimum, require the tenant to construct or maintain certain improvements.
- 14. A ground lease term of 25 years or more is assumed in the estimate of market ground rent for all three property types.
- 15. It is assumed that the assessments and property taxes reported herein represent a complete accounting for the parcels adopted as subject properties.

### ASSUMPTIONS AND LIMITING CONDITIONS (Continued)

### **Hypothetical Condition**

A hypothetical condition reflects a situation in which something known to be false is adopted as true for appraisal purposes. The fact that fee simple land values are estimated in this report suggests that the subject properties could be have been sold in fee as independent properties on the date of value when, in fact, they could not. Therefore, a hypothetical condition was necessarily reflected for that portion of the assignment. Fee simple valuations were conducted on a limited scope basis and were provided only as an accommodation to the Client for its own internal purposes.

### **Limited Scope**

The estimates of hypothetical fee simple market value reflect a limited process of data collection and analysis. Fee simple interests in the subject properties cannot be transferred in the open market so no comparable data exist from which fee simple value estimates could be supported. Accordingly, only a cursory, general review of land capitalization rates available from published sources could be conducted. A reasonable overall rate was concluded and applied to the appraiser's market ground rent estimates for indications of fee simple value. Despite the limited nature of the data collection and analysis, it is believed that the hypothetical fee simple value estimates are reasonable.

### **Limiting Conditions**

Use of this appraisal report is evidence of the Client's acceptance of the following Limiting Conditions that have been placed on its use.

- 1. Possession of this report, or a copy thereof, does not carry with it the right of publication. It is understood that the City of Rapid City may be required to provide copies of the report to airport tenants or other interested parties, provided that such copies are requested through the appropriate mechanisms. Absent any such bona-fide requests by tenants, the City is not authorized to provide copies of this report to any third parties without the appraiser's written consent.
- 2. The appraiser, by reason of this assignment, is not required to give further consultation, testimony, or be in attendance in court with reference to the property in question unless arrangements have been previously made.
- 3. Neither all, nor any part of the contents of this report (especially any conclusions, the identity of the analyst, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser.

## **Limiting Conditions (Continued)**

- 4. The forecasts, projections, operating estimates, and conclusions contained herein are based upon current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes in future conditions.
- 5. Any value estimates provided in the report apply to the entire property, and any proration or division of the total into fractional interests will invalidate the value estimates, unless such proration or division of interests has been set forth in the report.
- 6. This appraisal report may not be reproduced, in either in part or in its entirety, on the Internet. The Client acknowledges that the Appraiser will suffer competitive disadvantages and potential financial loss through the publication of this work product, apart from publication that may be required through operation of law.

#### SCOPE OF WORK

The scope of this assignment included: a field inspection of the subject airport and of some, but not all, of the comparable data used in the analyses; inspection of the surrounding locale; research and investigation of current market conditions relative to the property type appraised as well as the market sector within which the subject airport competes; interviews with airport managers and leasing agents, appraisers, tenants, civil engineers, and representatives from relevant public agencies or governing bodies; a search for market data similar in highest and best use to the subject property; and confirmation and analysis of recent aviation-use-restricted leases at competitive airports for the purpose of estimating market ground rent for three aviation-restricted use types – FBO, SASO, and Storage.

To develop the opinions of market rental value, the appraiser performed a complete appraisal process, as defined by the Uniform Standards of Professional Appraisal Practice. This means that no departures from Standard 1 were invoked.

This report was prepared to communicate the process, data collection and analysis that went into the market rent and market value estimates. It is intended to be a "self-contained" document, containing all of the descriptions, data, and analysis that ultimately resulted in the market ground rent and hypothetical market value conclusions. This appraisal is in conformance with the reporting requirements set forth under Standards Rule 2-2(a) of the current Uniform Standards of Professional Appraisal Practice and with the applicable portions of FAA Advisory Circular 150/5100-17. The appraiser meets the requirements of the Competency Provision of the current Uniform Standards of Professional Appraisal Practice to appraise this property type.

### PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to estimate market ground rental value and hypothetical fee simple market land value for three categories of aviation use-restricted land.

Market rental value is defined in the 2016 version of the "Uniform Appraisal Standards for Federal Land Acquisitions" as:

"... the rental price in cash or its equivalent that the leasehold would have brought on the date of value on the open market, at or near the location of the property acquired, assuming reasonable time to find a tenant. *Market value* is defined in the 2016 version of the "Uniform Appraisal Standards for Federal Land Acquisitions" as:

"Market value is the amount in cash, or on terms reasonably equivalent to cash, for which in all probability the property would have sold on the effective date of value, after a reasonable exposure time on the open competitive market, from a willing and reasonably knowledgeable seller to a willing and reasonably knowledgeable buyer, with neither compelled to buy or sell, giving due consideration to all available economic uses of the property."

#### DATE OF VALUE

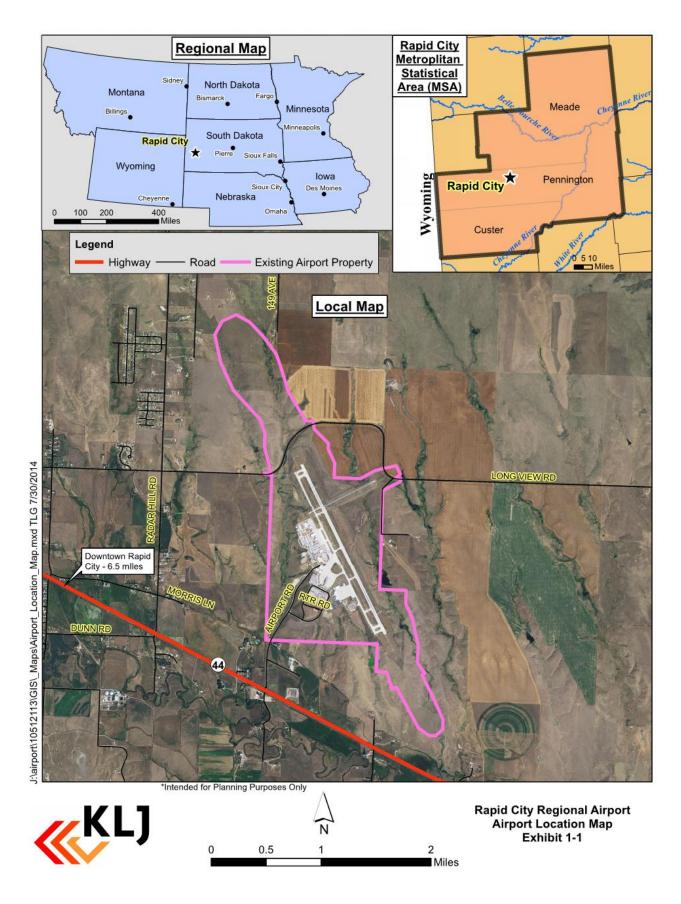
The market rental value and fee simple market value estimates are valid as of October 3, 2019.

#### DATE OF THE APPRAISAL

The effective date of this appraisal report is January 24, 2020.

### INTENDED USE AND AUTHORIZED USERS OF THE APPRAISAL REPORT

This appraisal is intended for use by the Rapid City Regional Airport in connection with establishing an appropriate Rates and Charges structure for the airport's General Aviation real estate component. It may be used during the course of future ground lease negotiations and/or to assist in resetting some existing lease rates to a market level. It is understood that the City of Rapid City may be legally required to provide access to this report to airport tenants or other interested parties, provided that such access is requested through appropriate channels. Absent any such bona-fide requests, the City is not authorized to provide access to, or copies of, this report to any third parties without the appraiser's written consent. The City and other authorized users agree not to make this report available on the Internet. The appraiser does not accept any further duties or responsibilities resulting from unauthorized use of this appraisal report.



#### REGIONAL DESCRIPTION

#### Location

The Rapid City Metropolitan Statistical Area includes the counties of Pennington, Custer and Meade in western South Dakota. Rapid City is by far the largest city in the MSA and will be emphasized in this Regional Description. As shown in the exhibit on the preceding page, Rapid City is about 320 miles west of Sioux Falls, 300 miles north-northeast of Denver, 280 miles southeast of Billings and 220 miles southwest of Bismarck, North Dakota. Rapid City is also about 25 miles northeast of the Mount Rushmore National Memorial and 40 miles west of Badlands National Park.

#### Access

Regional surface access to the area is provided by Interstate 90, an east-west-trending freeway that is the longest transcontinental highway in the country, connecting Seattle with Boston. Average weekday traffic on the portion of Interstate 90 that passes through Rapid City numbers between 23,000 and 33,000 vehicles.

Commercial air service to the region, of course, is accommodated at Rapid City Regional Airport, the subject property. Twenty-one other airports, including seven heliports and a military air base (Ellsworth Air Force Base – which will be discussed in a later section of the report) are located in the MSA but, with the exception of Ellsworth, they are very small facilities and some are private. The most important of these airports will be discussed later.

### **Demographics**

With a July 1, 2019 estimated population of about 76,435, Rapid City is the second largest city in the State behind Sioux Falls (184,962). The third largest city, Aberdeen, has fewer than 30,000 residents in a state of about 900,000. The nearest large city is Denver, about 300 miles southwest. Rapid City's and its MSA's average annual growth rate has nearly doubled the statewide and national averages over the past 18 years, as shown in the following table:

Year	Rapid City	Rapid City MSA	South Dakota	<b>United States</b>
2000	59,607	112,818	754,884	281,421,906
2010	67,969	134,598	814,180	309,326,225
2019	76,435	151,868	899,158	329,456,624
Avg. Annual Growth Rate	1 44%	1.82%	1.01%	0.90%

Median household income in the MSA as of July 1, 2019 was \$55,865, similar to the statewide median, which was \$54,126 in 2017, the latest date for which that statistic was located.

## **Economy**

Located on the eastern edge of the Black Hills, Rapid City enjoys a reliable and substantial economic benefit from the tourism industry because of the area's scenic beauty, proximity to the Mount Rushmore and Crazy Horse monuments, Badlands National Park, and downtown's historic western ambience. Over two million people visit Rapid City annually. As will be discussed later in the Description of the Airport, the area's increasing popularity as a tourist destination has led to increased airline service, which, in turn, has improved the airport's overall economy as well as the city's as a whole.

Since 2010, the Rapid City MSA has experienced GDP growth of 30% (from \$5 to \$6.5 billion), and significant growth in several other key metrics, including population, household income, assessed real estate valuation, taxable sales, and annual construction permit valuation. Rapid City has also ascended the list of Policom's Economic Strength Ranking during this same period, moving up from 200 (out of a total of 383 MSAs) in 2009, to 137 in 2019. This consistent growth has also influenced a dramatic increase in air service to Rapid City. In 2009, there were direct connections from RAP to six major U.S. hubs. Today there are 13. More about the airport's operations appears later in the report.

Agriculture, tourism, mining, logging, professional services/retail, and Ellsworth Air Force Base are the major factors in Rapid City's economy. The area is also known for the manufacture of high-value, low-bulk items that can be swiftly shipped to market or assembly centers in other parts of the nation. Agriculture is a major industry in South Dakota, and Rapid City is the regional trade center for farm-ranch activity in the southwest part of the state and neighboring counties in Montana, Wyoming, and Nebraska. Cattle and sheep production dominate the agricultural scene, as well as processing and packing of meat and meat byproducts, but the cultivation of small grains is also important. Services offered to area farmers and ranchers include selling of new and used farm equipment, spare parts and repairs, and flour milling.

The health care sector is strong, employing more than 8,000 people in the Black Hills region at major health care organizations such as Rapid City Regional Hospital. Other important industrial and employment institutions include several large construction companies, rock quarries, steel fabrication firms, and trucking firms. Several light industries and services located in the city include manufacturing of computer parts, printing, Native American crafts, and headquarters for insurance companies and other businesses. Regional or headquarters facilities of many state and federal offices also operate in the city.

Centrally located in the beautiful Black Hills region, Rapid City benefits from a robust, albeit highly seasonal, tourist trade. Within half a day's drive of Rapid City are five of the country's most famous National Park areas: Mount Rushmore National Memorial, Devil's Tower

National Monument, Badlands National Park, Jewel Cave National Monument, and Wind Cave National Park.

According to the U.S. Bureau of Labor Statistics, Rapid City's unemployment rate as of July 2019 was 2.6 percent, as compared to the 2.9 percent statewide rate and the 3.7 percent national rate. Rapid City's unemployment rate has historically been lower than the statewide and national figures. Federal government, health care, retail and financial trade sectors make up the majority of employers in the Rapid City area. Following is a list of the largest employers in the Rapid City MSA.

Employer	Industry	Location(s)	Employees
Regional Health	Healthcare, Hospitals	Rapid City, Spearfish,	5,100
_		Sturgis, Deadwood & Custer	
Ellsworth Air Force Base	Military, Civilian	Box Elder	4,252
Federal Government	Government	Rapid City	2,912
Rapid City School District	Education	Rapid City	1,774
Walmart / Sam's Club	Retail	Rapid City & Spearfish	1,399
State of South Dakota	Government	Rapid City	1,217
VA Black Hills Healthcare System	Healthcare, Hospitals	Sturgis & Hot Springs	1,051
Black Hills Corporation	Coporate QH / Energy	Rapid City	850
City of Rapid City	Government	Rapid City	815
Pennington County	Government	Rapid City	743
Liv Hospitality	Travel, Tourism, Entertainment	Rapid City & Deadwood	733
Ditech Financial Customer Service Center	Home Loans	Rapid City	650
Black Hills Special Services	Education	Sturgis	578
Black Hills Works	Human Services	Rapid City	550
Black Hills State University	Education	Spearfish	415
South Dakota School of Mines & Technology	Education	Rapid City	370
South Dakota National Guard	Military	Rapid City	370
National American University	Corporate HQ / Education	Rapid City	350
Meade School District	Education	Sturgis	350
Sychrony Financial Customer Service Center	Private Label Credit Cards	Rapid City	325
Advanced Services, Inc (ASI)	Customer Service Center	Rapid City	319
Neiman Enterprises, Inc	Lumber / Forest Products	Spearfish & Hill City	313
Black Hills Surgical Hospital	Healthcare	Rapid City	309
Menards	Retail	Rapid City	280
Spearfish School District	Education	Spearfish	250
Scull Construction	Construction	Rapid City	246
Assurant	Specialty Insurance	Rapid City	230
RESPEC	Coporate HQ / Engineering	Rapid City	230
Runnings	Retail	Rapid City & Belle Fourche	150
Mass Markets Customer Service Center	Business Process Outsourcing	Spearfish	100

Source: RushmoreRegion.com

#### Ellsworth Air Force Base

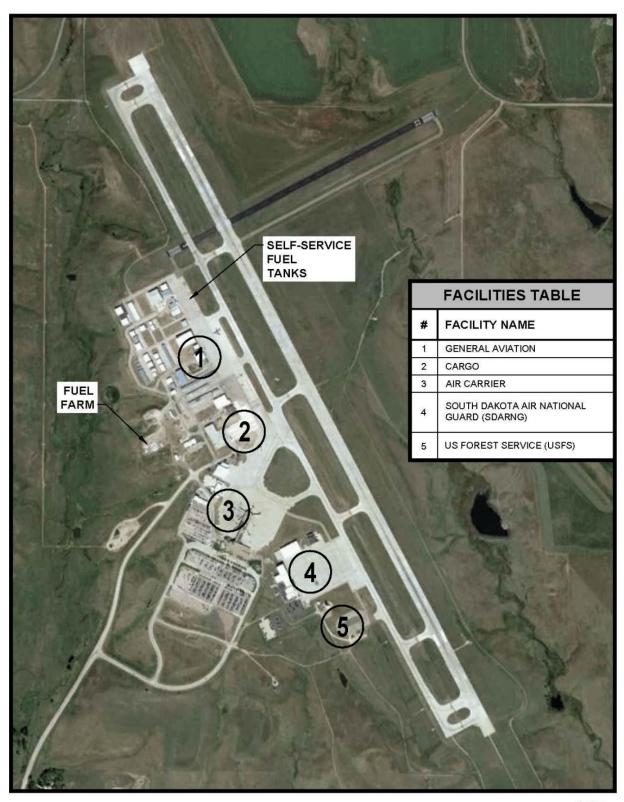
Ellsworth AFB is located about ten miles north of RAP, adjacent to the town of Box Elder (population 9,000). Ellsworth is home to the Air Force's 28th Bomb Wing and its 29 B-1B Lancers (out of a total of 61 in existence) and MQ-9 "Reaper" drone aircraft. As indicated in the table above, the base employs over 4,000 service members and civilians on a full time basis. Ellsworth is the largest employer in the state.

In March of this year, Ellsworth was selected to be the first base to host an operational B-21 bomber unit, with delivery of the first aircraft expected in the mid 2020s. Service-wide primary B-21 training will also occur at Ellsworth. One of the reasons Ellsworth was chosen was because of the extent of its adjacent 35,000-square-mile Powder River Training Complex (PRTC), located between Interstates 90 and 94. Last year, the allowable ceiling for flight-testing within the PRTC was doubled from 26,000 to 52,000 feet, which now results in occasional limitations being placed on commercial air traffic operating in the area. According to a U.S. senator from South Dakota, raising the test ceiling assured Ellsworth's viability for another 50 to 75 years; an important development for a facility that had been faced with the real possibility of closure during the BRAC process in 2005.

A September 30, 2017, Air Force study estimated that the base contributed about \$360 million to the local economy including about \$236 million in payroll, \$59 million in contract expenses, and \$64 million in "spin-off" job creation. The prospect of the base's hosting the B-21's first operational and training units should add to those numbers substantially. This is a potentially important development for RAP because estimates are that 1,500 additional families will be living on or near the base as a result of this program. To the extent the local population base grows, more air services will be demanded at RAP.

## **Summary**

Rapid City has been growing faster than the statewide and national averages for an extended period of time. It has lately been receiving considerable national attention in newspaper and magazine "lifestyle" articles that consistently rank the area as a desirable place to live and do business. The area's economy is heavily weighted toward the government, health care, and military sectors.







#### RAPID CITY REGIONAL AIRPORT DESCRIPTION

### Airport History

Rapid City Municipal Airport was originally established at the present site of Ellsworth Air Force Base in 1937 and moved to its current site in 1950. The facility was renamed Rapid City Regional Airport in 1980 and a new terminal opened in November 1988. The facility went through a \$19.5 million renovation in 2012 and additional improvements are ongoing, as will be discussed later.

### Location, Access, and Setting

Rapid City Regional Airport (RAP) is located within the legal jurisdiction of the City of Rapid City. The common street address of the Airport's administration building is 4550 Terminal Rd., about nine miles southeast of Rapid City's central business district. The land occupied by the airport was annexed by the City and is surrounded by unincorporated area under the jurisdiction of Pennington County. So, while the airport is within the Rapid City limits, it is an incorporated island.

Regional access to the area is from Interstate 90. The airport is about five miles south of the freeway. From downtown Rapid City, airport access is via Omaha Street and E Highway 44 to Airport Road. The passenger terminal is accessed via Terminal Road, less than a mile off the highway.

Rapid City Regional Airport is situated on a butte surrounded by agricultural land with some scattered low-density residential pockets lying generally west/northwest of the airport. The surrounding terrain is characterized by low plateaus, ravines, broad valleys and a ridgeline to the north of the airport. Since the operational part of the airport occupies the top of a plateau, the airport's ability to grow is restricted somewhat because the easily developable land under the Airport's ownership is limited. The area to the south of the airport property across Highway 44 is characterized by the Rapid Creek drainage area, low-lying and virtually undevelopable.

#### Ownership and Management

The City of Rapid City owns and operates Rapid City Regional Airport. A five-member Board of Directors makes policy decisions for execution by Airport staff concerning Airport business affairs. Board members are appointed by Rapid City's mayor and are confirmed by the Rapid City Common Council. The Board relies on its staff members including: the airport's Executive Director, three Deputy Directors, and maintenance, operations and administrative personnel, for the airport's day-to-day operation.

### Airport Classification System

The airport classification system is codified in the United States Code. Airport classification is helpful in the appraisal process because it assists the appraiser in the identification and selection of appropriate comparable facilities for use the Valuation. The following table is instructive, showing the criteria reflected in the airport classification system:

Categories of Air	rport Activities		
Airport Classifications		Hub Type: Pct. of Annual Passenger Boardings	Common Name
Commercial Service:	Primary Have more than	Large: 1% or more	Large Hub
Publicly owned airports that have at least 2,500 passenger boardings each calendar year and receive scheduled passenger service §47102(7)	10,000 passenger boardings each year §47102(16)	Medium: At least 0.25%, but less than 1%	Medium Hub
		Small: At least 0.05%, but less than 0.25%	Small Hub
		Nonhub: More than 10,000, but less than 0.05%	Nonhub Primary
	Nonprimary	Nonhub: At least 2,500 and no more than 10,000	Nonprimary Commercial Service
Nonprimary (Except Commerci	al Service)	Not Applicable	Reliever §(47102(23)) General Aviation §(47102(8))

RAP is a Non-hub Primary Commercial Service Airport, reflecting an activity level with more than 10,000 enplanements, but fewer than .05% of total national enplanements.

### Airport Facts

The official field elevation is 3,203.5 feet above Mean Sea Level. The airport is situated on about 1,655 acres, primarily on an elevated butte. The airport's footprint is rather small in

comparison with airports serving similar markets, as will be shown later. As mentioned, it is also constrained by topographic considerations that limit future development.

There are two runways at RAP – the primary Runway 14-32 and the crosswind Runway 05-23. Runway 14-32 is used for almost 98% of the airport's operations and the primary approach is from the southeast to northwest on Runway 32. RW 14-32 is 8,701 long and 150 feet wide, with a grooved concrete surface in good condition. Its weight-bearing capacities (in 1,000's of pounds) are: single wheel – 140.0, double wheel -190.0, and double tandem – 300.0. Its Runway Design Code (RDC) corresponds with aircraft reference code CIII (small to medium-sized airports serving air carriers are usually Airport Reference Code C-III), indicating that it can comfortably accommodate aircraft with approach speeds between 121 and 140 knots, and wingspans up to 117 feet. The critical aircraft type for Runway 14/32 is the Airbus 319, a 128-seat narrow-bodied, shortened fuselage, version of the ubiquitous Airbus 320.

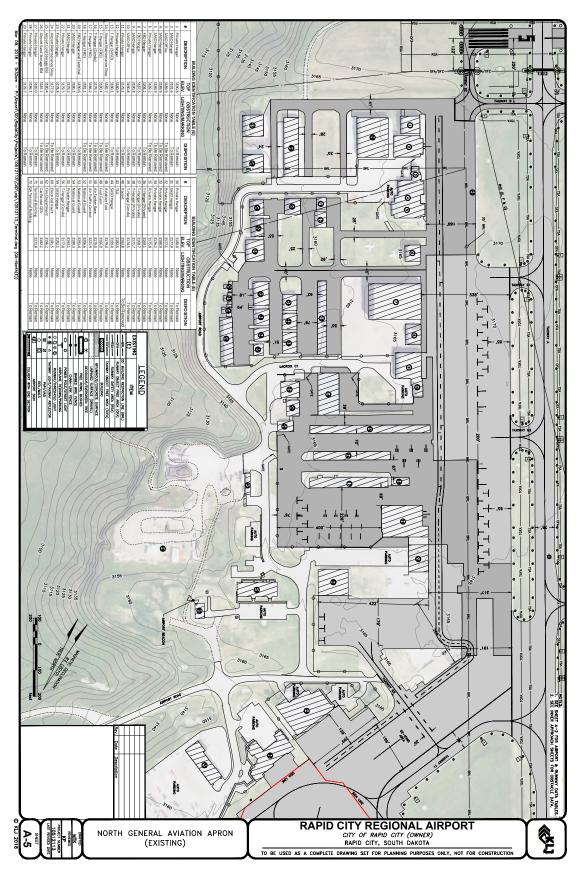
On approach, pilots are aided by a 1,400-foot medium intensity approach lighting system with runway alignment indicator lights, and a four-light Precision Approach Path Indicator for the primary approach to Runway 32. (Runway 14 does not have a precision approach.) There are also high intensity runway edge lights as well as runway end identifier lights. The runway markings are in good condition. The Instrument Landing System is augmented by a Distance Measuring Equipment facility. Neither runway end has a displaced threshold. The runway's strength ratings in combination with the runway length means that virtually all small jets and even most large commercial jets can use the primary runway.

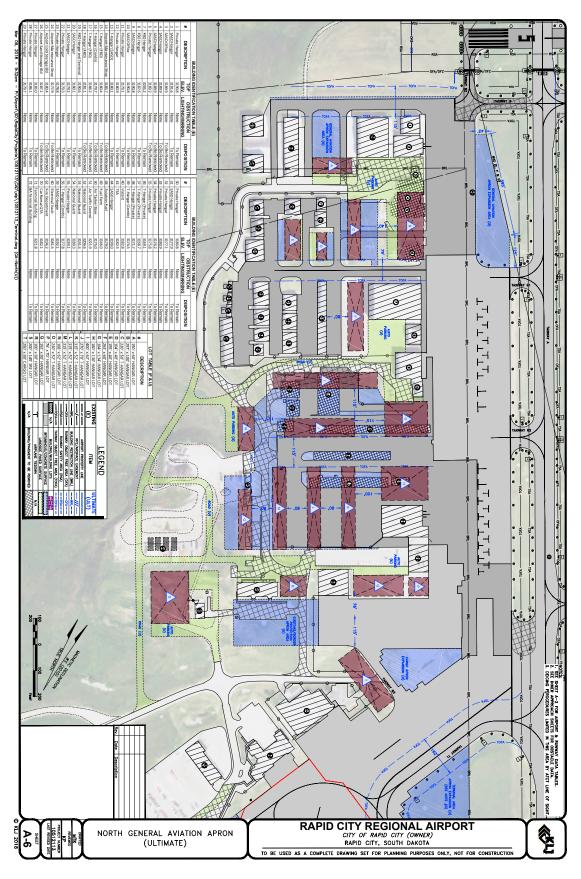
The crosswind runway 05-23 is 3,601 feet long and 75 feet wide. It is asphalt-paved and in good condition. It is rated for aircraft up to 12,500 pounds (single-wheel), and airport administration does not allow heavier aircraft to use it. It has medium intensity runway edge lights, but no runway end identifier lighting. This is a non-precision approach runway with markings reported to be in fair condition. There are two-light PAPIs on the left in each approach direction. Recently, the FAA declined to provide further funding for the maintenance of this seldom-used runway, leaving the responsibility to the Airport.

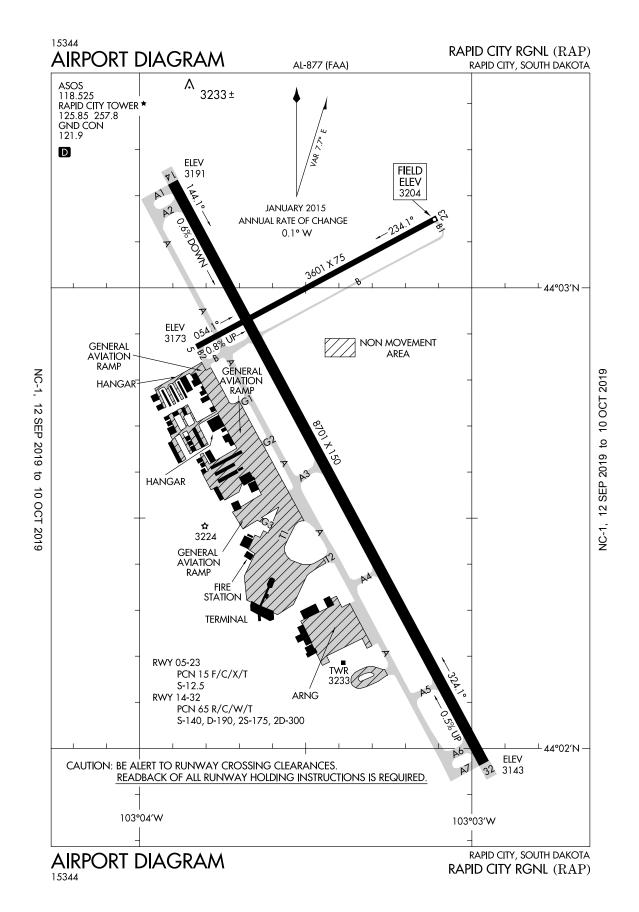
### Airport Layout Plan (ALP)

The most recent FAA-approved ALP is dated September 26, 2018. On the following two pages are the portions of the Plan affecting the General Aviation portion of the facility, where the subjects of this appraisal are located. The "Ultimate" design of the GA portion on the page after next reflects recommendations contained in the 2014 Master Plan Update. According to Mr. Rodney Senn of KLJ Engineering (the firm that performed the Update), another Update will be undertaken soon because the activity forecasts reflected in that document have already been exceeded. When the next Update is completed, estimated to be within the next year or two, a revised ALP will also be necessary.

Of importance, 12 buildings are marked "to be demolished" within the General Aviation component of the airport. Four (Buildings 14, 24, 25 and 26) are Airport storage buildings, four are T-hangar structures, one is an office structure and three are box hangars. These structures are at, or very near to, the end of their economic lives. Replacement of the existing t-hangar rows with new t-hangars is planned, but the source of funding for that project has yet to be identified.







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### ARFF and Police Services

Aircraft Rescue and Firefighting and Police services are provided by the City of Rapid City. These services are paid for by the airport solely out of airport funds. The airport receives a TSA grant every year to cover a portion of law enforcement services.

## **Future Capital Improvement Projects**

In the Spring of 2019, RAP received an FAA Airport Improvement Grant in the amount of \$4.56 million with a matching grant from the State Department of Transportation in the amount of \$253,278 to fund this year's eligible capital improvements. About \$24 million in airport improvements and enhancements are planned over the next three years (through 2021) to accommodate the projected growth in passengers utilizing the facility. In addition to the commercial terminal's improvements mentioned earlier, these improvements include: reconstruction of RTR Road and reconstruction of Airport Road in the General Aviation area (currently under design); water main replacement in the General Aviation area in 2020; replacement of numerous inside/outside lighting fixtures including all ramp and general aviation lighting to new Light Emitting Diodes (LED); and construction of a new sewage treatment lagoon in 2021 (currently under environmental assessment with design to follow in 2020).

### Master Plan Recommendations for New Construction

The proposed projects represent what would be considered optimal given the airport's physical constraints according to KLJ. Funding issues will undoubtedly result in some postponements in the implementation of some of these recommendations.

## Weather

Regional weather changes quickly and can be severe in the winter months. For that reason, many of the airports proximate to RAP are accustomed to accommodating flights that have been diverted from other airports because of weather-related safety issues. RAP is a net beneficiary of diverted flights, according to airport administration.

#### Commercial Carrier Activity at RAP

Four major commercial carriers (defined as producing \$1 billion in annual revenue) and their regional contractors serve RAP – Allegiant, American, Delta, and United. The most popular commercial aircraft using the airport are the smaller CRJ200, CRJ700, CRJ900, and the Embraer ERJ145 and 175, all seating between 50 and 76 passengers. Larger commercial aircraft, such as Delta's B717-200 (110 seats) United's B737-700 (126 seats) and Allegiant's A320-200 (150 seats) also use the airport, but to a lesser degree. About half of the commercial aircraft using RAP are the 50-seat CRJ200s used by Delta Connection and United Express.

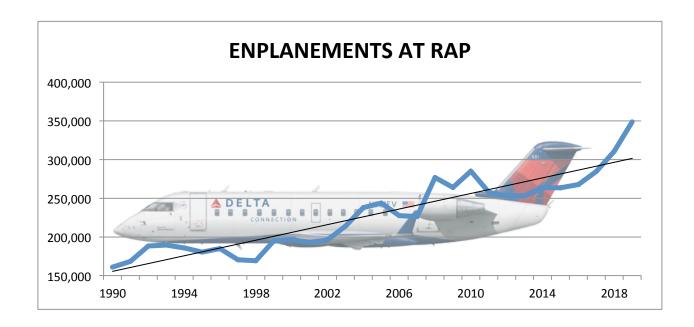
The airport is currently experiencing a strong upward trend in commercial activity. Passenger enplanements have reached historic highs in each of the past two years. As of the date of this appraisal, the following table summarizes the commercial carriers' activities at RAP during all, or parts of calendar year 2019.

Gommerciai Garrier	
(Incl. Contractor-Operated)	RAP's Non-stop Origins and Destinations

	<u> </u>
Allegiant	Las Vegas, Phoenix/Mesa
American	Charlotte*, Dallas, Phoenix
Delta	Minneapolis, Salt Lake City, Atlanta*
United	Chicago, Denver, Los Angeles*, Newark*, San Francisco*

<sup>\*</sup> Limited seasonal service

The graph below charts the carriers' enplanements at RAP over time. The statistics were taken from the FAA's Terminal Area Forecast, dated February 2019. In this graph, the figure for 2019 (348,626 enplanements) is an extrapolation made by the appraiser based on the first two quarters' experience, taking into account recent historical seasonal variations.



The month of July 2019 set a record for monthly passenger enplanements with over 44,000, (breaking the preceding month's record) and the year-to-date figures through seven months were also the highest for that period of time, eclipsing last year's number by 12.5%. It is important to note that commercial activity is highly seasonal, with peak tourism occurring during the summertime months.

#### Commercial Terminal

Because of the increasing commercial activity and corresponding increases in enplanements, airport capacity discussions were initiated by officials in 2016, resulting in a 2017 Terminal Study document. Based on the recommendations contained in that document, the first of a major, three-phase terminal renovation was underway on the date of this appraisal. Associated improvements will include: elevator construction and escalator replacement, gate area expansion and additional gate space/planning process (to begin in 2020), relocation of ticket counters and adding baggage space in 2021 (currently under design), construction of a new pay parking exit plaza in 2021 (designed and awaiting construction), and replacement of two passenger boarding bridges in 2021.

## The Impact of Commercial Activity on GA Market Rents and Values

While this appraisal is concerned with the airport's general aviation component, the reality of significant commercial activity occurring at RAP cannot be ignored. Historically, operations conducted by commercial air carriers, air taxis and commuters have represented about one-third of the total operations at the airport and that ratio has remained fairly constant over the years.

The impact that the commercial activity has on the relative desirability of any given airport from a general aviation land value/rent point of view is controversial and debatable. Most airport managers interviewed for this appraisal felt that commercial activity has a positive impact on general aviation rents and values. However, a sizable minority opinion was that, because the airlines do not avail themselves of the services provided by on-airport businesses (with the exception of fueling), they actually detract from an airport's desirability to the general aviation market. Reasons offered for that minority opinion included some occasional congestion caused by the commercial activity, and because airport management has a tendency to prioritize the issues raised by the commercial segment of the market over the GA component's issues.

#### Based Aircraft

Where there are proximate airports to choose from, airplane owners' preferences for one airport over another are market-driven. Where nearby competition is scarce, choices are limited. Location, convenience, airport infrastructure and activity levels, maintenance and service levels, and the overall "feel" of an airport are important considerations that play a part in influencing aircraft owners to base their planes at a particular airport.

Statistics on based aircraft at any given airport have always been treated with some degree of skepticism. By the very nature of the task, reliable aircraft counts are difficult to come by. Nevertheless, the FAA's Terminal Area Forecast contains historic records of based aircraft inventory at all reporting facilities and is regarded as the most comprehensive source for that purpose. For RAP, the FAA's figures indicate that, over the last 20 years, based aircraft at the airport have averaged about 120, varying little over that time. According to the airport's most

recent 5010 submittal (effective September 12, 2019), the following table summarizes the airport's based aircraft inventory:

Type	Based Aircraft
Single-engine	94
Multi-engine	21
Jet	4
Helicopters	5
Gliders	1
Total:	125

While the commercial segment of the market at RAP is growing, activity in the general aviation segment, as measured by based aircraft and operations, appears to have remained constant for decades and may be poised for some contraction with the imminent demolition of some aging Thangars. As of the date of this appraisal, there were no plans to replace those hangars, either from the pubic or private sector. Since virtually all of the GA aircraft are stored in hangars at RAP, a reduction in based aircraft appears nearly certain in the short term.

To the extent that the T-hangar subtenants are displaced, this will result in a decline in demand for local services for the FBO and SASOs at RAP. This, in turn, tends to put downward pressure on airport real estate rents and values for parcels restricted to those uses. Based aircraft form the airport businesses' backbone customer base. On the date of this appraisal there were nine such businesses (SASOs) at RAP catering to that base. An expanding GA segment would have the opposite effect on rents and values. So, while the supply and demand equation for the GA segment appeared to be in equilibrium on the date of value, this situation is expected to deteriorate to the extent that based aircraft leave the airport.

## Flight Schools

Plane Training operates a flight school at the airport.

### Regional Air Service

Regional airlines are airlines that operate regional aircraft to provide passenger air service to communities without sufficient demand to attract mainline service. Most major carriers subcontract service on low-density short and medium-haul routes to regional airlines which operate as separate companies. They typically operate aircraft with fewer than 90 seats. Scheduled regional air service to RAP includes flights from National (Sioux Falls), NoRRA (Denver), Novair (Sioux Falls, Pierre, Denver), Nordwind (Bemidji) and Alpine Air Express (Sioux Falls).

## Specialized Aviation Service Operations (SASOs)

Following are companies providing aviation-related services at the airport:

#### Company

## Advanced AeroTechnologies Group, LLC Air Methods Black Hills Life Flight Dale Aviation

L&D Aero Services Inc. Medical Air Rescue Company Plane Training, LLC Rapid Avionics

#### **Aviation Services**

Avionics
Air ambulance
Aircraft Maintenance, Avionics, Air Ambulance, Pilot
Services, Aircraft Management
Airframe and Powerplant Repair
Medical Air Transport
Flight School, Pilot Lounge, Training, Aircraft Rental
Avionics

## Fixed Base Operators

In the aviation industry, a fixed base operator, or FBO, is a service center at an airport that is usually run as a private enterprise. Almost by definition, an FBO must provide fueling services along with a host of other conveniences. Some FBOs offer additional aircraft services such as hangar storage, maintenance, aircraft charter or rental, flight training, deicing, and ground services such as towing and baggage handling. FBOs may also offer services not directly related to aircraft, such as facilitating rental car, lounge, and hotel reservations.



There is only one business at RAP that fits the preceding description; Westjet Air Center. In addition to providing fueling services, Westjet provides aircraft ground handling, oxygen service, aircraft parking (hangar, ramp or tiedown), hangar leasing / sales, GPU / power cart, passenger terminal and lounge, a pilot's

ready room and conference area, aircraft maintenance, aircraft parts, and concierge services including: rental cars, a courtesy van, hotel and restaurant reservations, tour arrangements and catering services. Ground support is also provided, which includes secured vehicle parking, baggage cart, wireless Internet, weather and flight planning services and restrooms. Aircraft detailing is also an available option.

# Recently Completed and Proposed Capital Improvement Projects at the Airport

There have been several capital improvement projects recently completed at RAP, and several more scheduled for completion in the near term. The following table shows the magnitude of the FAA's financial commitments to RAP's made through the Airport Improvement Program from 2014 through 2018 as well as this year's request for grant money:

AIP Federal Funds	Work Description
\$156,608	Expand Apron, Rehabilitate Runway Lighting - 05/23
\$503,981	Conduct Airport Master Plan Study
\$2,940,000	Acquire Snow Removal Equipment, Install Runway Vertical/Visual Guidance System - 05/23, Install Runway Vertical/Visual Guidance System - 14/32, Rehabilitate Apron
\$2,776,944	Acquire Snow Removal Equipment, Rehabilitate Apron, Rehabilitate Terminal Building
\$1,615,000	Acquire Snow Removal Equipment, Construct Deicing Containment Facility, Reconstruct Apron
\$185,000	Conduct Environmental Study
\$75,000	Escalator Design for Terminal Building
\$545,000	Reconstruct Terminal Building
\$545,000	Reconstruct Terminal Building
\$4,933,333	Proposal made to FAA for: Construction of Escalators and Elevator, and Chiller Replacement in Terminal Building including Consulting Services for same; Terminal Rehab Phase 3 Design & Services (ticket queuing area); Runway 14-32 Hold Position Relocation Design/Bidding Services; RTR & GA Access Road Design & Bidding Services; Snow Removal Equipment Specifications; Administration  (Sources: FAA and Memorandum to Airport Board dated June 11, 2019)
	\$156,608 \$503,981 \$2,940,000 \$2,776,944 \$1,615,000 \$185,000 \$75,000 \$545,000 \$545,000

The dollar amounts shown above represent grant funds. They do not reflect total project costs because federal AIP grants are typically supplemented by Airport (and other) funding.

## Rents

In addition to the 22 individual hangar pads under lease, six larger tenants are leasing ground on the General Aviation side of the airport, as summarized in the following table:

SUMMARY OF CURRENT GA	CROUND LEASES AT RA	APID CITY REGIONAL	AIRPORT
SUMMANI OF GUNNENT GA	GINGUIND LEASES AT NA		AINIONI

Lessee	Type	Annual Rent	SF	Rent/SF/Yr.	Expirations
Various	22 Individual Hangar Pads	Various	Various		Various
	(5)			\$0.267	
	(1)			\$0.236	
	(16)			\$0.134	
Westjet	FBO (improved)	\$5,978.40	85,198	\$0.070	08/04/50
	FBO (tie down and fuel farm)	\$5,729.52	278,675	\$0.021	
Consolidated Hangar Group	Storage Hangars	\$6,508.20	24,355	\$0.267	02/24/39
Dale Aviation	SASO	\$9,861.72	48,185	\$0.205	04/30/39
Fugro Horizons	SASO	\$30,317.16	113,454	\$0.267	03/31/41 01/31/42
Private Hangars, Inc.	Storage Hangars	\$2,468.83	18,471	\$0.134	08/05/20
Rapid Fuel, LLC	SASO	\$19,705.56	86,390	\$0.228	04/30/27 06/30/36 03/14/37 09/30/36

In general, most ground rents increase by CPI annually, and/or are re-adjusted to market periodically. Relatively long lease terms are necessary in order for subtenants to arrange financing for major improvements and to be able to amortize the cost of those improvements over their respective lease terms. At the expiration of the respective ground leases, the City is entitled to recover the improved properties, but this is seldom done in actual practice.

# Recent History of Airport Rates and Charges at RAP

Category	Comments	2016	2017	2018	2019	<b>3-yr.</b> ∆
<b>Landing Fees</b>	Signatory	\$1.59	\$1.59	\$3.78	\$4.01	152%
$(Per\ 1K\ lbs.\ over\ 12.5K)$	Non-Signatory	\$2.39	\$2.39	\$4.73	\$5.01	110%
<b>Ground Lease Rates</b>	(\$/SF/Yr.)					
FBO's	Building	\$0.06778	\$0.06785	\$0.06873	\$0.07017	3.53%
	Tie-down	\$0.01986	\$0.01988	\$0.02014	\$0.02056	3.52%
GA/Private Hangars	Unimproved	\$0.12910	\$0.12923	\$0.13091	\$0.13366	3.53%
	Improved	\$0.25810	\$0.25836	\$0.26172	\$0.26722	3.53%
T-Hangar Lease Rates	\$/Mo Larger Units	\$300.00	\$300.30	\$304.20	\$310.59	3.53%
	\$/MoSmaller Units	\$250.00	\$250.25	\$253.50	\$258.82	3.53%
Fuel Flowage Fee	GA per gallon	\$0.05	\$0.05	\$0.05	\$0.05	0.00%
Cumulative CPI						6.63%

All Urban Consumers

The recent landing fee increases result from a new airline agreement and RAP's new practice of ensuring full cost recovery for aeronautical facilities as is industry standard. As noted in the table above, ground rental rates for GA Storage use at RAP have historically reflected an allocation of rent between "improved" and "unimproved" areas. In connection with the Storage use, this distinction has been based on the immediate availability of utilities. For the SASO and FBO leases, however, the rent reflects a bifurcation between the area within the building envelope(s) (also referred to by the Airport as "improved land") and the remainder of the parcel(s) (referred to by the Airport as "unimproved land"). Under the Airport's current methodology, unimproved area as applied to all uses could either be paved or unpaved.

Limited support in the market exists for this particular kind of bifurcation of rental rates. While most airports do differentiate between improved and unimproved land, those differences usually apply to remote parcels that are vacant, unpaved, and unserved by utilities vs. parcels that are served by utilities, may already be paved, may be proximate to or include improved ramp area, and/or are otherwise ready for development. This will be further discussed in the individual Valuations in Part II.

Historically, airport sponsors have rewarded ground lessees' investments in their leaseholds, usually by extending ground lease terms. In charging higher ground rent for the area within the building envelope than for the balance of the site(s), RAP's current practice appears to run contrary to that philosophy, which can be illustrated in the following example reflecting two hypothetical SASO tenants, using the Airport's current annual ground lease rates:

			<b>Current Annual</b>	Ground	Ground
	Lessee A	Lessee B	<b>Ground Rental Rate</b>	Rent A	Rent B
Hypothetical Lot Size (SF)	10,000	10,000			_
Proposed Building Footprint (SF)	2,000	4,000	\$0.26722	\$534.44	\$1,068.88
Net "Unimproved Area"	8,000	6,000	\$0.13366	1,069.28	801.96
Total Ground Rent				\$1,603.72	\$1,870.84

In this example, at the end of both hypothetical ground leases, the airport sponsor would theoretically be gaining a reversion in Lessee B's building that is twice as large and, potentially, twice as valuable as Lessee A's building. However, throughout the lease term, Lessee B would have been "penalized" in a relative sense for constructing a larger building because Lessee B's annual ground rent was \$267 (about 17 percent) higher than Lessee A's ground rent for an identical 10,000-square-foot parcel.

It is typical for airports to charge different rates for parcels that are paved versus those that are not, and for parcels that have public utilities required for the allowable uses stubbed to their perimeters, and those that do not. However, from the Airport's point of view, to the extent that higher ground rent for building square footage discourages a ground lessee from building a larger structure, the value of the Airport's reversion at the end of the lease will be negatively affected – a

result that sponsors usually try to avoid. For that reason, most airports apply a uniform unit rental rate across the entire parcel, or create parcels that reflect building envelopes, with the possible exceptions noted above. This contention will be evidenced later in the Valuations.

In commercial/industrial land markets, establishing a parcel's price or ground rent based, in part, on a potential lessee's or buyer's development plan is infrequently done. It is often done in residential land transactions however, in which vacant land prices are typically established based on the number of units that are eventually approved.

## Most Recent GA Leasing Activity at the Airport

Two small GA hangar pad ground leases were executed in January and February 2019 with Anthony Cuzela and Gen3 Aviation, LLC, respectively. Those leases were executed at the Airport's \$0.13366 per square foot annual rate, reflecting the parcels' status as unimproved land. Additionally, a short-term (18-month) interim "holdover" lease was granted to Private Hangars, Inc. starting January 1, 2019 for 18,471 square feet of land improved with a row of T-hangars that is scheduled for demolition at the end of the term, on August 5, 2020. At the City's election, the lessee must remove the improvements at its own cost. That lease rate was also \$0.13366 per square foot per year.

## Recent Private Development at the Airport

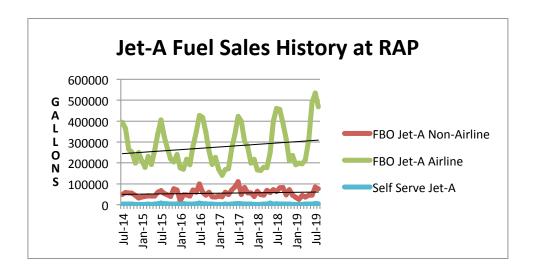
There has been no new private construction at the airport for two years, when a box hangar was built for private use. Three years prior to that, Westjet completed construction of its new FBO terminal. There had been no new private construction for at least five years prior to the completion of Westjet's project.

### Fuel Sales

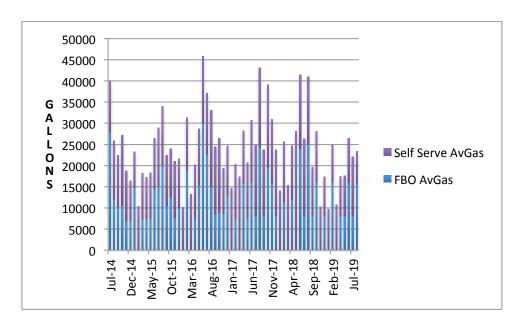
As noted earlier, two important metrics that are indicative of how the local airport "economy" is doing are the number of aircraft operations and the number of based aircraft at the airport. This is based on the principle that a higher amount of operations and based aircraft will translate into more demand for services, maintenance, fuel, and storage rentals. Potentially, the biggest moneymakers for fixed base operators are fuel sales and aircraft maintenance. Fuel sales are highly correlated to the size of a plane. One large based jet aircraft can, in some cases, provide the same amount of fuel sales as 30 small based aircraft. This is the primary reason that there is such strong competition for corporate jets and large turbo prop planes at airports that can accommodate them. In some cases operators are willing to lease hangar space and office space at lower rates if they know that the tenant is going to consume large amounts of fuel and have their planes maintained by the operator.

At RAP, full-service fueling with either 100LL or JetA is provided by Westjet. The FBO was charging \$5.70 and \$5.10, per gallon, respectively as of September 11, 2019, according to AirNav.com. There is also a 24-hour self-service concession (100LL and JetA) operated by Rapid Fuel, LLC, who was charging \$4.98 and \$3.89 per gallon on the same date. Rapid Fuel also offers free aircraft parking (ramp or tiedown), public telephone, computerized weather, and restrooms for its customers.

The following graph shows the past five years of Jet-A fuel sales at the airport, as reported by the airport administration:



The increase in Jet-A fuel sales is being somewhat offset by a recent decline in AvGas sales as shown in the following graph.



The peaks and valleys shown in the charts on the preceding page reflect the obvious seasonality of activity at RAP, with summer months being the busiest. Overall, Jet-A fuel volumes have been trending upward for several years, as shown by the chart's trend line. The decline in AvGas sales volumes since the middle of 2016 is fairly pronounced, and is somewhat surprising given the improving economic conditions that have prevailed during that time. As mentioned, the decline appears to have accelerated over the past year, particularly evidenced in the most recent summer sales figures, historically the busiest months for fuel sales.

In terms of Jet-A fuel sales, the airport's FBO has been operating as a near monopoly, but the self-serve concession has sold about 25% more AvGas than the FBO over the past five years. The FBO fuels not only a share of the based aircraft, but the air carriers as well, accounting for the huge discrepancy in Jet-A fuel sales.

Competitive fuel pricing is a big factor in an airport's desirability to the recreational piston market, but is especially important in the turbine market where much greater storage capacities are involved. The cost of fuel at any given airport is such an important issue that it can sometimes influence aircraft owners' decisions on where to base their planes. Just as important, fuel pricing also influences transient aircraft owners' decisions on where to refuel and park overnight. For most FBOs, fuel sales revenue is the business's lifeblood. Therefore, anticipated fuel sales can also affect what FBOs can afford to pay the Airport in ground rent because land is the residual agent of production. All else equal, owners of large turbine-powered aircraft will most often fly into an airport where fuel is less expensive. In the following table, fuel prices offered by the FBOs at all airports within a 250-mile radius of RAP are shown. The data are generally arrayed according to Jet A fuel prices from high to low, current as of September 12, 2019, sourced from AirNav.com:

Airport	City/State	FS Jet A	FS 100LL	SS Jet A	SS 100LL
Casper International	Casper, Wyoming	\$6.60	\$6.05		\$5.05
Roosevelt Regional	Dickinson, North Dakota	\$5.75	\$5.40		\$5.25
Sheridan County	Sheridan, Wyoming	\$5.16	\$5.56		\$4.99
Rapid City Regional	Rapid City, South Dakota	\$5.10	\$5.70	\$3.89	\$4.98
Pierre Regional	Pierre, South Dakota	\$4.85	\$5.28		
N. Platte Regional	North Platte, Nebraska	\$4.57	\$5.27		
Western Nebraska	Scottsbluff, Nebraska	\$4.27	\$5.07		
Cheyenne Regional	Cheyenne, Wyoming	\$3.99	\$5.19	\$4.84	
Alliance Municipal	Alliance, Nebraska	\$3.70	\$4.70		
Chadron	Chadron, Nebraska			\$4.15	\$5.12

All of these competitive airports (in terms of fueling options) have a single FBO that provides fuel on a full-service basis, with the exception of the Chadron Airport, which has only a self-serve option. None of these airports has more than one FBO. In the case of the subject airport, the FBO provides the full service option while another concession operates the self-serve option. The

same arrangement exists at the Sheridan facility. At Cheyenne, the FBO operates both self and full-service choices, as does the FBO at Roosevelt.

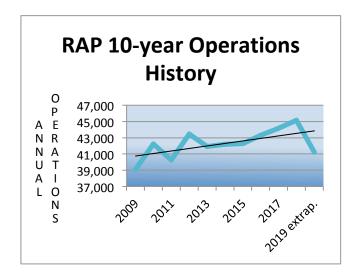
Fuel prices generally reflect the interaction of market supply and demand dynamics, but they can be also be affected by special circumstances. For example, the Atlantic FBO at Casper International Airport is charging considerably more than the other airports' FBOs for fuel, but Atlantic offers special pricing for aircraft that are loyal repeat customers who stay in the Atlantic network as they travel. While gross profit margins on fuel are typically targeted at about \$1.00 per gallon, some FBO's discount their fuel prices heavily while those with particularly strong competitive advantages can achieve even higher margins.

Fuel sales can affect market ground rent for FBOs to the extent that the FBO is able to achieve higher than normal margins. However, the "right to sell fuel", being one of the permitted uses in an FBO's lease, does not necessarily mean that the underlying land is more valuable than other land at the airport. The "right to sell fuel" may or may not be a profit center for the business – in large part, it depends upon the sales volume. Often, an FBO's gross profit margin is completely offset by the cost of providing the fuel, such as line staff salaries, equipment costs and amortization, and jurisdictional taxes and fees. However, since that same line staff can be used to manage the hangars and tie-downs, valet planes, and keep the ramp in operation, it is still an advantage for an FBO to be able to sell fuel. The effect of fuel sales revenue on the ground rent an FBO is able to pay, however, is difficult to judge because, in large part, it simply depends upon on how well the business is run.

In general, fuel prices tend to reflect the hierarchy of regional airports and can even be a reasonably good predictor of the magnitude of real estate rent and value differences at different facilities. Fuel price levels can be one of the criteria real estate analysts might use in the evaluation of one airport's desirability over another. From a General Aviation standpoint, RAP benefits from the fact that there are few other airports providing fuel in the immediate vicinity. The appraiser's search located only nine other airports providing fuel within a 250-mile radius of RAP.

### Operations History

Below is a graphic representation of the operations counts at RAP over the past ten years:



Figures in the table for 2019 were extrapolated by the appraiser based on the first eight months' experience. Last year, 69 percent of total annual operations occurred during the first eight months of the year. Total operations through the first eight months of 2019 were reportedly 28,448. So, the estimate for 2019 was calculated as (28,448 / .69 = 41,229). That figure, if it turns out to be accurate, represents about a nine percent decline from the prior year's 45,142, and would break a five-year-long stretch of increasing annual operations at the airport. However, because the 2019 figure is only a projection based on historic activity, it cannot be afforded the same consideration as the actual full-year counts.

This year's project markedly over the sales volumes. AIRPORT

s beli**gande City degland Airport**rier activity has increased 4550 Terminal Road, Suite 102 the last roverly, she 1993 with Exhibit, provided by the Airport administral RAPID CITY REGIONAL omm (605) 1894 all 5 coincides with the increases in fuel

### **Rapid City Regional Airport Monthly Statistics**

			August			Year-to-Date					
	2019	2018	2016 to 2018 average	% Chg 2019 vs. 2018	% Chg 2019 vs. 2016 to 2018 average	2019	2018	2016 to 2018 average	% Chg 2019 vs. 2018	% Chg 2019 vs. 2016 to 2018 average	
Enplaned Passengers	38,588	36,603	34,437	5.4%	12.1%	229,138	205,630	194,063	11.4%	18.1%	
Deplaned Passengers	38,367	36,450	34,604	5.3%	10.9%	235,227	211,768	200,117	11.1%	17.5%	
Total passengers	76,955	73,053	69,040	5.3%	11.5%	464,365	417,398	394,180	11.3%	17.8%	
Total available seats	96,554	83,910	83,975	15.1%	15.0%	558,124	487,526	468,541	14.5%	19.1%	
Load Factor	79.7%	87.1%	82.2%	-8.5%	-3.1%	83.2%	85.6%	84.1%	-2.8%	-1.1%	
Airline Flights Operated	707	649	640	8.9%	10.4%	4,064	3,796	3,645	7.1%	11.5%	

While there may be some data anomalies that can probably be attributed to differing aircraft classification methods between sources, it is apparent that the airlines' increasing operations were offset by a decline in general aviation activity over the past year. That dynamic resulted in an overall decline in total airport operations and coincides with the recent decline in aviation fuel sales made to GA customers. As mentioned earlier, however, 2019's estimates are projections based on the prior year's experience and may not be completely reliable.

RAP's experience mirrors the national trend of stabilization followed by gradual increases in operations counts since the "Great Recession" of 2008-2009. Even prior to that time, operations counts at RAP had been declining precipitously, from a 1992 high of 70,265 to a recession-era 2009 low of 39,086, again mirroring most airports' experiences around the country. Aircraft operations counts have historically tracked along with the health of the national economy. More about nation-wide aviation activity will be presented later in the report.

Operations counts are obviously an important indicator to help gauge the economic health of any airport. Intuitively, the private businesses on the airport will do better when more aircraft are using the airport more often. High operations counts translate into more fuel sales and more maintenance opportunities for those businesses. It logically follows that the airport's real estate market is also affected by operations levels because land rent/value is the residual agent of production after labor, capital and management are satisfied. During periods of slow business activity there is less money available in the bottom line to pay rent, which tends to depress real estate rents and values.

According to the Airport Master Plan Update, the airport's capacity is 195,000 operations annually. Factors that can be considered in estimating runway capacity include the aircraft mix, peak daily and hourly counts, percentage of touch-and-go flights, the location of taxiway exits, the weather, and intersecting runways. It is possible that the runways could operate over the rated system capacity, but delays may result. That possibility will not be a concern for RAP in the foreseeable future since the airport has historically operated well below its rated capacity, currently at only about 22 percent.

### Proposed Private Development Proximate to RAP

An inquiry was made to the County of Pennington for information on any proposed projects within their jurisdiction surrounding the airport. No pending projects were identified.

#### Summary of Existing Conditions

Rapid City Regional Airport has served as a major aviation center in western South Dakota since commercial service was inaugurated. Because of its proximity to the Black Hills, national parks and historic sites, the airport has always been able to attract and maintain a solid commercial presence, one that has recently been enhanced with the acquisition of several new routes. There is a definite trend toward more commercial activity occurring at RAP. The ramifications of that trend as they might affect the general aviation component are yet to be determined.

In large part because of the high cost of flying, general aviation has been in a malaise for several decades, with some scattered exceptions. Growth in the business segment occurred in the middle part of the last decade, to a degree, at the expense of the single-engine, piston-driven aircraft used for recreational purposes. This trend reflects a natural market-driven evolution typical of most airports. While all of the service providers on the airport accommodate the typical piston-driven airplane owner, their attention is usually focused on those aircraft that provide the most profitable business opportunities, and those are turbine-powered planes.

One of RAP's primary competitive advantages on the general aviation side is the fact that there is limited local competition. While located in a relatively sparsely populated part of the country, the airport is just minutes from Interstate 90 and Rapid City's hotels and restaurants. RAP is a popular "fly-in" location for visiting tourists wanting to spend several days in the Black Hills region. The airport's instrument landing system (ILS), is also a competitive advantage. Its long runway can accommodate the vast majority of the commercial fleet and virtually all of the general aviation fleet.

As will be discussed later, the FAA reports that the national inventory of piston-driven, fixed-wing aircraft currently in service has been falling steadily for an extended period of time, while the inventory of turbojet aircraft used for general aviation has risen, albeit in fits and starts. The current year will probably see the airport's first decline in overall airport operations in five years. The decline was not expected and will occur in spite of a robust increase in the number of commercial operations.

Over the long term, RAP's competitive position in the local aviation market appears to be secure, strong and improving in the commercial segment. In the general aviation segment, the airport is experiencing some declines in activity, albeit slowly. General aviation facilities are generally aged and in need of replacement. While demolition of some of these structures is planned over the near term, there are apparently no plans to replace them, which has created some discontent among the local general aviation community. While there is sufficient land within the airport's boundaries to expand general aviation storage facilities, topographic conditions would make that endeavor prohibitively expensive, according to airport administration.

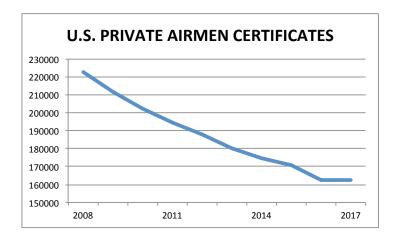
From this part of the report on, the discussion and analysis will focus on the general aviation segment of the market - the market in which the subject properties will compete. RAP's general aviation market has historically been oriented to recreational aircraft owners piloting piston-driven single-engine planes. This market segment is shrinking, paralleling national trends, as will be shown in the Market Conditions section of the report.

- The supply and demand dynamics for hangar space at RAP are currently favorable, having reportedly exhibited a high occupancy rate for several consecutive years
- ➤ Reportedly, in anticipation of three rows of hangars being demolished with no plans to replace them, some GA hangar subtenants have already relocated to other airports. This trend is expected to continue over the short term.
- ➤ Considerable public investment is occurring at the airport; however, that investment is currently being channeled into the commercial component. While the airport's overall visibility and desirability to the commercial market is improving and resulting in more commercial traffic, to date, general aviation activity appears not to have benefitted.
- ➤ Increasing flight school enrollments will eventually translate into more pilots, who will need more storage spaces for their aircraft.
- ➤ There has been a slow decline in general aviation aircraft operations at RAP for a protracted period of time, reflecting a nationwide trend.
- ➤ There is a considerable amount of vacant land at RAP that could immediately accommodate future individual (or multiple) hangars in the general aviation part of the airport. The supply of vacant parcels currently exceeds demand, evidenced by the lack of private investment in new construction.
- ➤ There are limited alternatives for individual recreational aircraft pilots to store their planes in the immediate vicinity.

#### THE STATE OF GENERAL AVIATION - NATIONWIDE

#### **Certified Private Pilots**

According to the Federal Aviation Administration, the number of certified private pilots in the United States has been declining consistently since the late 1970s. In recent years the trend is best illustrated in the following graph. The trend toward fewer certified pilots is coupled with the "greying" of the existing pilot population. The average age of a private airplane pilot is almost 50, and trending up. As pilots age and retire, their household budgets frequently cannot justify the expense of storing, maintaining and flying an airplane.



One encouraging sign is the increase in flight school enrollees. According to the FAA, the number of student pilots has been growing impressively over the past decade, from 72,280 at the beginning of 2010 to 167,804 at the beginning of 2019. Growth in the issuance of student pilot certificates has been particularly robust over the past two years, increasing by 31 percent from 128,501 at the beginning of 2017 to its current figure. Embry-Riddle Aeronautical University predicts a 20 percent increase in its student pilot program this year (2019). The reason for this dramatic increase in flight school enrollments has been the greying of the regional airline pilot population, which has resulted in an immediate shortage of qualified pilots. Airlines are competing with each other and with foreign airlines for the best students, often offering substantial "signing bonuses" in exchange for a commitment from the student to accept the position.

Several people interviewed during the course of this appraisal remarked that there has also been a recent increase in the number of flight schools. This trend portends at least a temporary halt to the attrition in the private pilot ranks. However, it is too soon to tell if the macro trend has in fact been halted or perhaps even reversed.

123,145

116,360

110,160

105,195

-0.9%

-0.5%

-1.0%

-1.0%

12,805

12,575

12.330

12,085

-0.2%

-0.3%

-0.4%

135,950

128,935

122,490

117,280

-1.0%

-0.4%

-1.0%

-1.0%

\* Source: 2001-2010, 2012-2017, FAA General Aviation and Air Taxi Activity (and Avionics) Surveys.

10,135

10,770

11.640

12,810

0.7%

0.0%

0.8%

1.3%

17,025

19,110

21.100

23,050

3.0%

2.6%

2.5%

2.2%

AS OF DEC. 31

Historical\* 2010

2015

2016

2017

2018E

2024

2029

2034

2039

2018-19

2019-29

2019-39

Avg Annual Growth 2010-18

Forecast 2019

FIXED WING									TOTAL					
	PISTON			TURBINE		R	OTORCRA	FT				GENERAL		
SINGLE	MULTI-		TURBO	TURBO					EXPERI-	LIGHT SPORT		AVIATION	TOTAL	TOTAL
ENGINE	ENGINE	TOTAL	PROP	JET	TOTAL	PISTON	TURBINE	TOTAL	MENTAL**	AIRCRAFT**	OTHER	FLEET	PISTONS	TURBINES
139,519	15,900	155,419	9,369	11,484	20,853	3,588	6,514	10,102	24,784	6,528	5,684	223,370	159,007	27,367
127,887	13,254	141,141	9,712	13,440	23,152	3,286	7,220	10,506	27,922	2,369	4,941	210,031	144,427	30,372
129,652	12,986	142,638	9,779	13,751	23,530	3,344	7,233	10,577	27,585	2,478	4,986	211,794	145,982	30,763
129,833	13,083	142,916	9,949	14,217	24,166	3,270	7,241	10,511	26,921	2,551	4,692	211,757	146,186	31,407
129,885	13,040	142,925	9,925	14,585	24,510	3,335	7,370	10,705	27,365	2,665	4,715	212,885	146,260	31,880
129,285	13,010	142,295	9,925	14,970	24,895	3,405	7,490	10,895	27,755	2,790	4,745	213,375	145,700	32,385

11,850

12,850

13.965

15,175

0.7%

1.8%

1.7%

1.7%

29,465

30,880

32.040

33,040

1.2%

1.4%

1.1%

0.9%

3,420

4,100

4,820

5,555

-10.6%

4.7%

3.9%

3.5%

4,820

4,865

4.880

4,890

-2.3%

0.6%

0.3%

0.2%

212,665

211,510

210.935

211,800

-0.6%

0.2%

-0.1%

0.0%

139,725

133,085

127,035

122,230

-1.0%

-0.4%

-0.9%

-0.9%

35,235

38,580

42.160

46,085

1.9%

1.6%

1.8%

1.8%

#### ACTIVE GENERAL AVIATION AND AIR TAXI AIRCRAFT

27,160

29,880

32,740

35,860

2.0%

1.6%

1.8%

1.8%

3,775

4,150

4.545

4,950

-0.9%

2.1%

2.0%

1.9%

8,075

8,700

9.420

10,225

1.6%

1.6%

1.5%

1.6%

# Registered Private General Aviation Aircraft in the United States

The table above, generated by the FAA, shows the history and forecast makeup of the U.S. private aviation fleet. The data show that the number of registered piston-driven aircraft nationwide are forecast to decline over the long term, particularly in the fixed-wing category. Historically, this has been the "bread and butter" customer base for general aviation airport businesses and storage facilities. As the forecast indicates, the numbers of turboprop and turbojet aircraft are projected to increase, but at RAP, most aircraft of those types would probably be conducting commercial activity.

The high cost of flying during the past decade of rising fuel prices drove many recreational pilots to the sidelines, but most continue to register their aircraft in anticipation of a turnaround. As mentioned earlier, the number of student pilots has rebounded strongly. This positive development in the market will probably provide at least a temporary respite from the persistent deterioration in piston-driven aircraft segment, which is the primary component of RAP's GA activity.

## **Hours Flown by Aircraft Type**

General aviation activity at RAP is primarily by single-engine piston-driven aircraft. following chart illustrates the fact that the use of piston-driven aircraft (in terms of hours flown) has increased modestly over the past five years. According to GAMA, hours flown in pistondriven aircraft are expected to decline at an annual rate of nearly two percent over the next ten

<sup>\*\*</sup>Experimental Light-sport category that was previously shown under Sport Aircraft is moved under Experimental Aircraft category, starting in 2012. Note: An active aircraft is one that has a current registration and was flown at least one hour during the calendar year.

years, while the use of business jet aircraft is forecast to increase at an annual rate of about 4.5 percent over the same period. It is important to note, however, that the table includes hours in aircraft operating under Part 135, which includes charter and air taxi services.

GENERAL AVIATION AND PART 135 HOURS BY AIRCRAFT TYPE 2006-2017 (1,000s)

				. ( )/		
Aircraft Type	2017	2016	2015	2014	2013	
Fixed Wing: SubTotal	20,274	20,102	19,200	18,461	18,428	
Piston:	13,583	13,548	12,825	11,967	12,352	
1 Engine:	12,047	11,865	11,217	10,395	10,706	
2 Engine:	1,536	1,683	1,608	1,573	1,646	
Turboprop:	2,625	2,707	2,538	2,613	2,587	
1 Engine:	1,448	1,376	1,237	1,280	1,310	
2 Engine:	1,177	1,331	1,301	1,333	1,277	
Turbojet:	4,065	3,847	3,837	3,881	3,488	
Rotorcraft: SubTotal	3,320	3,128	3,294	3,242	2,949	
Piston:	782	780	798	818	636	
Turbine:	2,538	2,348	2,496	2,424	2,312	
1 Engine: Turbine	1,992	1,810	1,912	1,871	1,797	
Multi-Engine: Turbine	545	538	584	553	515	
Other Aircraft: SubTotal	168	193	162	158	135	
Gliders	93	87	94	79	68	
Lighter-than-air	75	106	68	80	67	
Experimental: SubTotal <sup>1</sup>	1,242	1,224	1,295	1,244	1,191	
Amateur	950	890	1,000	834	785	
Exhibition	88	89	76	79	78	
Experimental Light-sport	139	152	132	142	135	
Other Experimental	65	93	87	189	193	
Special Light-sport	209	187	191	165	173	
All Aircraft	25,212	24,833	24,142	23,271	22,876	

#### **Fuel Costs**

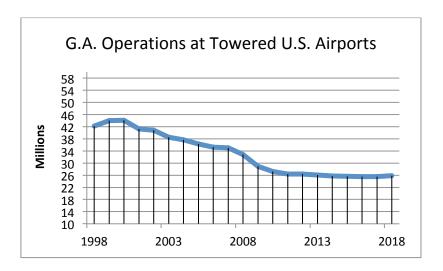
As mentioned earlier, one of the biggest factors in discretionary general aviation aircraft usage is the cost of fuel. Beginning in about 2003, the price of AvGas began to increase aggressively, a trend that was reversed in 2015 through 2017, but has now begun to once again increase. The cost of aviation fuel essentially quadrupled between 1998 and 2013. Because aircraft engines are not fuel-efficient, the impact of rising fuel costs on the general aviation pilot is substantial, which can negatively affect aviation real estate rents and values.

According to the Jet Fuel and Crude Index published by Platts, an acknowledged worldwide authority in oil and other commodity developments and price trends, as of September 23, 2019, jet fuel prices increased in North America by about 7.4 percent between May 31 and September 23 of this year. This most recent spike illustrates the highly volatile nature of fuel pricing.

					Index Value	Index Value
	<b>Share of World</b>				09/23/19	05/31/19
	Index	Cents/Gal.	\$/BBL	<b>\$/MT</b>	2000=100%	2000=100%
Global Index	100%	196.63	82.58	651.88	225.75%	211.10%
Asia & Oceania	22%	192.01	80.64	637.09	230.42%	219.55%
Europe & CIS	28%	200.40	84.17	663.25	226.77%	209.72%
Middle East & Africa	7%	191.56	80.45	634.77	240.26%	224.06%
North America	39%	197.24	82.84	654.43	220.23%	205.08%
Latin & Central America	$4^{0}/_{0}$	198.04	83.17	657.08	230.41%	220.43%

#### **General Economic Conditions**

There is a well-documented correlation between aircraft usage and general economic conditions. In fact, ARGUS International, an aviation industry research firm, has shown that there is an almost perfect correlation between business aircraft usage and the Dow Jones Industrial Average. About 60 percent of all hours flown by general aviation aircraft are for business purposes. With improving economic conditions, the business travel segment has been increasing over the past few years, but overall aviation activity has been essentially flat for five years, as shown in the following graph:



## **Operations**

The preceding graph illustrates the point that, on a national basis, the number of general aviation aircraft operations occurring at towered airports in the United States had a pronounced decline between 2000 and 2011. Since the 2000 peak year, total general aviation aircraft operations in the United States at towered airports have fallen by about 42 percent. The 2017 and 2018 figures indicating slight increases are FAA forecasts.

# Average Age of the Registered General Aviation Fleet

According to GAMA, the average age of all airplanes registered nationally is 39 years. The average age of the typical single-engine, one-to-three passenger, piston-driven airplane is 48 years. Because single-engine, piston-driven aircraft production has been at a relatively low level for many years, the average age of the fleet continues to go up. The ramifications of an aging fleet are felt in higher maintenance costs and relatively low fuel efficiency for the older aircraft.

# Other Important Factors Currently Affecting General Aviation

- ❖ Because of the trends identified in earlier sections of this report, the sale and transport of general aviation aircraft to overseas buyers appears to be increasing. When aircraft leave airports it puts additional economic pressure on the service businesses that rely on aviation activity.
- As general aviation pilots continue to leave the industry through retirement or other circumstances, the number of new pilots entering aviation is not sufficient to replace them. This situation has led to aggressive recruiting of new pilots and the opening of new flight schools with rapidly increasing enrollment.
- ❖ The Environmental Protection Agency is studying the effects of low lead aircraft fuel (100 LL) on the environment and is considering a ban on the popular aviation fuel that piston-driven aircraft rely upon. The effects of a ban on 100 LL would be extremely disruptive to general aviation and would most likely further increase the cost of flying. A bill was introduced in Oregon that would prohibit the sale of leaded aviation fuel after January 1, 2022.
- ❖ Because of the previously identified trends in general aviation, non-hub airports are finding it difficult to attract new service businesses and to foster competition.
- ❖ The long-term financial health of many general aviation airports is questionable, and many airport sponsors are considering closures. In many cases, airports that are financially healthy are being looked at by cash-strapped municipalities as revenue sources to offset budget shortfalls in other areas.
- ❖ Airport sponsors are making concerted efforts to bring historically below-market ground lease rates up to market levels to help with cash flow difficulties.
- ❖ Ongoing state budget crises have a major impact on state aviation funding that, in turn, negatively impacts the available funds for matching grants for federal/state/local projects in addition to state/local funded projects.
- The perception of environmental impacts of proposed airport construction projects adds to approval times and project costs, resulting in a lower likelihood that they will be built.
- ❖ Economic development opportunities for airport sponsors is frequently handicapped by regulations and policies that discourage new businesses and encourage existing businesses to leave the state or country for more business-friendly climates.
- ❖ Federal budget problems may force closure of some contract towers at GA airports.
- Aviation user fees are frequently discussed at the federal level to assist in closing transportation budget shortfalls.

- ❖ Many airports are looking for new sources of revenue "outside the fence" and are aggressively pursuing ground leases for solar farms, outdoor storage, and/or agriculture. Additionally, many airports are attempting to get excess aviation-restricted land redesignated as commercial/industrial land.
- ❖ There is concern that local jurisdictions will apply prevailing wage rules to new construction projects on airports. That would have a dampening effect on new construction.
- ❖ Flight school enrollment is now increasing, but many graduating students are being recruited for overseas jobs.
- New technologies are evolving that may translate into added demand for space at general aviation airports. A number of companies are working on Unmanned Aerial Vehicles (UAVs) for delivering packages and other uses. There are companies working on air taxis that do not require a pilot. Uber and Amazon delivery are actively working on aviation issues.

# **Summary and Forecast - National General Aviation Market Conditions**

Nationwide, there has been an erosion of general aviation's economic health for an extended period of time, particularly as it applies to fixed-wing, piston-driven aircraft. Recent statistics, however, indicate that the past four years have seen a slowing of the decline in most segments of GA, with some areas, such as rotorcraft usage, business jet usage, and flight school attendance, showing strong growth.

Two major sources for general aviation activity forecasts are GAMA and the FAA. The FAA's forecasts have historically proven to be overly optimistic. However, in light of the undeniable downward trends that have been in place for decades in general aviation, the FAA's latest forecasts have been tempered considerably. They are now projecting consistent (16 percent overall) decline in the piston-driven airplane inventory and consistent growth (49 percent overall) in the turbine segment over the next 20 years. In terms of hours flown, they are projecting a 16 percent decline in piston aircraft usage, but a 68 percent increase in turbine aircraft usage. General aviation's JetA fuel consumption over the next 20 years is forecast to increase by 50 percent, but 100LL fuel consumption is forecast to decline by nine percent over the same period. Total pilot numbers across all types of aircraft are expected to rise modestly according to the FAA.

#### THE LOCAL AVIATION MARKET

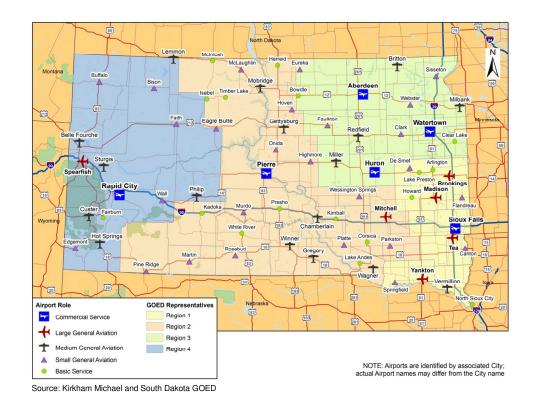
This section of the report deals only with airports proximate to RAP, which, somewhat arbitrarily, is defined as lying within a 225-mile radius. Geographic considerations as well as airports' traffic characteristics (categories and volumes) and the niche they serve in the aviation market were all taken into account in the identification of potentially competitive facilities to RAP on a local level.

While identification of the local competition is instructive, it hardly represents the universe of potential comparable airports suitable for use in this appraisal. That is because there are only one or two airports in the local area (as defined) that are remotely similar to RAP in terms of activity levels and traffic characteristics. Later, in the Valuation, several airports outside the subject's region are identified as *comparable* airports in terms of the aviation niche they serve, but they are not directly *competitive* with RAP. Those airports provide much better indications of market ground rent for RAP's general aviation component, particularly in the FBO use category.

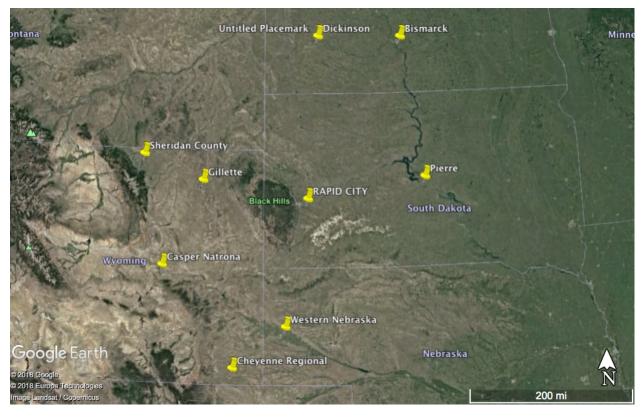
As mentioned earlier, RAP is designated as a "non-hub primary" commercial service airport. There are 71 public use airports in South Dakota. Aside from RAP, there are only five other commercial service airports in the state: Aberdeen Regional Airport (ABR), Huron Regional Airport (HON), Pierre Regional Airport (PIR), Joe Foss Field Airport (FSD), and Watertown Regional Airport (ATY). Forty-nine South Dakota airports are general aviation facilities and 16 are basic service airports.

The map on the following page shows the commercial service airports in South Dakota, denoted by the blue squares. Note that RAP is the only such facility in the entire western half of the state, putting it in a positive competitive position. Following is a list of the primary commercial service airports within a 225-mile radius of RAP:

	IATA			
Airport Name	Code	City	State	Distance
Rapid City Regional Airport	RAP	Rapid City	SD	Subject
Gillette Campbell County Airport	GCC	Gillette	WY	124.63 mi
Pierre Regional Airport	PIR	Pierre	SD	139.44 mi
Western Nebraska Regional / William B. Heilig Airport	BFF	Scottsbluff	NE	151.97 mi
Casper-Natrona County International Airport	CPR	Casper	WY	187.65 mi
Dickinson Theodore Roosevelt Regional Airport	DIK	Dickinson	NE	188.25 mi
Sheridan County Airport	SHR	Sheridan	WY	199.92 mi
Cheyenne Regional Jerry Olson Field	CYS	Cheyenne	WY	218.16 mi
Bismarck Airport	BIS	Bismarck	ND	219.73 mi



Following is an aerial photograph showing the relative locations of these other commercial service airports to RAP:



Alan M. Wilson & Associates

Some statistical information on these airports is presented in the following table, ordered by operations:

	Annual	% Non-GA	Based			
Airport	Operations	Operations	Aircraft	ATCT	ILS	Longest RW
Bismarck	45,249	40%	104	Yes	Yes	8,794
Cheyenne	45,260	55%	92	Yes	Yes	9,270
Rapid City	43,070	45%	125	Yes	Yes	8,701
Pierre	34,675	35%	63	No	Yes	6,900
Casper	34,675	38%	131	Yes	Yes	10,165
Western Nebraska	30,295	16%	35	No	Yes	8,279
Sheridan	28,470	5%	97	No	Yes	8,301
Dickinson	16,425	29%	34	No	Yes	6,399
Gillette	12,410	23%	65	Yes	Yes	7,500

The following graph shows these airports' aggregate operations histories over the past ten years, broken out by GA and non-GA activity. The table indicates that overall activity at these eight most proximate commercial service airports to RAP has declined by about 10.35 percent since 2015. During that time, GA operations declined at a greater rate (about 12 percent) than non-GA operations (about nine percent). While there are some individual exceptions, these eight commercial service airports closest in proximity to the subject airport have experienced a recent decline in overall activity. This is contrary to RAP's recent experience, which has seen an overall increase, albeit one that is muted somewhat by declining GA activity, as reported earlier.



## Most Closely Competitive Local Airports to RAP

Of the eight commercial service airports proximate to RAP, Bismarck, Cheyenne and Casper are regarded as the most similar. All three are towered airports with lengthy runways and are ILS equipped. They also have similar based aircraft and operations counts to RAP's. Brief discussions of those airports follow:



Bismarck Airport is about 220 miles northeast of RAP in south-central North Dakota. Five air carriers use the facility: United, American, Delta, Allegiant and Frontier. Bismarck has experienced dramatic growth in enplanements due, in large part, to the development of the petroleum extraction industry in the area. Over the past eight years, BIS's annual enplanements have grown by over 50 percent to about 300,000. Like RAP, BIS has invested in its terminal facilities, opening a new building in

2005. In addition to the commercial aspect of the airport, there is a substantial cargo (about 8 million pounds annually) component as well. The airport has more private jet aircraft (nine) than RAP as well as numerous (15) military aircraft based there. BIS is situated on 2,425 acres and has considerable room for facilities expansion. It has two runways: 13/31 is 8,794 by 150 feet, and 3/21 is 6,600 by 100 feet. A \$65 million runway reconstruction project was recently completed: Runway 13/31, which was formerly asphalt-surfaced, was rebuilt with a concrete surface that now allows for larger aircraft (D-III) to use the airport. The critical aircraft for BIS is now the Airbus 320. A Master Plan Update, commissioned in 2015 and completed just this year, recommends significant expansion of the terminal as well as significant general aviation hangar construction over a three-phase, 20-year, time horizon.



Cheyenne Regional Airport is located about 220 miles southwest of RAP. It is the home of Cheyenne Air National Guard Base, the main operating base for the Wyoming Air National Guard and the Wyoming Army National Guard. Partly because of its high altitude (over 6,160 feet elevation), aircraft manufacturers test their new jetliners at Cheyenne. The airport does have a fledgling commercial component, and limited general aviation facilities, but it is primarily being used

by the military. Over 20 percent of its based aircraft are military. The field covers 1,060 acres (430 ha) and has two runways: 9/27,  $9,270 \times 150$  feet of concrete surface and 13/31,  $6,690 \times 150$  feet of asphalt surface.

In November 2018 a new three-gate, 26,500-square-foot, passenger terminal was completed at the airport. The project included construction of a new ramp capable of accommodating three Boeing 737s, and a 60-space automobile parking lot. On August 4, 2018, American Airlines announced the commencement of non-stop service from Cheyenne to Dallas/Fort Worth International Airport, which began on November 4, 2018 timed with the completion of the new terminal. These are SkyWest Airlines operated flights using RJs. On February 4, 2019, American Airlines announced a second daily non-stop service to Dallas/Fort Worth International Airport, which began in May 2019. Frontier Airlines and United Airlines use Cheyenne as a diversion airport on occasion for flights to Denver International Airport. The airport is primarily a training facility for both military and civilian pilots, with about three-quarters of its operations being local.



Casper / Natrona County International Airport is located about 190 miles southwest of RAP. Scheduled passenger service is provided by Delta and United, through their contractor, SkyWest. Both airlines operate CRJs (United's 65-seat CRJ700 to and from Denver, and Delta's 50-seat CRJ200 to and from Salt Lake City) out of the airport. Embraer ERJ145s are also flown by another of United's contract operators.

A former army airfield built as a training facility in 1942, the airport has two runways on its huge 5,150-acre footprint: 3/21 is 10,165 by 150 feet and 8/26 is 8,679 by 150 feet. FedEx is a heavy user of the airport, maintaining a hangar there and using its Boeing 757-200s and Airbus A300/310s aircraft, among other smaller planes. The airport has seen a steady deterioration in the number of operations of all types conducted there, but particularly over the five-year period between 2013 and 2017 when operations fell from 43,206 to 29,899, according to the FAA's Terminal Area Forecast. Operations estimates for 2018 and 2019 are only slightly higher than 2017's figure.

# INTRODUCTION TO SUBJECT PROPERTY DESCRIPTIONS AND VALUATIONS

It is recognized that this appraisal will be used by the RCRA staff to assist in reviewing their current "rates and charges" policy as it pertains to the establishment of ground rental rates across all three general aviation land use categories at the airport: FBO, SASO and GA Storage. Definitions adopted for these three use types follow:

Fixed Base Operation – FBOs are commercial business granted the right by the airport sponsor to operate on an airport and provide aeronautical services such as fueling, hangaring, tie-down and parking, aircraft rental, aircraft maintenance, flight instruction, etc.

Specialized Aviation Service Operation - SASOs are sometimes known as single-service providers or special FBOs performing less than full services. These types of companies differ from a full service FBO in that they typically offer only a specialized aeronautical service such as aircraft sales, flight training, aircraft maintenance, or avionics services for example. Lease site typically allows for: flight school, avionics shop, propeller shop, aircraft maintenance, aircraft rentals, charters, etc., but no fueling.

General Aviation Aircraft Storage - Storage areas suitable for hangars and/or tiedowns that are reserved for use by that portion of civil aviation that does not include scheduled or unscheduled air carriers or commercial space operations.

Part of the methodology employed for this appraisal involved the identification of representative properties for each of the three land uses. Three existing leaseholds at the airport, one in each land use category, were selected by the Client as representative "template" properties for appraisal purposes. Those leaseholds were adopted as the subject properties and will be used as the basis for the comparisons made later in the Valuation section of the report. Essentially, those leaseholds' physical and legal characteristics were adopted as representing the "universal parcels" within their respective categories. Commonalities among the three subject properties are discussed in this section of the report, and the individual descriptions and valuations will be presented later in **Part II**.

For the Storage use, a small pad occupied by a privately-owned hangar (Schabauer) was selected. The property representing the SASO use is a 3.09-acre leasehold ground leased by Dale Aviation and Rapid Fuel. Because there is only one full-service FBO at the airport, the 8.35-acre Westjet leasehold serves as the representative FBO subject property by default.

While all of the subject parcels are improved with structures of various types, ages, quality levels, and density, the nature of this assignment requires only the consideration of the land underlying those improvements. Accordingly, for appraisal purposes, the existing improvements on the subject sites have been disregarded. On the next two pages are aerial photographs showing the general and specific locations of the subject properties. Following the aerial photographs is a brief section that describes the commonalities among the three representative parcels. Following that discussion are the individual subject parcel sections that comprise **Part II** of this report.



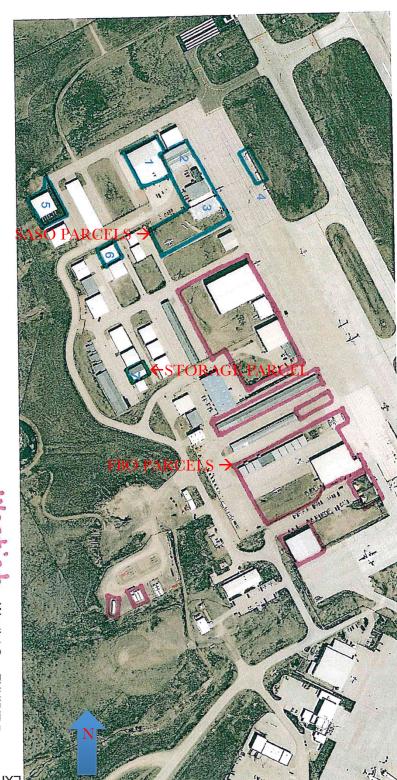
**General Aviation Area** Rapid City Regional Airport



7 - 4076 Hansen Hangar Ln (Schaubauer)

2 & 3 - 3865 & 3900 Airport Road

- Fuel Tank Area on Ramp - 3843 Cook Hangar Ln - 3940 Cook Hangar Ln 1 - 3875 Airport Road



Westjet - Westjet-See EXHIBIT B

Date Aviation

Schabauer

EXHIBIT A - SUBJECT PROPERTIES

DALE AVIATION &
SCHABAUER

#### ZONING AND OTHER LAND USE REGULATIONS

# **Land Use Authority**

The City of Rapid City, as RAP's owner and operator, ultimately determines how the airport will be developed, but the City cannot make all of their development decisions unilaterally. The FAA also provides guidance in order to ensure that proposed airport facilities meet important safety standards. Additionally, surrounding jurisdictions also have input into the development process if a proposed airport project has the potential to impact them. Provided that proposed projects are in conformance with legal requirements, the Airport's Board of Directors formally approves projects on behalf of the City.

# Zoning

Preliminary planning and site plan approvals for proposed projects at Rapid City Regional Airport is handled by the City of Rapid City's Airports Division, with support from the Planning and Zoning Divisions of the City's Development Services Department. Proposed development is reviewed for consistency with the latest FAA-approved Airport Layout Plan (ALP), the current version of the Airport Master Plan, and City building requirements.

RAP is zoned "Airport Zoning District". The District's zoning regulations are contained in Chapter 17.58 of the City's Zoning Ordinance, a copy of which may be found in the Addenda. In general, the Airport "District is intended to provide regulations for the safe operation of aircraft into and out of the Rapid City Regional Airport". Those regulations essentially adopt and support the FAA's Part 77 requirements as they apply to obstructions and allowable building heights within the vicinity of the airport. They also contain some lot setback requirements, but they only apply to the larger airport property – they do not extend to the individual lease parcels inside the fence.

## Master Plan

The primary goal of an airport master plan is to provide guidance for future airport development, which will provide the facilities needed to satisfy forecast demand, while at the same time balancing the need for airport improvements with local concerns. The components of an airport master plan are established by the FAA. They include an inventory, surveys, and data collection; aviation activity forecasts; demand and capacity analysis; determination of facility requirements; identification of issues; development of alternatives and concepts; a financial plan; environmental review/analysis; an implementation plan; and the updating of Airport Layout Plan (ALP) documents in accordance with Federal airport operating and design standards.

Development on the airport must be in conformance with the current Airport Master Plan, or the Master Plan itself must be amended to allow development that would otherwise have been prohibited. Amendment of the Airport Master Plan is subject to FAA review and the process is daunting, expensive and time consuming. In most cases, the Airport Layout Plan must also be revised as part of the process. In the case of RAP, the most recent Master Plan Update was done in 2014. Because the commercial side of the airport has experienced growth that far exceeded the projections contained in the 2014 Update, another Update will probably be commissioned within a year or two, according to airport administration. It is not expected that the Update will result in any significant changes to the General Aviation side of the airport, however.

Each subject property description will contain a section on its respective Airport Master Plan designation and conformance status.

# Airport Layout Plan

The Airport Layout Plan is a formal Exhibit, essentially a very detailed map of the entire airport, that documents existing conditions and shows recommendations for future development that are contained in the latest adopted version of the Airport Master Plan. The FAA must review and approve the Airport Layout Plan. Exhibits reproduced from the Airport Layout Plan showing the subject properties appeared earlier in the Description of the Subject Airport section of the report. In general, recommended future development on the subject properties as shown in the ALP is consistent with the way they are presently improved.

#### ANALYSIS OF HIGHEST AND BEST USE

# Highest and Best Use Definition

Since there are different allowable use clauses contained in the subject property ground leases, each has a different highest and best use. Those uses will be reported in the appropriate subject property description section of the report. Following is the definition of Highest and Best Use applicable to all three representative subject properties, taken from Section 4.3.1 of the 2016 edition of the Uniform Appraisal Standards for Federal Land Acquisitions:

Highest and Best Use is defined therein as:

"The highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future."

The same source states that, in order to qualify as the highest and best use, four criteria (tests) are applied: "physical possibility, legal permissibility, financially feasibility, and degree of profitability". So, from among the feasible uses, the appraiser must select that use which will produce the highest net return, or result in the highest present worth for the property. These criteria are considered in order because qualification under a latter test is moot if a use fails an earlier test. Furthermore, all potential uses are considered within the context of current and forecast market conditions.

#### As if Vacant

#### Legally Permissible

Several sources were consulted to determine what use(s) on the date of value could have potentially been legally permissible, including the FAA-approved ALP and the Airport Master Plan. The subject properties are zoned "Airport District". That zoning ordinance references a number of ancillary uses, other than aviation use, that could potentially be legal uses. Those are varied and many, and can be reviewed in the Addenda. They could all be potentially allowable, but the majority of them must be somehow related to aviation, and many would require another level of discretionary permit processing.

The most specific source to identify potential legal uses for airport land is the Airport Master Plan. The Master Plan is a study used to determine the long-term maintenance and development requirements for an airport. The Federal Aviation Administration (FAA) recommends that airport owners, or sponsors, update airport master plans every 10 years. An effort is currently underway to

update the 2014 plan next year but the subject property's preferred use is not expected to change from the way it is currently developed.

Allowable uses are also stated in the respective ground leases, falling within the parameters of the previously noted restrictions and legal uses.

Based on the foregoing, the legal use of the subject parcels as if vacant is for development with aviation-related improvements to the extent allowed, given the constraints cited in the respective ground leases.

## Physically Possible

All parcels differ in size, which affects their ability to accommodate certain aviation-related use types. Joinder with adjacent parcels would not necessarily result in a higher value for the underlying land in any use category.

#### Financial Feasibility

It has already been determined that the only legal use of the subject parcels on the date of value was to accommodate general aviation-related uses. Of course, in order for new construction to be financially feasible, ground leases would have to be of a length sufficient to give the lessee time to amortize the investment in new improvements.

There is demonstrated demand for hangars and services at the airport and vacancy rates are reportedly low. However, current rental rates and construction costs do not justify immediate construction on a speculative basis. There has only been one new hangar built on the airport in at least the past ten years and that hangar was built by an owner-user. Owner-user construction, or a build-to-suit situation, would have been financially feasible on the date of value.

Maximum Profitability and Conclusion of Highest and Best Use As Vacant

In general, as if vacant, the most rational economic use for the subject parcels is for future development with site-appropriate aviation-related improvements. Those will be more specifically concluded in the individual property sections in **Part II**.

#### As Improved

Since this appraisal is being done to estimate market ground rent "as if vacant", the analysis of Highest and Best Use "As Improved" is irrelevant to the appraisal problem and was not undertaken.

#### DISCUSSION OF APPROACHES TO VALUE

#### VALUATION METHODOLOGY FOR MARKET GROUND RENT ESTIMATES

In order to estimate market ground rent for all three subject property use types, a number of airports were surveyed for the purpose of gaining information on recent ground lease transactions. With most property types, direct comparisons between competitive properties and the subject can easily be made. Through the process of comparison, superior and inferior properties can usually be identified. However, the process of direct comparison does not lend itself as well to the estimate of market ground rent for airports as well as it does for more conventional property types. This is because each airport is truly unique. Rating the comparable airports as "superior" or "inferior" to the subject involves much more subjectivity than for other property types. Ideally, every airport fills a distinct niche in its regional aviation market. For comparison purposes information from airports that fill a similar niche to Rapid City Regional Airport were particularly helpful. In spite of its shortcomings, direct comparison is still regarded as the most appropriate method to use for the purpose of estimating market ground rent on an airport.

In selecting potential comparable airports the most important criteria, in no particular order, were: airport classification, location, the presence or absence of a control tower, the number and type of annual operations, the number and type of based aircraft, the activity levels and types of commercial traffic, the inventory of available land at the airport, and the airports' "reason for being", i.e., the type of market that the airport appeals to. RAP is a towered, Primary Commercial Service Non-Hub airport with a significant general aviation component located in a relatively sparsely populated county. Its primary demand driver is tourism.

These criteria are all more important for the SASO and FBO property types than for the individual GA hangar pads. This is because the recreational pilots who make up the market for the hangar pads is focused primarily on the proximity of the airport to their residences, typically wanting to base their airplanes as close to home as possible. There is a segment of the recreational pilot market, however, that will travel a longer distance from home and pay the higher ground rent at larger airports because they value the undeniable advantages that those facilities might provide, such as: an ILS, increased security, superior emergency response, and the immediate availability of aircraft maintenance services and convenient fueling. Taking these factors into consideration, for the GA Storage use, the data set includes not only those same airports used in the analysis of SASO and FBO ground rental rates, but some of the most proximate local GA airports noted earlier as well.

The search for comparable data was originally concentrated in the upper Midwest but, because of data limitations, the geographic parameters of the search were necessarily expanded and the search for comparable data was concentrated in the FAA's Great Lakes and Northwest

Mountain regions. Specifically, the criteria that were applied for the purpose of identifying potentially comparable facilities for the SASO and FBO uses were:

# CRITERIA USED TO IDENTIFY COMPARABLE AIRPORTS FOR SASO AND FBO USES

FAA Airport Designation	Primary commercial service non-hub
Tower	FAA and contract towers
Annual Operations	Between 20,000 and 70,000
Annual Enplanements	Between 180,000 and 540,000
FAA Regions	Great Lakes and Northwest Mountain

The operations and enplanement parameters adopted for the search were applied because they bracket RAP's numbers by about 50 percent on both ends. Upon application of those criteria, 18 potentially comparable airports were located, of which one is the subject airport. In the Addenda is a list of the raw data on these airports, generated through a query of the FAA's Terminal Area Forecast database. A brief summary of those airports identified for further consideration appears below:

Airport Name	Location	Airport Name	Location
Quad City International	Moline, Illinois	Green Bay International	Green Bay, Wisconsin
Peoria International	Peoria, Illinois	Aspen-Pitkin County	Aspen, Colorado
Evansville Regional	Evansville, Indiana	Grand Junction Regional	Grand Junction, CO
Fort Wayne Intl.	Fort Wayne, Indiana	Glacier Park Intl.	Kalispell, Montana
South Bend Intl.	South Bend, Indiana	Missoula International	Missoula, Montana
Bishop International	Flint, Michigan	Rogue Valley Intl.	Medford, Oregon
Bismarck Municipal	Bismarck, North Dakota	Roberts Field	Redmond, Oregon
Rapid City Regional	Rapid City, South Dakota	Tri-Cities	Pasco, Washington
Appleton International	Appleton, Wisconsin	Jackson Hole	Jackson, Wyoming

Many of these airports not only fit the selected operations-related criteria, but they are also located in tourist-oriented destinations, filling a niche much like that occupied by RAP. Another layer of filtering the market data involved determining how much general aviation activity occurs at those facilities relative to overall activity, with the goal being to select airports that mirror RAP's activity levels and operations types as closely as possible. The following table summarizes some of the most important metrics considered for that purpose, ordered by the percentage of general aviation activity as a percentage of overall operations:

Airport	2018 Enplanements	2018 Op's*	2018 Based Aircraft	GA to Total Op's	Comm'l to Total Op's.	Annual GA Op's./Based Aircraft
Roberts Field	419,065	61,890	79	72%	28%	561
Tri-Cities	382,179	47,963	123	66%	28%	259
Green Bay Int'l.	306,882	47,194	110	66%	30%	284
Grand Junction Reg'l.	219,559	46,317	114	64%	31%	262
RAPID CITY RGN'L.	297,133	46,476	125	61%	<i>34%</i>	239
Bismarck Muni.	277,075	45,249	103	60%	31%	262
Bishop Int'l.	376,228	31,854	81	59%	$40^{\circ}/_{\circ}$	234
Missoula Int'l.	408,905	34,951	161	58%	$40^{\circ}\!/_{\!o}$	127
Appleton Int'l	325,902	33,597	71	57%	43%	269
Glacier Park Int'l.	301,162	28,358	164	56%	38%	97
Evansville Reg'l.	224,756	31,952	56	56%	39%	318
South Bend Int'l.	342,854	43,912	60	55%	43%	402
Rogue Valley Int'l.	483,867	42,312	180	52%	46%	123
Quad City Int'l.	349,478	31,925	87	51%	46%	189
Aspen Pitkin County	272,461	42,222	105	49%	50%	197
Fort Wayne Int'l.	367,160	39,136	52	47%	48%	353
Peoria Int'l.	325,050	38,081	48	42%	42%	335
Jackson Hole	367,167	27,124	21	41%	58%	530

The statistics contained in the table above were taken from the most recent FAA Terminal Area Forecast. The figures from 2018 for based aircraft, enplanements, and operations are FAA estimates. It is known that, in almost all cases, the enplanements and operations estimates for these airports were understated. However, since the same conservative estimates were consistent across the entire sample, the data are still valid for selection and comparison purposes.

In the process of narrowing the data sample to reflect only the most comparable airports, two criteria were applied. First, the three airports with the fewest based aircraft in the sample, and which experience less than 50 percent GA operations (Fort Wayne, Peoria, and Jackson Hole), were omitted from consideration. Next, airports that displayed exceptionally high or low GA operations counts per based aircraft, and/or have significantly lower based aircraft counts than RAP (Roberts Field, South Bend, Evansville, Glacier Park and Rogue Valley) were removed from consideration. The data in the table above were color coded to reflect this process of elimination. Those airports highlighted in red were removed from consideration for the aforementioned reasons, while those in green were targeted for future research. Brief descriptions of those airports identified as being most comparable to RAP follow in a later section.

An attempt was made to locate recent ground lease transactions that were openly negotiated by lessor and lessee. Every effort was made to avoid using "policy" rents that are applied simply

because "those are rates that have always been charged", or because "that's what the city council wants to charge". In a few instances the rents shown in the respective Comparable Ground Lease tables reflect policy rents and/or asking rents. However, they were relied upon to a much lesser extent than the openly negotiated rents in arriving at an estimate of market rent for the three types of aviation-restricted uses at RAP.

Particular attention was paid to subtleties in the leases that may have impacted base rental rates. These include the length of the lease terms, the reversion clauses, the physical condition of the parcel(s) at the time of the lease, and the parcels' locations relative to others on the field. In addition, supply and demand factors for other types of airport real estate (hangars and tiedowns) were also considered to help get a feel for the condition of the comparable airports' economies. Tiedown and hangar rents at the comparable airports also help the analyst to rate a particular airport "superior" or "inferior" to RAP.

The theory behind direct comparison is that more desirable properties than the subject will generate higher rents. Conversely, the subject should be able to generate higher rents than inferior properties. Realistically, however, there are no "superior" or "inferior" airports because they all serve a specific purpose in the bigger aviation market. The rents being achieved at any given airport simply reflect the interaction of supply and demand at that location, as do the rents for any other type of real estate. The data sample was sufficient to form a bracket in each of the three categories of aviation-use-restricted land reflected in this appraisal.

It should be noted that airport sponsors may legally charge different rates for different parcels at any given airport. For example, they could charge a lower rate per acre for exceptionally large parcels, for parcels without direct taxiway access, or parcels with poor utility resulting from any cause. In actuality, however, ground rental rates are typically applied uniformly for leasehold parcels on airports regardless of physical differences, with the possible exceptions of paved vs. unpaved land, or land that is served by utilities vs. land unserved by utilities. This is because of sponsors' well-founded concerns about operating contrary to the FAA's mandated "non-discriminatory" policy when it comes to rates and charges.

The concluded market rents for all three property types is a first year "base" ground rent that is assumed to be increased by CPI annually but applied every few years, and subject to periodic "resets-to-market". Particularly important is the concept that the appraised market rents reflect the presumption of long-term leases (at least 25 years) consummated on the date of value. The concluded market base rents are also estimated absent any free or phased-in rent during a hypothetical construction period.

A number of considerations go into the establishment of ground rent at an airport but chief among them are the length of the lease term, the capital improvements that will be made by the tenant, and the disposition of those improvements at the end of the ground lease. All else equal, if the improvements revert to the sponsor at the end of the lease, then the ground lease rental rate will likely be lower than if the improvements become the property of the tenant. All things equal, the sponsor may be willing to offer lower rent for a longer term lease commitment, particularly near the end of an "up" market.

Percentage rents are occasionally used in addition to the base rent, although this practice is now uncommon. Several respondents reported that they are moving away from percentage rental agreements as quickly as possible because of the difficulty in auditing the tenants' books. While a few respondents reported including specific dollar amounts for their tenants' capital improvement requirements, these were confined to the FBOs. The SASOs and Storage uses typically have project-specific rather than cost-specific capital improvement requirements. All respondents reported that a prospective tenant's proposed improvements are a material consideration in the decision to ground lease. A few sponsors were disappointed when their tenants did not follow through on verbal commitments to improve their leaseholds.

## Ground Rental Rate Units of Comparison in the Local Market

I found that, in the subject's regional market area, ground rents for pure storage uses are almost universally stated on the basis of rent per square foot of building area or rent per square foot of building "envelope" which includes functional setback areas around the building.

On the commercial (SASO and FBO) side, however, the market standard is to apply the rent per square foot of parcel area as the unit of measurement. Other than RAP, I found no airports that bifurcate ground rental rates between improved and unimproved areas for individual commercial-use parcels in the sense that RAP has defined those terms. The market does, however, differentiate between improved and unimproved in a much broader sense that essentially reflects parcels' "ripeness for development". As will be shown later, there was considerable evidence in the market that ground rental rates for SASOs and FBOs are similar, if not identical.

The State of Wyoming's Department of Transportation conducts an annual survey of airports that includes information on ground rental rates. That survey, updated in 2018, included about 138 airport ground rent data points. Almost all of the airports reporting in that survey were using rent per square foot of building area for Storage uses. It was much more common for rents based on parcel size to be applied to SASO and FBO uses.

For appraisal purposes, then, ground rent per square foot of building envelope area will be adopted as the market-typical unit of comparison for the Storage use, while the ground rent per square foot of parcel area (which often coincides with the building envelope) will be used for the SASO and FBO uses.

## Storage vs. Commercial Rental Rates

Evidence exists in the market that airport ground rental rates are influenced by use type, but not universally. Some interviewees suggested that the rent for income-producing service providers on the airport should be *lower* than rents for pure storage tenants. Their reasoning was that the commercial tenants are taking a bigger business risk while providing necessary services for the entire airport, and they tend to be affected the most during down markets. Additionally, commercial tenants, particularly FBO's, tend to lease larger parcels at the airport, and make much more costly investments in their improvements. Those factors would tend to argue for a lower ground lease rate for the commercial tenants than for the pure storage tenants. Another factor is that FBO's are paying fuel flowage fees to the airport sponsor, which can be likened to another form of rent, which also supports a lower base rent structure for the FBO's.

These arguments for a lower ground rent structure for service providers on airports are valid, but evidence of the application of that philosophy was generally lacking at the majority of comparable airports I surveyed. In the aforementioned study undertaken by the State of Wyoming's Department of Transportation, 16 airports (including the subject airport) from their survey provided an opportunity to compare rental rates between commercial and pure storage uses. The following table shows the results of that analysis, ordered by the differences between commercial and storage ground rental rates:

	Comm'l Rate	Storage Rate	Commercial Rate Relative to
Airport	( <b>\$/SF/Yr.</b> )	(\$/SF/Yr.)	Storage Rate
Roosevelt Muni.	\$0.350	\$0.200	75% higher
Black Hills	\$0.150	\$0.100	50% higher
Huron	\$0.150	\$0.100	50% higher
Yellowstone Regional	\$0.210	\$0.160	31% higher
Wokal Field Glasgow	\$0.150	\$0.120	25% higher
Rifle Garfield County	\$0.320	\$0.260	23% higher
Vernal Reg'l.	\$0.220	\$0.180	22% higher
Bozeman Int'l.	\$0.120	\$0.100	20% higher
Pinedale	\$0.165	\$0.165	Same
Riverton	\$0.180	\$0.180	Same
Durango	\$0.320	\$0.320	Same
Helena Regional	\$0.150	\$0.150	Same
Pierre	\$0.1515	\$0.1515	Same
Rapid City	\$0.260	\$0.260	Same
Sheridan	\$0.196	\$0.250	22% lower
St. George Reg'l.	\$0.150	\$0.220	32% lower

As evidenced in the table above, six of these 16 airports charge identical ground rental rates for both commercial and storage uses. Two airports' commercial rents are lower than their pure storage rents by 22 and 32 percent. Eight airports, representing half of this data set, charge higher ground rents for commercial use relative to storage ranging from 20 to 75 percent. Most of the airports that are charging higher ground rent for commercial uses apply premiums between 20 and 30 percent above their storage use rates. Statistically, these data display a mean

premium of 15 percent for commercial land, a median premium of 10 percent and a mode of "no premium". Coincidentally, later it will be concluded that market ground rent for the SASO and FBO uses reflects a 10 percent premium over the concluded market rent for the Storage use.

#### PRESENTATION OF MARKET DATA USED IN THE APPRAISALS

Following are brief discussions of the nine airports regarded as being most comparable to RAP, which were identified earlier in the report. Recent ground lease transactions pertaining to at least one of the three use types under consideration were confirmed at six of those airports. Details of those transactions are summarized in a series of Comparable Market Data tables, segregated by use type. One table contains the SASO and FBO transactions and other contains the market data on Storage ground leases. The data are identified in the tables as either being personally confirmed transactions, or taken from published sources.

Augmenting the confirmed ground lease transactions in the Comparable Market Data tables is anecdotal information on airport ground rental rates taken from the State of Wyoming's recent (2018) airport survey. Generally, that information is broadly supportive of the appraiser's confirmed ground lease transactions; however, since these data points were not confirmed by the appraiser, they are not afforded as much weight as the confirmed lease transactions from the nine targeted airports.

I also confirmed a number of ground lease transactions at GA airports proximate to RAP. While these are obviously smaller airports with considerably less activity they would still compete with RAP, particularly for Storage tenants. It is known, for example, that more than one Storage tenant at Black Hills Airport (one of the data points) in Spearfish relocated from RAP in anticipation of losing his hangar. In general, the confirmed ground lease rental rates from the GA airports provide a lower limit of market ground rent for RAP in all three use types. For that reason, they proved to be helpful in the individual valuations.

Later, in **Part II**, selected data from the Comparable Market Data tables will be used to form the basis of the individual subject property valuations.

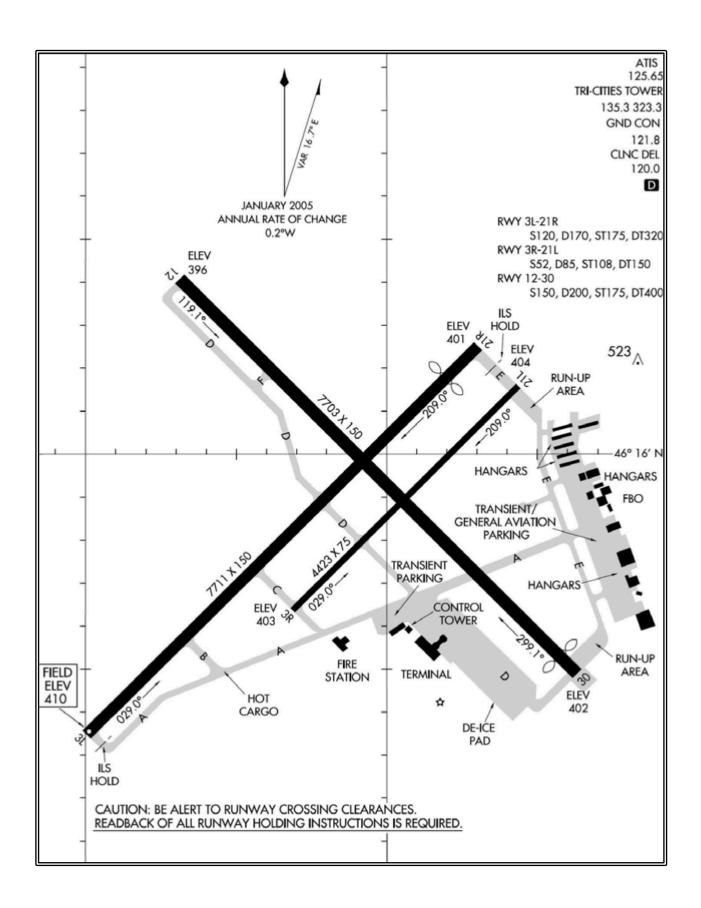


**Tri-Cities Airport** (PSC) is located in Pasco, Washington about 1,000 miles northwest of RAP. It is the largest airport in the Southeastern Washington / Northeastern Oregon region and the fourth largest air carrier airport in the state of Washington with connections to eight major hubs. The airport is served by Delta, Alaska Air/Horizon Air, United and Allegiant with flights to Seattle, Portland, San Francisco, Minneapolis/St. Paul, Denver, Salt Lake City, Los Angeles, Las Vegas and Mesa, Arizona. Over the past five years, enplanements from PSC have increased by nearly 100,000, with most airlines adding destinations. There are now about 20 daily commercial flights originating from PSC. Last year was the busiest on record for the airport, with 785,164 travelers and, year-to-date, enplanements are up by about 13 percent over last year. The higher usage is being attributed to a growing population, increased demand from travelers and the addition of new flights and larger planes.

Situated on 2,235 acres, airport-owned property also includes an Airport Business Center, an East Side Industrial Park, and property leased for agricultural purposes. PSC's three asphalt-paved runways are 4,423, 7,703 and 7,711 feet long. Two FBO's serve the commercial and general aviation segments: Bergstrom Aircraft, Inc. and SullinAir Jet Center. According to AirNav.com, 14 jets are based at the airport, representing about 12 percent of the 121 aircraft reportedly based there at the end of 2018. There is no self-service fuel option at this airport. Following is the airport diagram.



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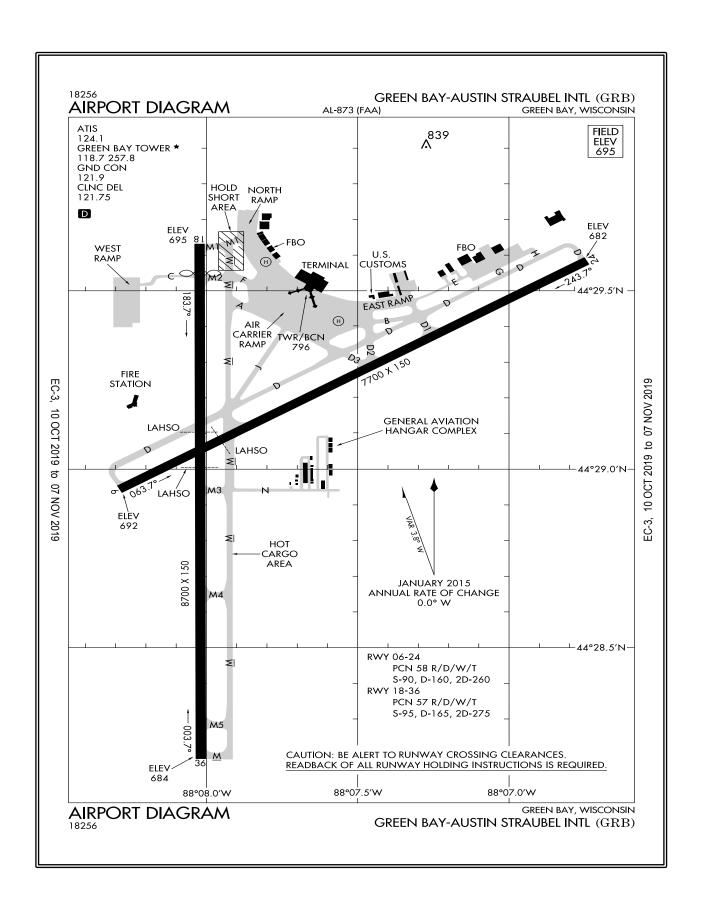
Green Bay - Austin Straubel International Airport (GRB) is located about 800 miles east of RAP in eastern Wisconsin. The Airport is currently served by three major airlines, United, Delta and American. It is also a regional base of operations for the Transportation Security Administration as well as a U.S. Customs Port of Entry with a newly completed International Arrivals Terminal. Like RAP, its enplanements have been increasing at a rapid rate. United reported that their January to July 2018 enplanements increased by 28 percent over the prior year's. That year saw the airport's largest year-over-year passenger increase in 30 years, at 12.2 percent. All three carriers recently announced plans to replace their smaller regional jets with aircraft having a minimum of 70 seats and all three announced plans to add flights.

There are two fixed based operators on the airport: Jet Air Group (Signature) and Executive Air. Both FBOs offer full-service fueling with Jet-A and AvGas. No self-service option exists there. According to AirNav.com, there were 18 jets based at the airport as of December 31, 2017, representing about 14 percent of the reported inventory of 130 based aircraft. There is limited airfreight activity conducted here as well.

Situated on 2,441 acres, the airport has two concrete runways that are 8,700 and 7,700 feet long. A considerable amount of airport land is currently being marketed for non-aviation uses.



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**Grand Junction Regional Airport** (GJT) is located about 600 miles southwest of RAP. It has a similar operating profile to RAP's, except that its enplanements are somewhat lower. GJT hosts Allegiant, American Airlines, Delta, Denver Air, and United. FedEx also uses the airport. GJT also accommodates the Bureau of Land Management, Twin Otter International (an aerial survey, surveillance, and research aircraft provider), and West Star Aviation, an airframe, engine repair, maintenance, modifications, and avionics installation. Multiple flight schools and college collaboration educators are also tenants.

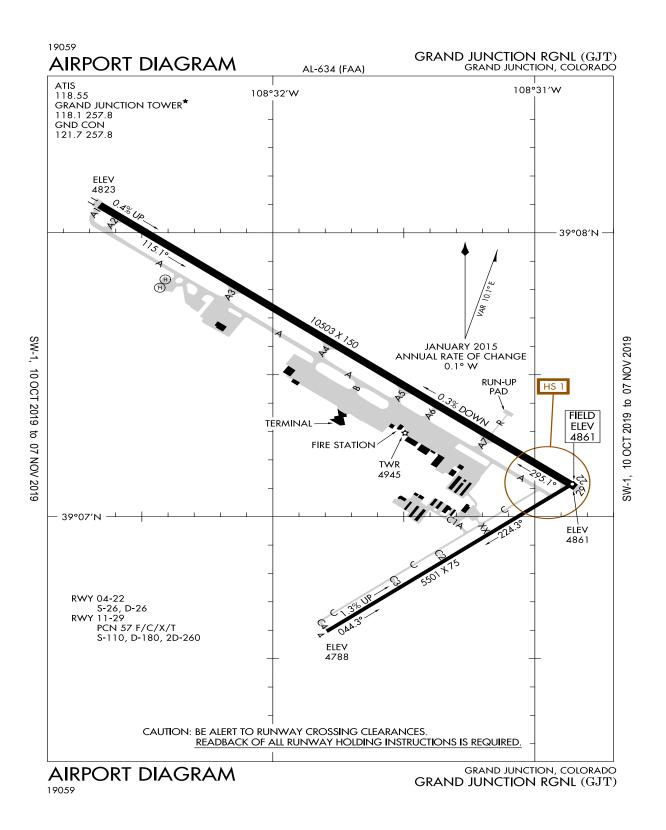
Like RAP, GJT is currently renovating its commercial terminal, with work nearing completion. The airport, originally opened in 1930, is the largest airport in the western Colorado. Like RAP, GJT is a popular option for airline flights forced to divert from their original destinations due to weather or extreme conditions. It also handles about 4.5 million pounds of cargo annually.

Encompassing 2,300 acres, GJT has two runways, 10,503 and 5,501 feet long. There is one FBO - West Star Aviation. West Star employs about 500 people and airport management credits the company with helping to drive general aviation demand at the facility. West Star is currently increasing its footprint by 94,000 square feet.

The airport's primary runway is planned for replacement at a cost of \$130 million over a five to ten-year time horizon. The replacement will have the same geometry and be 600 feet north of the existing runway, meaning construction can run while operations continue. Grants will be relied on for the bulk of the project's financing.



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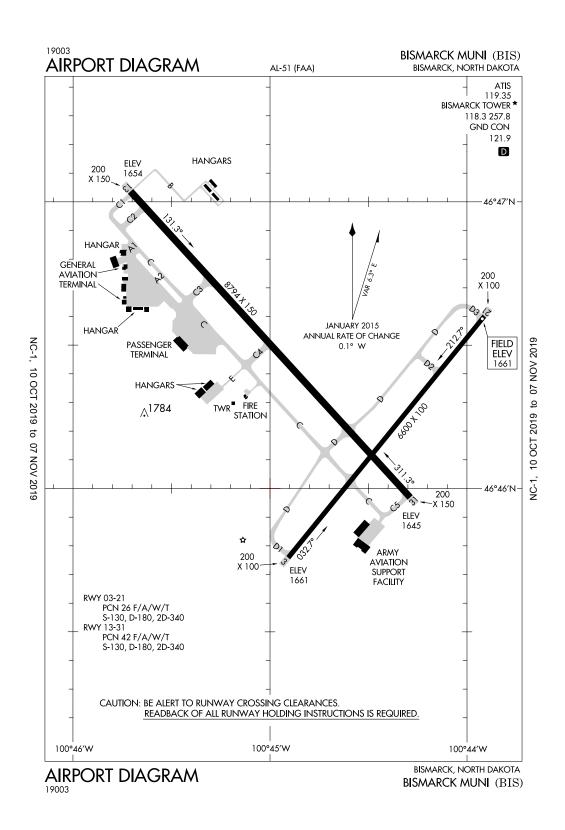
**Bismarck Municipal Airport** (BIS) is located about 300 miles northeast of RAP in south central North Dakota. It is probably the most similar of all of the market data to the subject airport in terms of its location and operational characteristics. On the commercial side, the airport hosts United, Delta, American, Allegiant, and Frontier Airlines.

Situated on 2,425 acres, the airport has two asphalt-paved runways of 8,794 and 6,600 feet in length. The primary runway was essentially replaced during a three-year \$64 million runway upgrade project that was only recently completed. Plans exist to expand the existing concourse by about 63,000 square feet, with a 10,000-square-foot increase to the terminal. Upgrades to baggage handling systems and construction of four more aircraft gates are also planned. The Airbus A320 is the critical aircraft that will be using the airport the most over the next 20 years.

Two FBO's, Bismarck Air Centre and Executive Air, provide services to the commercial and general aviation segments of the market at BIS. The airport's operations in both segments have increased exponentially over the past five years with the state's oil exploration and production boom. Airport traffic has more than doubled over the last 10 years. The boom is also evidenced by the planned construction of a new 96-room, Marriott hotel and 5,000-square-foot restaurant on airport property. Seven jets were among the aircraft based at BIS as of the end of December 2017, representing about eight percent of the total. Fifteen military aircraft were also being accommodated at that time, according to AirNav.com.



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**Bishop International Airport** (FNT) is located in Flint, Michigan, about 1,000 miles east of RAP. While not proximate, FNT is operationally comparable to RAP. Airlines using FNT include Allegiant, Delta, American and United. All airlines report increases in enplanements, with Allegiant making the most impressive recent showing. All airlines have added service over the past few years. A \$17 million terminal expansion project was completed in 2012.

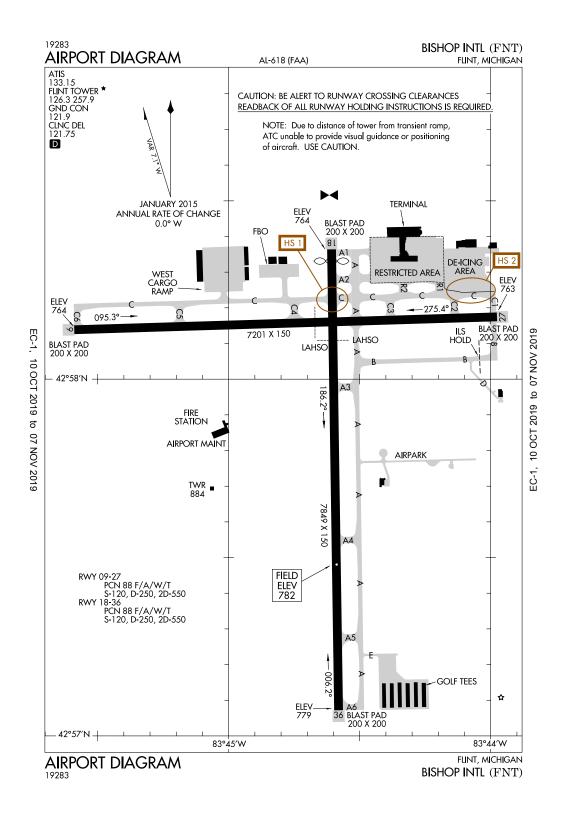
Like most of the airports sampled for this appraisal, this airport is undergoing a runway rehabilitation project. FLT was awarded an \$8 million grant to help rehabilitate more than 7,000 feet of runway, including pavement rehabilitation, runway lighting and signage upgrades. Flights will not be affected by this project because the other runway will remain open.

Unlike most of the other airports in this data set, passenger enplanements at this airport are declining, hitting a low point in 2018 as enplanements dropped below 400,000 for the first time in 16 years. Southwest Airlines ended all service here last year, and Delta Air Lines discontinued flights from Flint to Minneapolis.

The airport is situated on 1,550 acres, similar to RAP. It is served by one FBO – Avflight, which provides full serve Jet-A and full and self-serve Avgas fuel. The airport's two asphalt runways are 7,849 and 7,201 feet long.



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Missoula International Airport (MSO), is about 675 miles northwest **RAP** western Montana. in Scheduled airline and air taxi service, military, U.S. Forest Service, general aviation, cargo operations, recreational flying are the major activities. aviation Commercial service is provided by Alaska, Allegiant, American, Delta, Frontier

thirteen

Nonstop flights are

destinations,

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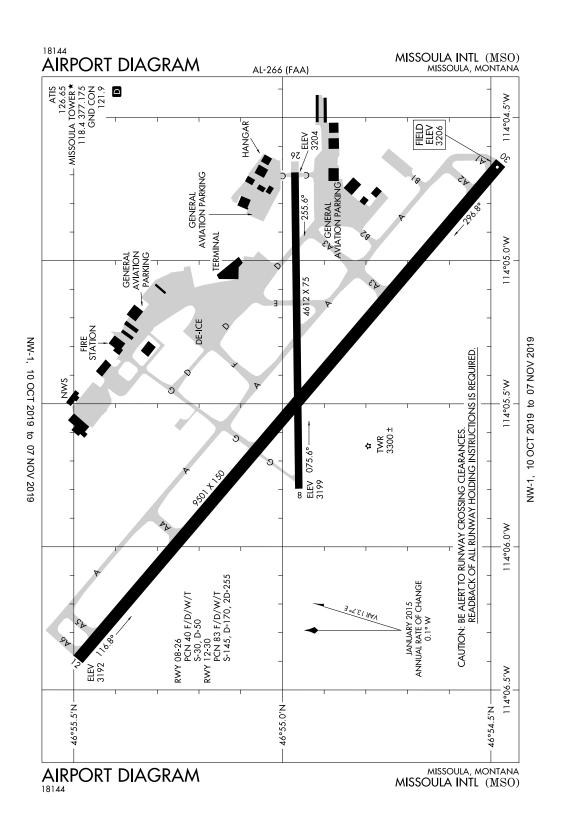
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Construction of a new \$72 million, three-story, 175,000-square-foot passenger terminal is underway. Phase I, construction of the "south concourse" with four gates with jet bridges is estimated to be operational for passengers by late 2021. Phase II, construction of the east concourse, will complete the entire project with eight gates and six jet bridges. The actual completion date is dependent upon federal funding levels. A new baggage handling system is also in design, along with the jet bridges to serve the new concourse. The concourse will include five new gates, which are also in design. There are 29 jets at MSO, representing about 17 percent of the 169 aircraft based here. The 29 jets based at this airport is a distinct business advantage for the two FBOs. Air cargo services also operate out of the airport, including DHL, FedEx and UPS, but these are on a small scale

The immediate area around the airport is growing rapidly, with about 1,500 people added to the city every year. Statistics reflect a record numbers of passengers in 2018 for the fifth year in a row at Missoula International Airport, which saw a one-year growth of nearly 10 percent. Even as an extensive rebuild began, the MSO terminal handled 848,444 people boarding and arriving, in a year that saw the arrival of American Airlines change the landscape of air travel. That compares to 772,625 in 2017. The 9.8 percent increase is believed to be among the largest in recent history for an airport that counted fewer than 400,000 people through its gates 20 years ago. Based on partial year 2019, it appears that enplanements will be at least 15 percent higher than last year, setting another record.

Situated on 2,700 acres, the airport has two asphalt-paved runways. The primary runway is 9,501 feet long and the secondary runway is 4,612 feet long. The airport is served by two full-service FBO's: Minuteman Jet Center and Northstar Jet. It also hosts Neptune Aviation, which provides large air tanker services to the U.S. Forest Service.







**International Airport** (ATW) is 800 miles east of RAP in eastern Commercial Wisconsin. airlines operating at the airport include United, American, Delta Allegiant. ATW is growing quickly. Last year, the airport saw a 25 percent increase in passengers - six times the average of about four national For 20 months straight, percent. passenger numbers have increased. That pattern of strong, continued growth led to it being named the

fourth fastest-growing airport in the country by Bloomberg News. Last year alone, Gulfstream Aerospace Corp. announced plans to build a new service center, Air Wisconsin returned to the airport and is building a 30,000-square-foot maintenance facility along with 7,000 square feet of administrative space at Appleton International, and the commercial terminal was remodeled. The ongoing terminal renovation includes improving ticket counters, baggage claim and gift shop, and adding a restaurant and lounge. The airport also is working on expanding its security checkpoint and improving the parking lot.

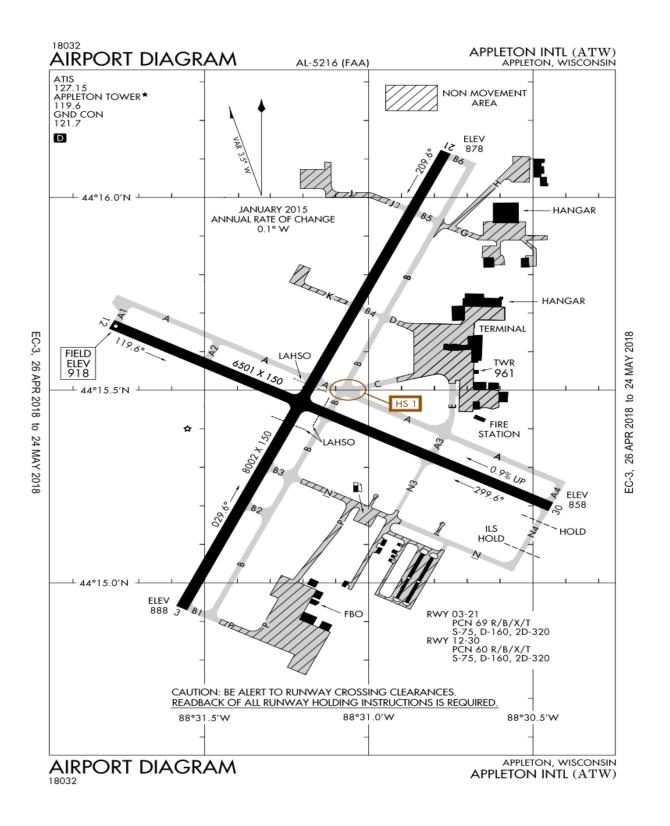
Gulfstream, Air Wisconsin and Fox Valley Technical College are partnering with the airport on the building of a new aircraft fire and rescue training facility to be funded by a \$10 million grant from the U.S. Department of Transportation. Last month, it was reported that the Appleton International Airport will get another federal grant of \$4.7 million to pay for 26,000 square yards of new taxiway. The funding will also be used to more than double the ramp space.

Gulfstream Aerospace has expanded its maintenance, repair and overhaul operations at Appleton International Airport in Wisconsin. Gulfstream opened a \$40 million, 190,000-square-foot aircraft maintenance facility there on Aug. 10, 2019. Its service center includes 101,853 square feet of hangar space plus offices, back shops, support space, sales and design center and increased access to Gulfstream's design portfolio.

Situated on 1,638 acres, the airport has two concrete runways of 8,002 and 6,501 feet in length. One FBO serves the airport - Platinum Flight Center, which offers both self-serve and full-serve

fueling options. FedEx and Freight Runners Express conduct small-scale cargo operations at the airport.







**Quad City International Airport** (MLI) is located about 750 miles southeast of RAP in eastern Iowa. Airlines current serving MLI include: Allegiant, American, Delta and United.

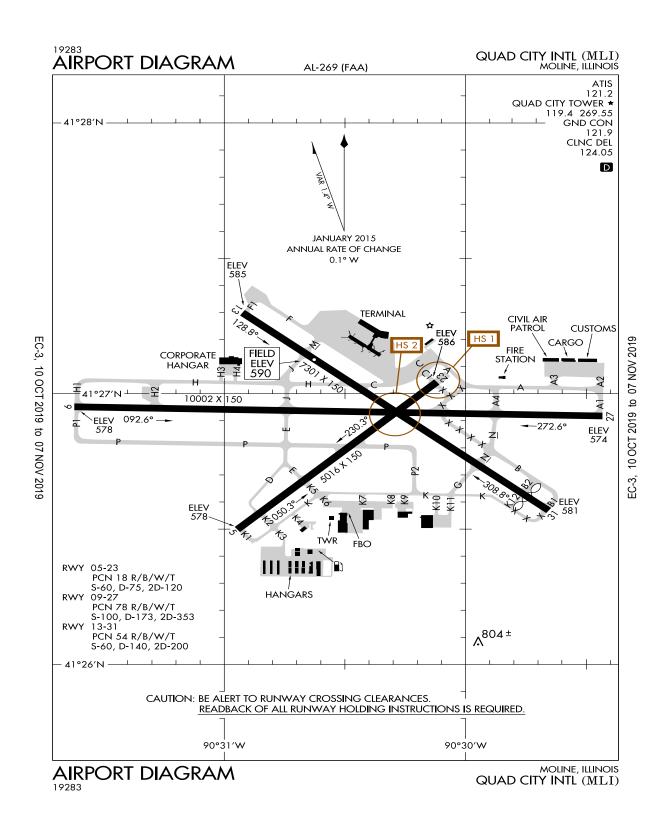
MLI seems to be the exception to the rest of the data set in that it has not benefitted from the grant money that is required to conduct necessary renovations. Partially as a consequence, it has not experienced the rapid growth in enplanements and operations that other airports in this data set have. In 2018, there was some increase in enplanements at MLI, but in 2017 enplanements dropped more than they had in several years.

On the general aviation side, the airport last year did add a lounge and self-fueling system for general aviation pilots. The addition of the self-serve fuel option resulted in a double digit increase in GA operations over the prior year's experience, including a significant number of price-sensitive transient pilots flying in just for the competitively priced fuel.

Situated on 2,021 acres, the airport features three runways. They are 10,002 feet, 7,301 feet, and 5,016 feet long. All are concrete paved. Two FBOs serve the airport: Elliott Aviation and QCIA Airport Services. The latter offers self-serve Avgas and Full Service Jet-A while the former has no self-service option. Eleven of the 85 aircraft reportedly based here as of December 31, 2018 were turbine-driven, representing about 13 percent of the total.



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Aspen-Pitkin County (ASE) is located about 500 miles southwest of RAP in west-central Colorado. Perhaps the most unique airport in this data set, because of topographic considerations, ASE is confined to a very small footprint of 573 acres and is a single-runway Of all the airports in this survey, Aspen's commercial segment is probably the most tourist-centric, catering primarily to skiers staying in one of the town's four hotels in the busy winter months. The airport

handles 49 daily incoming commercial flights during winter's peak and 20 in the summer peak. The permanent population density is very low in this area.

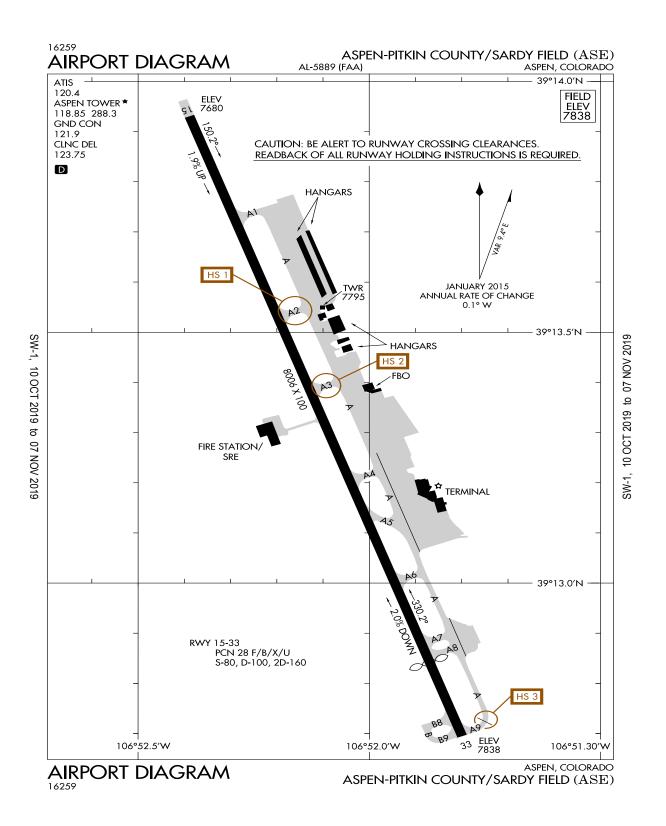
The commercial terminal is older and is proving too small to accommodate the growing passenger load. It is also in need of refurbishment. Aspen's airport has a more challenging political environment to negotiate than most airports do, with residents and property owners wary of any proposals that could change the visual landscape. Nevertheless, the Pitkin County Board of Commissioners recently approved a proposal that includes relocating the airport's 8,000-foot single runway 80 feet to the west, widening it to 150 feet from 100 feet, and raising its weight-bearing capacity to 150,000 pounds from 100,000 pounds. The \$90 million project includes construction of an 80,000-sq-ft commercial terminal to replace the existing 40-year-old 17,500-sq-ft structure. An environmental assessment will now be conducted, which will presumably address the impacts of larger aircraft such as the Boeing 737 and the Airbus A320 operating at ASE after the runway improvement. The project could be completed by 2025.

American, Delta and United airlines serve the airport. Passenger enplanements rose 17.6 percent from 2017 to 2018. For the first six months of 2019, enplanements were 6.3 percent higher than in the January-to-June period of 2018. ASE's growth in enplanements mirrors the experiences of the vast majority of airports in this data set.

Topography dictates that the runway has only one approach end. The asphalt-surfaced runway is 8,006 feet long. One FBO (Atlantic) serves the airport, offering self-service Avgas as well as full-service for both Avgas and Jet-A fuel. The aforementioned proposal, and its stated priorities

of runway improvement and the construction of a new terminal, puts a hold on proposed development of the west side of the airport, including the establishment of a second FBO, a discussion that has churned for the past several years, as it would involve the rerouting of a local road. Of the 95 aircraft reportedly based at ASE as of January 1, 2017, 13 of them or about 14 percent of the total, were jets.





# COMPARABLE CONFIRMED GROUND LEASE TRANSACTIONS - SASO AND FBO USE TYPES

Location/ Contact	Parcel Size (SF)	Date	Base Rent \$/SF/Year	Term	Adjustments	Investment Criteria	$\mathbf{U}_{\mathbf{Se}}$	Based Aircraft / Annual Op's.	Comments
Casper Cindy Breipohl (307) 472-6688	Varied	2019	\$0.11	30 years	CPI every five years	Reflects current improved status of parcels; five-year-old commercial leases	FBO & SASO	131 34,675	Improved land beneath existing structures; Rent based on parcel size; lessees maintain taxiways mside parcel boundaries
Cheyenne Reg. Nathan Banton (307) 426-4150	Varies	Asking	\$0.36	25 years	Annual CPI	TBD	SASO	92 45,260	Improved land. Rent based on building footprint.
Sheridan County John Stopka (307) 674-4222	Varies	Asking	\$0.20	30 years	CPI	Project specific	Storage	97 28,470	Rent based on parcel square footage; lessees responsible for tie-ins to taxiway and ramp. Last ground lease deals done in 2009 for corporate hangars. Rents are the same for all use types at this airport.
Bismarck Tim Thorsen 701-355-1800	Varies	Oct., 2019	\$0.24 to \$0.39	30 years	Annual CPI	Project specific	SASO & FBO	103 45,249	Lower rates apply to those service providers that have built out and maintain their own ramp space. Higher rent reflects tenant's free use of federally funded ramp. Difference in rates was calculated by amortizing ramp cost over lease term and adding present value of future maintenance costs. Rents based on area of building envelope.
Green Bay Austin Straubel Sue Bertrand (920) 498-4800	Varies	2016	\$0.167 plus percentage rent	25 years	Mark to market every 5 years	Hangar construction	FBO	110 47,194	Rent based on building envelope; rent reflects bare ground with electricity stubbed to pad; water and sewer are extra charge; tenants build aprons; airport maintains taxiways.
Tri-Cities Lease document	3.60 ac.	March, 2018	\$0.18	25 years	CPI every 5 yrs. Either party can request a "mark to market" in lieu of CPI adjustment.	Air freight	SASO	123 47,963	Rent based on parcel square footage. Most recent addendum in 2018 added improved ramp space to the leasehold.
Missoula Lynn Fagan (406) 532-8640	51,000	Feb., 2019	\$0.16	20 years	Annual Review by Airport Board	Expansion of FBO	FBO	161 34.951	Rent based on parcel size; determined by Airport Engineering staff with input from ground lessee – generally approximates
(100) 501 0010	88,000	June, 2019	\$0.16	22 years		Expansion of FBO		34,901	building envelope
Appleton Int'l. Lease document	608,744	Nov., 2013	\$0.24	Yr. – to –Yr. through 12/15/2023	CPI every three years	Existing facility with ground rent portion broken out separately	SASO (MRO)	71 33,597	Ground rent component broken out separately by parcel size.
Northern Colorado Reg'l.	564,096	Dec., 2018	\$0.15	50 years	\$0.05/SF vrs.1&2 \$0.15 yrs.3-10 \$0.25 yr. 11 then annual CPI	New FBO complex 288,800 SF of hangars, offices, and FBO terminal; 433,000 sf of new ramp; 270,000 sf of parking lot	FBO	240 94,896	Rent based on parcel size; scope of project is far-reaching. Considerable investment in utility extensions required. This will be airport's second FBO. Limited commercial air traffic at this airport.

	С	OMPAR	ABLE ANE	CDOTAL	GROUND I	COMPARABLE ANECDOTAL GROUND LEASE RATES* - SASO AND FBO USE TYPES	ASO AND FBO	) USE TY	YPES
Location/ Contact	Parcel Size (SF)	Date	Base Rent \$/SF/Year	Term	Adjustments	Investment Criteria	$\mathbf{U}_{\mathbf{Se}}$	Based Aircraft Annual Op's.	Comments
Watertown Reg'l. Public Record	10,400	Sept., 2019	\$0.16	25 years + (1) 10-year	Annual 2%	Build 10,400 SF hangar + taxi lane construction within six months	Aircraft repair, maintenance and	37 19 410	Lessee must maintain taxiway
Pierre Public Record	16,800	Jan.; 2018	\$0.15	25 years	Periodic	10,000 SF hangar and 3,000 SF of offices and	Air ambulance service	63 34 675	Rent per square foot reflects gross parcel size
Yellowstone Regional			\$0.21				FBO & SASO	84	Rents are based on building footprint
a contraction of the contraction								$29,\!200$	
Durango-La Plata County			\$0.32		Every two years based on CPI		FBO & SASO	64 36 500	Rents are based on parcel size; this airport has about 30% commercial
Grand Iunction	3.29 ac.	Current	\$0.1817			Air freight	Commercial	114	FedEx lease.
Public record								46,317	
St. George			\$0.30		Annual CPI		FBO & SASO	195	Non-towered airport with about 20%
Negional								47,085	parcel area
Pullman/Moscow Regional			\$0.19				Commercial	71	Non-towered airport with about 15% air taxi operations
								29,200	

<sup>\*</sup> Sources: Public record and State of Wyoming Dept. of Transportation 2018 Airport Survey

# COMPARABLE CONFIRMED GROUND LEASE TRANSACTIONS – STORAGE USE TYPE

					TOTAL CITY			CIGIO	
	Parcel		Base Rent					Based Aircraft	
Location/ Contact	Size (SF)	Date	\$/SF/Yr	$\mathbf{Term}$	Adjustments	Investment Criteria	$\mathbf{U}_{\mathbf{Se}}$	Annual Op's.	Comments
Black Hills Spearfish Michelle	2,400 1,470	May, 2017 Oct., 2019	\$0.12 \$0.12	20 years + (2) 10-year renewal	Up to \$.01/SF/Yr.	Hangar must be built within six months	Single box hangar for private, non-commercial use. If hangar is used commercially	71 13 <b>,</b> 870	No commercial service at this airport; longest runway is 6,401 feet. No ILS. Only 10 private hangars at the airport on ground leases. Rent based on hangar
City Finance (605) 642-1325				options			or sublet, ground rent increases to \$0.15/SF/Yr.		footprint only. Lessees have benefit of pre-existing aprons in front of hangars.
Mandan Muni. Jim Lawler (701) 391-1394	3,600	2017	\$0.15	20 + 10-yr. option	CPI	Hangar Construction	Storage hangar	88 25,550	Electricity to parcel
Sturgis Municipal Dave Smith (605) 347-4422 ext. 227	8,000	Oct., 2019	\$0.12	30 years	Mark to market every 5 years	Construction of hangar	Storage hangar	50 11,680	Taxi lane apron to be maintained by lessee. Rent based on footprint
Cheyenne Reg. Nathan Banton (307) 426-4150	37,000	2018	\$0.37	25 years	Annual CPI	Improved land under pre-existing T-hangars and box hangar	Storage	92 45,260	Improved land. Rent based on building footprint.
Casper Int'l. Cindy Breipohl (307) 472-6688	Varied	2019	\$0.299	30 years	Annual CPI	Improved land under pre-existing hangars or available for immediate development	Storage	131 34,675	Rent reflects improved parcel with electricity stubbed to the lot line.
Joe Foss Field Sioux Falls Dan Letellier (605) 336-0762	14,778	2018	\$0.30	7 years	Annual CPI	None - Improved land under pre- existing hangar	Storage	95 71,764	Rent reflects improved parcel with utilities in. Respondee said that the same rate is being charged for unimproved land. No new development has occurred at the \$0.30 rate in the two years since airport's ground rent was increased. Rent based on hangar footprint.
Bismarck Muni Tim Thorson (701) 355-1808	Varied	Oct., 2019	\$0.24 to \$0.39	30 years	Annual CPI	Construction of four- bay T-hangar	Storage	103 45,249	Tenant will pay ramp maintenance charges and will build connecting taxi lane to ramp. Lease rate calculated to reflect an equivalent \$0.39/SF/Yr. rate if no improvements or ramp maintenance fees were required. Rent is based on square feet of building envelope.
Sheridan County John Stopka (307) 674-4222	Varies	Asking	\$0.20	30 years	CPI	Project specific	Storage	97 28,470	Rent based on parcel square footage; lessees responsible for tie-ins to taxtway and ramp. Last ground lease deals done in 2009 for corporate hangars. Rents are the same for all use types at this airport.
Green Bay Austin Straubel Sue Bertrand (920) 498-4800	Varies	Most recent was 3 yrs. ago	\$0.2782	20 years	Mark to market every 5 years	Hangar construction	Storage	110 47,194	Rent based on building envelope; rent reflects bare ground with electricity stubbed to pad; water and sewer are extra charge
Missoula Lynn Fagan (406) 532-8640	30,000 44,000	Sept., 2018 Aug., 2019	\$0.16 \$0.16	30 years 32 years	Annual Review by Airport Board	Condo hangar construction Condo hangar construction	Storage	161 34,951	Rent based on parcel size; determined by Airport Engineering staff with input from ground lessee – generally approximates building envelope

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Location/ Contact	Parcel Size	Date	Base Rent/SF/Yr.	Term	Adjustments	Investment Criteria	Use	Based Aircraft Annual Op's.	Comments
Tri-Cities Various Lease Documents	18,129	April, 2018	\$0.18	30 years (1) 10-yr. option	CPI every 5 yrs.	Hangar construction	Personal storage and business	123 47,963	Rent based on building square footage.
	25,600	Oct., 2016	\$0.183	20 years (1) 10-yr.	CPI every 3 yrs.	Hangar construction	Storage hangar		
	37,561	Dec., 2018	\$0.18	15 years (2) 5-yr. options	CPI every 5 years	Hangar construction	Storage and maintenance of experimental aircraft		
Appleton Int'l. Lease document	10,040	May, 2019	\$0.122*	30 years (2) 5-yr. options	Annual CPI	Hangar construction	Storage	71	*Rent based on parcel size that includes TOFA. Annual rent based on proposed
	28,118	Aug., 2018	\$0.12157	30 years (2) 5-yr. options	3% increases every 3 years	Four-unit condo hangar construction	Storage		square foot.

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Location/ Contact	Parcel Size (SF)	Date	Base Rent \$/SF/Yr.	Term	Adjustments	Investment Criteria	Use	Aircraft Annual Op's.	Comments
Watertown Muni. Public record	3,600	Jan., 2019	\$0.15	25 years + 10- year option	Fixed annual 2%	Construction of hangar and taxi lane apron	Storage hangar, but can also be used for maintenance and repair of tenant's own plane	37 12,410	Taxi lane apron to be maintained by lessee. Rent based on footprint.
	4,500	Aug., 2019	\$0.16	25 years	Fixed annual 2%	Construction of hangar and taxi lane apron	Storage hangar, but can also be used for maintenance and repair of tenant's own plane		Taxi lane apron to be maintained by lessee. Rent based on footprint
	3,600	Aug., 2019	\$0.16	25 years	Fixed annual 2%	Construction of hangar and taxi lane apron	Storage hangar, but can also be used for maintenance and repair of tenant's own plane		Taxi lane apron to be maintained by lessee. Rent based on footprint
	5,400	July, 2019	\$0.16	25 years	Fixed annual 2%	Construction of hangar and taxi lane apron	Storage hangar, but can also be used for maintenance and repair of tenant's own plane		Taxi lane apron to be maintained by lessee. Rent based on footprint
Gillette- Campbell County Public record			\$0.17		Up to \$0.01 per SF/Year	Hangar Construction	Storage	65 12,410	

### METHODOLOGY - HYPOTHETICAL FEE SIMPLE MARKET VALUE ESTIMATES

The methodology used to estimate the subject properties' respective hypothetical fee simple market values was the Income Capitalization Approach. In this application, the concluded market ground rents for each representative subject parcel were capitalized using an overall rate taken from published sources. This part of the appraisal was necessarily **limited in scope**. Since portions of an operational airport's land cannot be transferred in the open market, there was no available market data that could have been used to support the valuation of the subject properties' fee simple interests.

In selecting an appropriate overall capitalization rate to apply to the appraiser's estimated market ground rents, published sources were consulted. The excerpts reproduced below (emphasis added) appeared in an article dated October 2, 2019, the day prior to the date of value, and were written by Randy Blankstein of The Boulder Group and published in "Commercial Property Executive". His comments refer to the national market.

"Cap rates for the single tenant net lease sector decreased across all three major sectors (retail, office and industrial) in the third quarter of 2019. The retail and office sectors compressed by 2 and 7 basis points to 6.21 percent and 7.00 percent, respectively. Cap rates for single-tenant industrial properties reached an all-time low of 6.95 percent resulting from limited supply and the continued growth of e-commerce. The decrease in cap rates is most likely related to the Federal Reserve's monetary policy objectives....".

Another article, appearing September 18, 2019 in National Real Estate Investor magazine, emphasized the point that required investor returns are generally about 150 basis points higher in the Midwest than they are in California, for example. Following are excerpts from that article:

" ... the cap rate on a stabilized industrial property ... located in Indianapolis ranges between 5.25 percent and 5.50 percent. In Kansas City, the cap rate would be between 6.00 and 6.25 percent."

Another source of capitalization rate information was CBRE's Second Quarter 2019 U.S. Net Lease Report, part of which is reproduced on the following page. It summarizes overall capitalization rates for net leased, Tier III (location-related), Class B (age and building quality) industrial properties. As ground leased land, the subject properties would be regarded as lower risk investments than the "Class B" industrial buildings reflected in the table. Recognition of that fact would translate into a relatively lower targeted overall capitalization rate for a potential investor in an airport ground lease.

MID-2019 NATION	AL OVERALL C	APITALIZATION RAT	E RANGES FOR
NET LEASE	D, TIER III, CLA	SS B INDUSTRIAL BU	ILDINGS
Albuquerque	8.50 - 9.00	Pittsburgh	6.50 - 7.00
Charlotte	5.75 - 6.25	Raleigh-Durham	6.25 - 6.75
Cincinnati	6.00 - 6.25	Reno	5.50 - 6.00
Cleveland	7.00 - 7.25	Richmond	6.75 - 8.25
Detroit	7.25 - 7.50	Sacramento	5.75 - 6.50
El Paso	7.75 - 8.75	Salt Lake City	5.75 - 6.25
Honolulu	5.00 - 6.25	San Antonio	6.00 - 7.00
Jacksonville	6.00 - 6.75	St. Louis	7.00 - 7.50
Kansas City	7.00 - 7.50	Tampa	6.00 - 6.75
Nashville	5.75 - 6.25	Tulsa	8.00 - 8.25
Oklahoma City	7.50 - 7.75		·
Source: CBRE			

Several other sources were consulted in support of the overall capitalization rate selection. These included active listings of single-tenant industrial properties from Loopnet.com, investment sales of single-tenant net leased industrial properties throughout the Midwest, and broker opinion. Generally, as an income-producing investment, an industrial ground lease would sell at a slightly lower overall rate than a similarly located, similar tenant credit, improved industrial property.

Based on my research into overall rates applied by investors in the market for industrial properties in the Midwest, a 6.5 percent overall rate is appropriate to use in capitalizing the subject properties' market ground rents for the purpose of estimating hypothetical fee simple values. That rate will be applied to all three individual subject property use types' estimated market ground rents in **Part II** of the report, which follows directly.

### **PART II**

# **Individual Parcel Reports**

# **Subject Property:**

General Aviation Storage Hangar Pad 4076 Hansen Hangar Lane Rapid City Regional Airport

# Date of Value:

October 3, 2019

# Appraised by:

Alan M. Wilson & Associates 12315 Oak Knoll Road, Suite 220 Poway, CA 92064 (858) 248-6180 awmai@protonmail.com

### APPRAISER'S CERTIFICATION

I certify that, to the best of my knowledge and belief:

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions
  and limiting conditions and are my personal, impartial, and unbiased professional analyses,
  opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- my engagement in this assignment was not contingent upon developing or reporting predetermined results.
- my compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the 2018-2019 edition of the *Uniform Standards of Professional Appraisal Practice* and with the applicable portions of *FAA Advisory Circular* 150/5100-17.
- I have made a personal inspection of the property that is the subject of this report.
- no one provided significant real property appraisal assistance to the person signing this certification.
- as of the date of this report, Alan M. Wilson, MAI had successfully completed the requirements for certification as a general real estate appraiser in the State of California, and received a Temporary Practice Permit from the State of South Dakota to conduct this appraisal.
- as of the date of this report, Alan M. Wilson, MAI had completed the requirements of the continuing education program of the Appraisal Institute.

• A the appraiser has made a physical inspection of the property appraised

Alan M. Wilson, MAI California AG006308

South Dakota Temp. Practice Permit No. 1819-T-2019



# SUBJECT PROPERTY DESCRIPTION – GA STORAGE USE

Location: 4076 Hansen Hangar Lane, Suite B

Rapid City Regional Airport

Legal Description: A portion of Southwest 1/4 of Section 17, Township 1 North, Range 9

East, B.H.M., Pennington County, South Dakota

Dimensions: Essentially 60 feet wide by 95 feet deep (Please refer to the plat on the

following page for exact dimensions.)

Size: 5,715 gross square feet; 4,137 square feet net of TOFA

Shape: Rectangular (See plat.)

Topography: Generally level at grade of Cook Hangar and Hansen Hangar Lanes

Visibility/

Exposure: Situated in the northern part of the airport within the area devoted to

general aviation activity, this particular parcel is within a private box hangar row far removed from the major airport infrastructure. (See photo above.) There is no beneficial exposure from surface streets or

from the runway/taxiway.

Runway Access: The primary Taxiway A, parallel to Runway 14/32, is about 1,050 feet

east of the subject parcel and is most easily accessed via the short Taxiway G1 east of the GA ramp. All things equal, pilots generally prefer to store their aircraft near a runway's departure end so that they can limit taxi time on their return legs. The subject's runway access is rated fair,

relative to other GA parcels.

Taxilane Access: The subject parcel's taxi lane is "Hansen Hangar Lane", immediately

west of the parcel. Its narrow width limits it to use by aircraft in Design

Group I.

Vehicular Access: Automobile access is via Airport Road to a security gate located at

Hangar Road, about 375 feet north of LaCroix Court. There is no formal community parking area for GA tenants in this part of the airport and there is no parking allowed along Airport Road. Accordingly, the security-gated entrance to Hangar Road facilitates vehicular traffic, but

does not have a separate access gate for pedestrians.

Drainage: It has been assumed that drainage issues do not affect the subject parcel.

Soil and

Subsoil: No adverse geotechnical issues are known to exist anywhere at the

airport.

Street Improvements: Airport Road is a striped, two-lane, asphalt-paved, public street ending in

the northernmost developed part of the airport at Dale Aviation's parking lot. It is lightly used in this part of the airport. Hangar Road is concrete-paved and, while it facilitates automobile access to the subject's hangar row, also serves as a taxi lane. Hangar Road is in fair to average

condition.

Utilities: For this particular parcel, public utilities are not available. Electricity is

nearby and is frequently stubbed to free-standing box hangar parcels, but natural gas, telephone, water and sewer are less often provided or

required.

Easements and

Encroachments: The subject parcel's western 26.3 feet lies within a Taxiway/taxilane

Object Free Area. The existence of the TOFA means that the subject parcel's net area available for constructing a building is diminished by the extent of the TOFA, which is 1,578 square feet (60' x 26.3'), resulting in a

net site area of 4,137 square feet.

Other

Encumbrances: None known

Flood Hazard Area: The subject property is located within "Zone X" according to the Federal

Emergency Management Agency's Flood Insurance Rate Map, Panel Nos. 46103C0812H and 46103C0820H, last revised June 3, 2013. Zone

X is an area subject to minimal flooding.

Earthquake

Zone: The property is not located within an Alquist Priolo Earthquake Fault

Zone.

On-site

Improvements: On the date of value, the site was concrete-paved and improved with a

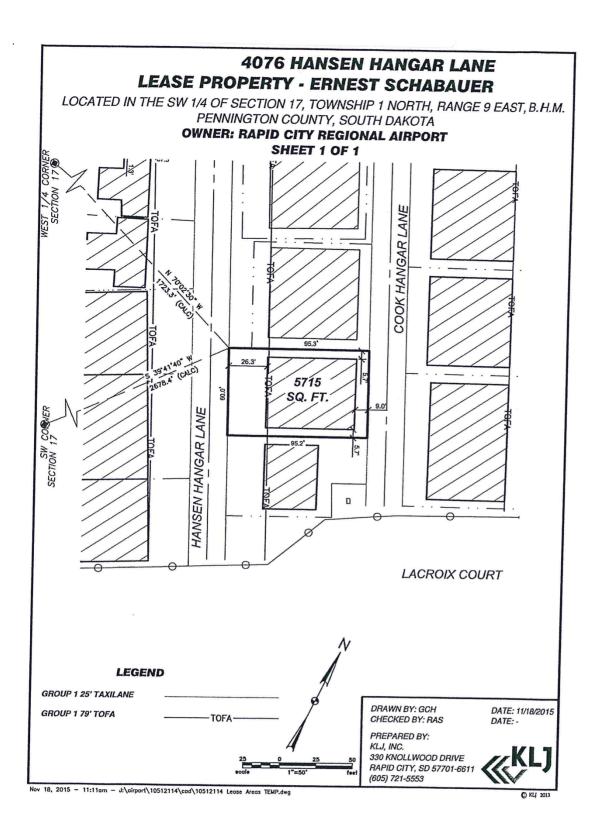
box hangar owned by the ground lessee. Generally, the condition of the paving is fair to poor. Pavement condition and maintenance, along with proper drainage, are top priorities for airport leaseholders and subtenants,

primarily because of aircraft safety issues.

Site Utility: From an aircraft operations standpoint, the site would be rated slightly

below average within the scope of the airport at large because of its lack of proximity to the major airport infrastructure. Its size and dimensions are

functional for a single hangar.



### TAX AND ASSESSMENT INFORMATION

The most recent 2018-2019 assessed values and taxes for the subject property are shown below:

Parcel No.	Land	Improvements	Total	Taxes
39 17 300 929	\$0	\$55,400	\$55,400	\$1,009.72

In South Dakota, properties are assessed annually at market value for property tax purposes through the appraisal process.

### OWNERSHIP AND MARKETING HISTORY – THREE-YEAR SALE HISTORY

The underlying fee interest in the land belongs to the City of Rapid City. Dr. Ernest Schabauer has been ground leasing the parcel for many years along with a partner for the purpose of accommodating a box hangar.

There have been no transfers of the leasehold or fee interest in the subject improvements for at least the past three years.

### EXISTING GROUND LEASE SUMMARY

Lessee: Dr. Ernest Schabauer and Dr. Lee Trotter

Effective Date of Lease: December 22, 2015 Commencement Date: January 1, 2016

Premises: 5,715 square feet of contiguous land identified in the Lease and

known as 4076 Hansen Hangar Lane, Suite B

Improvements: Lessee-owned hangar and payement within parcel boundaries are

not part of the leased premises.

Term: Five years, with one five-year option to renew

Disposition of

Improvements: Lessee must remove improvements at the end of the lease

First Year's Base Rent: \$737.81, or \$0.1291 per gross square foot of land Increases to Base Rent: Annual CPI and reset to market after five years

Sublease: Not permitted

Expenses: Lessee responsible for taxes, insurance, maintenance and utilities

Allowable Uses: Non-commercial, aviation-related

# SUBJECT PROPERTY PHOTOGRAPHS

Viewing south along Hansen Hangar Lane; subject lot is improved with white hangar in the distance on the left hand side of the taxi lane.



Viewing north along Cook Hangar Lane, with subject lot in left foreground.

Viewing north along Hansen Hangar Lane, with subject lot in right foreground. Virtually all of the apron area immediately outside the hangar is within the Taxi Lane Object Free Area.



Viewing north along Cook Hangar Lane, with subject lot in left foreground.



### HIGHEST AND BEST USE

### As if Vacant

Legally Permissible

This highest and best use analysis concerns a small aviation-use-restricted parcel "inside the fence" that is surrounded by individual box hangars on similarly sized lease parcels.

Several sources were consulted to determine what use(s) on the date of value could have potentially been legally permissible, including the FAA-approved ALP and the Airport Master Plan. The subject property is zoned "Airport District". That zoning ordinance references a number of ancillary uses, other than aviation use, that could potentially be legal uses. Those are varied and many, and can be reviewed in the Addenda. They could all be potentially allowable, but the majority of them must be somehow related to aviation, and many would require another level of discretionary permit processing.

The most specific source to identify potential legal uses for airport land is the Airport Master Plan. The Master Plan is a study used to determine the long-term maintenance and development requirements for an airport. The Federal Aviation Administration (FAA) recommends that airport owners, or sponsors, update airport master plans every 10 years. An effort is currently underway to update the 2014 plan next year but the subject property's preferred use is not expected to change from the way it is currently developed.

Allowable uses are also stated in the ground lease (See Ground Lease Summary), falling within the parameters of the previously noted restrictions and legal uses.

A portion of the lot is overlain by a TOFA, effectively reducing its buildable area. According to the FAA's Draft AC 150/5300-13A, an "Object Free Area" is:

"an area centered on the ground on a runway, taxiway, or taxilane centerline provided to enhance the safety of aircraft operations by remaining clear of objects, except for objects that need to be located in the OFA for air navigation or aircraft ground maneuvering purposes."

An "Object", as defined in the same document,

"includes, but is not limited to, above ground structures, NAVAIDs, people, equipment, vehicles, natural growth, terrain, and parked or taxiing aircraft."

It is not legally permissible to construct any portion of a building within the TOFA, so that the effective net usable area of the subject property is reduced to the extent of that restriction.

Based on the foregoing, the legal use of the subject parcel as if vacant is for development with aviation-related improvements to the extent allowed, given the site's constraints.

### Physically Possible

The subject parcel is rectangular with gross dimensions of 60 feet wide by 95 feet deep. The parcel's relatively small size and rectangular dimensions make it particularly well-suited to accommodate a single aircraft hangar.

### Financial Feasibility

It has already been determined that the only legal use of the subject parcel on the date of value was to accommodate general aviation uses. Of course, in order for new construction to be financially feasible, a new ground lease of at least 25 years (and preferably longer) would be required in order to give the lessee time to amortize the investment in new improvements. There is demonstrated demand for hangars at the airport and vacancy rates are reportedly low. However, current rental rates and construction costs do not justify immediate construction on a speculative basis. There has only been one new hangar built on the airport in at least the past ten years. That hangar was built by an owner-user. Of course, owner-user construction, or a build-to-suit situation, would have been financially feasible on the date of value.

### Maximum Profitability and Conclusion of Highest and Best Use As Vacant

As if vacant, the most rational economic use for the parcel is for a single hangar to be built. There has been obvious demonstrated historic demand for this parcel from the private sector for that use. Joinder with adjacent parcel would not result in a higher value for the underlying land. It is my opinion that the subject parcel's highest and best use as if vacant is to hold for future construction of a single box hangar, unless an owner-user is motivated to build a hangar immediately for his/her own use.

### As Improved

Since this appraisal is being done to estimate market ground rent "as if vacant", the analysis of Highest and Best Use "As Improved" is irrelevant to the task at hand; however, the parcel is already improved with a single box hangar that represents not only its highest and best use as vacant, but its highest and best use as improved as well.

### MARKET GROUND RENT ESTIMATE - STORAGE

### Discussion of Comparable Market Data

The comparable market data used in the estimate of market rent for general aviation storage uses were presented earlier in the report. For this use, airports bearing operational characteristics similar in nature to RAP's were identified and surveyed for the purposes of gaining information on any ground leasing that may have taken place. Current asking rents for immediately available Storage parcels were also regarded as important to the Valuation.

For the Storage use, the primary data set consisting of nine comparable commercial service airports with operational similarities to RAP was augmented by lease data from a number of smaller GA airports that are more proximate to RAP. This is appropriate because GA Storage sub-tenants flying small planes primarily for recreational purposes are highly location conscious, and prefer to store their aircraft close to home. It was therefore important to also look at these smaller facilities for market data indications because they are in direct competition with RAP for that particular type of tenant.

### Consideration for Changing Market Conditions

It was shown earlier in the description of RAP's Summary of Current Rates and Charges that ground rents charged for GA storage hangars have been indexed upward by about three and one-half percent over the past three years, while general inflation during the same time has run over six percent. For the data taken from the subject airport then, some upward consideration was required simply on the basis of inflation alone.

### Conclusion of Market Ground Rent for "Improved" Storage Parcel at RAP

Following is a table showing the market data items' most recent ground leases arrayed by rent per square foot per month from high to low, and a concluded rating vis a vis the subject airport, i.e., superior, inferior, or equivalent. The subject property's market rent can be bracketed through identification of superior and inferior properties. This analysis contemplates the hypothetical subject parcel as an "improved" parcel, which for appraisal purposes means that the parcel is essentially ready to build and has electricity stubbed to the lot perimeter.

DATA	COI	NTINUUM	- STORAGE	GROUND	LEASES
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Airport	Base Rent Per SF/Yr.	Rating	Adjustment	Indications of Market Ground Rent for Storage Use
Bismarck Muni	\$0.39	Superior	Downward	Less than \$0.39
Cheyenne Reg.	\$0.37	Superior	Downward	Less than \$0.37
Appleton Int'l.	\$0.34	Superior	Downward	Less than \$0.34
Sioux Falls	\$0.30	Similar	None	About \$0.30
Casper Int'l.	\$0.299	Similar	None	About \$0.30
Green Bay	\$0.2782	Similar	None	About \$0.28
Sheridan	\$0.20	Inferior	Upward	More than \$0.20
Tri-Cities	\$0.18	Similar	None	About \$0.18
Gillette	\$0.17	Inferior	Upward	More than \$0.17
Missoula	\$0.16	Inferior	Upward	More than \$0.16
Watertown	\$0.16	Inferior	Upward	More than \$0.16
Mandan Muni.	\$0.15	Inferior	Upward	More than \$0.15
Sturgis Muni.	\$0.12	Inferior	Upward	More than \$0.12

### Rationale for Ratings

The table above includes a column showing the appraiser's opinion of the relative desirability of the comparable airports to RAP. Three airports, Bismarck, Cheyenne and Appleton, were rated "superior" to RAP. Bismarck is benefitting from a special circumstance related to North Dakota's oilfield exploration and extraction industry that has allowed it to achieve high rental rates relative to the competition. Cheyenne has a constrained supply of land suitable for GA storage, which is reflected in its ground lease rates - the airport is on slightly more than 1,000 acres, about two-thirds the size of RAP. Otherwise, its operational characteristics are quite similar to the subject airport. Appleton is another case of a constrained land situation, containing only about 1,600 acres. This airport is also somewhat specialized, as it is dominated by Gulfstream's presence.

It is concluded that RAP should not be expected to be able to generate Storage ground rents as high as Bismarck's, Cheyenne's and Appleton's, which range from \$0.34 to \$0.39 per square foot, per year.

Four airports, Sioux Falls, Casper, Green Bay and Tri-Cities, were rated equivalent to RAP in terms of supply/demand and operational characteristics, for which no adjustments were necessary. Three of those airports' ground rents for Storage uses ranged from \$0.28 to \$0.30 per square foot. At \$0.18 per square foot, Tri-Cities' ground rents are outside the range of the other similar airports on the low side, so its indication is discounted in the final analysis. The other three airports, then, suggest that a market ground rental range between \$0.28 and \$0.30, with two of those indications at \$0.30 and one at \$0.28 per square foot, per year, for RAP's Storage use is appropriate.

Six airports in the data set were rated inferior to RAP. Generally, those airports have lower activity levels, are in less densely populated areas, and have fewer services available than the subject airport. Those airports' base ground rents for Storage use ranged from \$0.12 to \$0.20 per square foot, per year, suggesting that RAP should be able to generate rents in excess of \$0.20.

The comparable airports' comparable ground lease market data developed for this appraisal were exclusively based on a rent per square foot of building footprint or building envelope, i.e., they were exclusive of any apron that might tie the hangar into the adjacent taxi lane. Therefore, that is the unit of comparison reflected in the Valuation. The comparable data reflect "improved" parcels, as stated earlier.

Therefore, my analysis of the comparable facilities indicates that market ground rent for Storage uses at RAP, i.e., ones with no particular use restrictions other than non-commercial aviation-related use (Storage), as represented by the Subject Parcel, should be more than \$0.20, around \$0.28 - \$0.30, and less than \$0.34 per square foot, per year. It is therefore my opinion that the Subject Property's market ground rent is \$0.30 per square foot, per year, applied to 4,137 square feet of building envelope area, and calculated as:

	Estimated	
	"Improved"	Estimated
	<b>Market Ground</b>	"Improved" Annual
<b>Building Envelope (SF)</b>	Rent (\$/SF/Yr.)	<b>Market Ground Rent</b>
4,137	\$0.30	\$1,241

It is notable that the appraiser's concluded \$0.30 per square foot market ground rent for the Storage use, applied to the subject property's building envelope, results in an annual rental amount that is about \$500 more than the tenant is currently paying (\$737.81). It is recognized that the subject pad was leased as "unimproved" land per the Airport administration's current policy, and that the parcel's rent was based on a gross lot area that included area inside the TOFA. The appraiser's methodology follows custom in the market and does NOT include the TOFA within the leased premises.

### Discussion of Bifurcated Ground Rental Rates for Improved vs. Unimproved Land

Market evidence in support of a lower rental rate for unimproved Storage land was found at Bismarck, where the rental rate difference is fairly pronounced, at \$0.24 and \$0.39 per square foot, per year. However, in that case, the "unimproved" land reflects a situation where the lessee has to contribute toward the construction and maintenance of all of the infrastructure necessary to provide access to the parcel, perhaps including taxi lanes and ramp space. The 38 percent rate differential was determined by calculating the amortized maintenance and construction costs over a typical long-term lease, reflecting a "worst case" scenario. It does not

reflect a parcel with established access and infrastructure. The subject parcel lacks electricity but there was no evidence in the market to support a market-typical adjustment for that characteristic. Most of the comparable airports made no distinction in rates between Storage parcels served by electricity and those that were not for small hangar pads. There is some anecdotal evidence suggesting that nominal downward adjustments for the lack electrical service may be warranted, but the magnitude of the adjustments is reportedly negligible. Most market participants stated that this issue is typically part of lease negotiations, the outcome of which is often reflected in other areas of the lease.

RAP's "unimproved" ground rental rate of \$0.13 per square foot is about 50 percent lower than its "improved" rate. The magnitude of that difference is not supported in the market, being considerably higher than Bismarck's 38 percent discount for a completely isolated parcel.

It is my opinion that a fairly nominal discount of 10 percent from the concluded \$0.30 "improved" rate, or \$0.03 per square foot, per year, is warranted for a Storage parcel at RAP that is not immediately served by electricity, for an indicated market rental rate of \$0.27: (\$0.30  $- (.10 \times $0.30) = $0.27$ ). Applying that rate to the subject parcel yields the following estimated market ground rent conclusion:

	Estimated Market			
	<b>Ground Rent</b>	nd Rent Estimated Annual		
<b>Building Envelope (SF)</b>	( <b>\$/SF/Yr.</b> )	<b>Market Ground Rent</b>		
4,137	\$0.27	\$1,117		

### HYPOTHETICAL FEE SIMPLE VALUE ESTIMATE – STORAGE USE

Hypothetical fee simple value for the subject parcel, both in the "improved" and "unimproved" conditions, is estimated through the ground rent capitalization method within the Income Approach. Earlier in the report, it was concluded that an appropriate overall rate for capitalizing market ground rent is 6.50 percent. Hypothetical fee simple value can therefore be calculated as follows for the subject property:

Adopted	Rounded				
Parcel	Market	Overall		Conclusion	Rounded
Size	Ground	Capitalization		Fee Simple	Conclusion
(SF)	Rent	Rate	Calculated	Value	\$/SF
4,137	\$1,117	.065	\$17,185	\$17,000	\$4.11

# Part II (Continued)

# **Individual Parcel Report**

# **Subject Property:**

SASO Use 3875 Airport Road and Others Rapid City Regional Airport

# Date of Value:

October 3, 2019

# Appraised by:

Alan M. Wilson & Associates 12315 Oak Knoll Road, Suite 220 Poway, CA 92064 (858) 248-6180 awmai@protonmail.com

### APPRAISER'S CERTIFICATION

I certify that, to the best of my knowledge and belief:

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions
  and limiting conditions and are my personal, impartial, and unbiased professional analyses,
  opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- my engagement in this assignment was not contingent upon developing or reporting predetermined results.
- my compensation for completing this assignment is not contingent upon the development or reporting a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the 2018-2019 edition of the *Uniform Standards of Professional Appraisal Practice* and with the applicable portions of *FAA Advisory Circular 150/5100-17*.
- I have made a personal inspection of the property that is the subject of this report.
- no one provided significant real property appraisal assistance to the person signing this certification.
- as of the date of this report, Alan M. Wilson, MAI had successfully completed the requirements for certification as a general real estate appraiser in the State of California, and received a Temporary Practice Permit from the State of South Dakota to conduct this appraisal.
- as of the date of this report, Alan M. Wilson, MAI had completed the requirements of the continuing education program of the Appraisal Institute.

• A the appraiser has made a physical inspection of the property appraised.

Alan M. Wilson, MAI California AG006308

South Dakota Temp. Practice Permit No. 1819-T-2019



# <u>SUBJECT PROPERTY DESCRIPTION – SASO USE</u>

Location: 3875 Airport Road and others

Rapid City Regional Airport

Legal Description: Portion of the West ½ of Section 17, Township 1 North, Range 9 East,

B.H.M., Pennington County, South Dakota

Dimensions: Various. The representative SASO leasehold is considerably fragmented,

as can be seen in the aerial photo above. (All of the plats for the parcels

comprising the leasehold may be reviewed in the Addenda.)

Size: 134,575 gross and net square feet, or 3.09 gross and net acres

Shape: Irregular, non-contiguous parcels

Topography: Generally level near the grade of Airport Road

Visibility/

Exposure: Situated in the northernmost part of the airport within the area devoted to

general aviation activity, this leasehold has direct access to the GA ramp and the typical arrival end of the seldom-used crosswind runway. It has very good visibility and exposure from the major airport infrastructure.

Runway Access: The primary Taxiway A, parallel to Runway 14/32, is immediately

across the ramp from the subject parcel and is most easily accessed via the short Taxiway G1 east of the GA ramp. Taxiway G1 intersects with Taxiway A in the southwestern quadrant of the intersection of the two runways. G1 is near midway of the primary runway, so considerable taxi time is required to reach either threshold, but it is exceptionally

convenient to the (potential) arrival end of Runway 05/23.

All things equal, pilots generally prefer to store their aircraft near a runway's departure end so that they can limit taxi time on their return

legs.

Vehicular Access: Automobile access is via Airport Road to its northerly terminus at the

parking lot for 3875 Airport Road. There is a formal community parking area for GA tenants in this part of the airport and there is no parking

allowed along Airport Road.

Drainage: Drainage is assumed to be adequate to service the property.

Soil and

Subsoil: No adverse geotechnical issues are known to exist anywhere at the

airport.

Street Improvements: Airport Road is a striped, two-lane, asphalt-paved, public street ending in

the northernmost developed part of the airport at the SASO parcel's

parking lot. It is lightly used in this part of the airport.

Utilities: All public services, including natural gas, electricity, telephone, water and

sewer are assumed to be connected to the site, as if it were a single

assembled holding.

Easements and

Encroachments: None assumed to exist for appraisal purposes

Other

Encumbrances: None known

Flood Hazard Area: The subject property is located within "Zone X" according to the Federal

Emergency Management Agency's Flood Insurance Rate Map, Panel Nos. 46103C0812H and 46103C0820H, last revised June 3, 2013. Zone

X is an area subject to minimal flooding.

Earthquake

Zone: The property is not located within an Alquist Priolo Earthquake Fault

Zone.

On-site

Improvements: On the date of value, the majority of the site was concrete and asphalt-

paved; however, about one acre in the southernmost portion of the leasehold was unimproved and grass covered. According to a 2018 Pavement Condition Report provided by the Client, the ramp adjacent to the east of the subject property (not a part of the leasehold) is in poor

condition. Generally, the condition of the paving across the leasehold ranges from poor to fair to satisfactory according to the aforementioned Report. Pavement condition and maintenance, along with proper drainage, are top priorities for airport leaseholders and subtenants, primarily because of aircraft safety issues.

Site Utility:

From an aircraft operations standpoint, the site would be rated above average within the scope of the airport at large because of its proximity to the major airport infrastructure. Its size and (assumed) dimensions are both functional for a SASO.

Nuisances and Hazards:

Because the airport has accommodated continuous aviation-related uses for many decades, including aircraft fueling and fuel storage, activities that contributed to subsurface contamination by hazardous materials (primarily petroleum-based) most likely have occurred over time at places on-airport. The extent of any subterranean contamination, if any, that might have affected the subject parcel on the date of value was unknown. It was assumed for appraisal purposes that none existed. (See Assumption No. 11.)

### TAX AND ASSESSMENT INFORMATION

The most recent 2018-2019 assessed values and taxes for the subject property are shown below:

Parcel No.	Land	Improvements	Total	Taxes
39 17 100 905	\$0	\$317,300	\$317,300	\$ 5,492.28
39 17 100 908	0	333,600	333,600	6,028.16
39 17 300 931	0	100,600	100,600	1,818.22
	\$0	\$751,500	\$751,500	\$13,338.66

In South Dakota, properties are assessed for property tax purposes each year based on appraised market value.

### OWNERSHIP AND MARKETING HISTORY – TEN-YEAR SALE HISTORY

The underlying fee interest in the land belongs to the City of Rapid City. The ground lessee is Dale Aviation, which has been ground leasing the parcel since 1982 for the purpose of conducting aircraft maintenance of various kinds. Dale Aviation also subleases a significant amount of hangar, administrative, and temporary living quarters space to an air ambulance company as well as another maintenance business.

There have been no transfers of the fee simple or the leasehold interest in the subject improvements for at least the past ten years.

### GROUND LEASE SUMMARIES

Lessee: EZ Rider, LLC Effective Date of Lease: April 28, 2008 Commencement Date: May 1, 2008

Premises: 48,185 square feet of commercial hangar area as identified in the

Lease; 3875 Holsworth Hangar Lane; Lessor reserves a utility

right of way extending ten feet inside entire perimeter

Condition of Premises: Unimproved with utilities stubbed to site Term: 30 years with one, ten-year option to extend

Annual Base Rent: \$0.22 per square foot for 25,616 square feet of "improved space"

for a subtotal of \$5,635.52; and \$0.11 per square foot for 22,569 square feet of "unimproved space" for a subtotal of \$2,482.59; total annual base rent is therefore \$8,118.11, indicating a blended

rate of \$0.168 per square foot of parcel area.

Disposition of Improvements: Lessor has right to negotiate purchase or lessee may remove

improvements

Adjustments to Base Rent: Annual CPI

Allowable Uses: Commercial aviation activities, with exceptions

Expenses: Lessee pays property taxes, insurance, maintenance and utilities

Lessee: Vision Air, LLC Effective Date of Lease: March 14, 2006 Commencement Date: March 14, 2006

Premises: 62,582 square feet of commercial hangar area as identified in the

Lease; 3865 and 3900 Airport Road; Lessor reserves a utility right

of way extending ten feet inside entire perimeter

Condition of Premises: Unimproved with utilities stubbed to site Term: 30 years with one, ten-year option to extend

Annual Base Rent: \$0.22 per square foot for 37,279 square feet of "improved space"

referred to as "building envelope" for a subtotal of \$8,201.38; and \$0.11 per square foot for 25,303 square feet of "unimproved space" for a subtotal of \$2,783.33; total annual base rent is therefore \$10,984.71, for an indicated blended rate of \$0.176 per

square foot of parcel area.

Disposition of Improvements: Lessor has right to negotiate purchase or lessee may remove

improvements

Adjustments to Base Rent: Annual CPI

Allowable Uses: Commercial aviation activities, with exceptions

Expenses: Lessee pays property taxes, insurance, maintenance and utilities

Lessee: Rapid Fuel, LLC Effective Date of Lease: June 20, 2006 Commencement Date: May 1, 2006

Premises: Commercial area consisting of 1,000 square feet as identified in

the Lease; 3900 Airport Road; Lessor reserves a utility right of

way extending ten feet inside entire perimeter

Condition of Premises: Unimproved with utilities stubbed to site

Term: 20 years with one, ten-year option to renew

Annual Base Rent: \$0.22 per square foot for 1,000 square feet, or \$220.00

Disposition of Improvements: Lessor has right to negotiate purchase or lessee will remove

improvements

Adjustments to Base Rent: Annual CPI

Allowable Uses: Self-service aircraft fuel and oil facility; commercial tie-down

space; Commercial aviation activities, with exceptions

Expenses: Lessee pays property taxes, insurance, maintenance and utilities,

and flowage fee

Lessee: Rapid Fuel, LLC, dba Rapid Avionics, by 2013 assignment from

**Tri-States Avionics** 

Effective Date of Lease: November 27, 2006 Commencement Date: October 1, 2006

Premises: Commercial hangar area consisting of 7,050 square feet as

identified in the Lease; 3940 Cook Hangar Lane; Lessor reserves a

utility right of way extending ten feet inside entire perimeter

Condition of Premises: Unimproved with utilities stubbed to site Term: 30 years with one, ten-year option to renew

Annual Base Rent: \$0.22 per square foot for 7,050 square feet, or \$1,551.00

Disposition of Improvements: Lessor has right to negotiate purchase or lessee will remove

improvements

Adjustments to Base Rent: Annual CPI

Allowable Uses: Commercial aeronautical activities including aircraft avionics,

subject to exceptions in the lease

Expenses: Lessee pays property taxes, insurance, maintenance and utilities

### SUBJECT PROPERTY PHOTOGRAPHS

Viewing northeast along the northern terminus of Airport Road, toward vehicular parking area for Dale Aviation SASO. LMD Aero, a sub-tenant, occupies the building in the far right of frame.



Viewing generally east across southerly undeveloped portion of SASO. L&D Aero building in distance has frontage on the GA ramp and is part of the subject leasehold.



Viewing south along undeveloped portion of subject leasehold. Hangars in distance are not a part.



Viewing generally northwest across Airport Road to subject leasehold. Westerly portion of 3575 (Dale Aviation) building is visible in the far right of photo. Property on other side of fence is not a part. Note, condition of street in this part of the airport is below average.



### SUBJECT PROPERTY PHOTOGRAPHS

Viewing generally northwest to the white hangar at 3843 Cook Hangar Lane, a part of the exiting subject leasehold. This is the northwesternmost parcel at the airport and is one of the two fragmented parcels quite distant from the bulk of the leasehold.



Rapid Fuel storage tanks on east side of GA ramp. A 10-foot by 100-foot strip of land is included in the Dale Aviation leasehold to accommodate these tanks.



Viewing southeast along the ramp defining the eastern boundary of the subject leasehold.



Viewing generally west across the GA ramp to subject's easterly frontage. Western edge of ramp essentially defines the leasehold's boundary in this area. Blue hangar on right is not a part.



### HIGHEST AND BEST USE – SASO

# **Highest and Best Use As if Vacant**

### Legally Permissible

This highest and best use analysis concerns a three-acre commercial-use parcel "inside the fence" in the General Aviation portion of the airport. Several sources were consulted to determine what use(s) on the date of value could have potentially been legally permissible, including the FAA-approved ALP and the Airport Master Plan. The subject property is zoned "Airport District". That zoning ordinance references a number of ancillary uses, other than aviation use, that could potentially be legal uses. Those are varied and many, and can be reviewed in the Addenda. They could all be potentially allowable, but the majority of them must be somehow related to aviation, and many would require another level of discretionary permit processing.

The most specific source to identify potential legal uses for airport land is the Airport Master Plan. The Master Plan is a study used to determine the long-term maintenance and development requirements for an airport. The Federal Aviation Administration (FAA) recommends that airport owners, or sponsors, update airport master plans every 10 years. An effort is currently underway to update the 2014 plan next year but the subject property's preferred use is not expected to change from the way it is currently developed.

Allowable uses are also stated in the ground lease (See Ground Lease Summary), falling within the parameters of the previously noted restrictions and legal uses. The ground lease provides for liberal commercial use of the premises.

The City of Rapid City, as RAP's owner and operator, ultimately determines how the airport will be developed, but the City cannot make all of their development decisions unilaterally. The FAA also provides guidance in order to ensure that proposed airport facilities meet important safety standards. Additionally, surrounding jurisdictions also have input into the development process if a proposed airport project has the potential to impact them. Provided that proposed projects are in conformance with legal requirements, the Airport's Board of Directors formally approves projects on behalf of the City.

Based on the foregoing, the legal use of the subject parcel as if vacant is for development with aviation-related improvements.

### Physically Possible

The subject parcel is a physically fragmented assemblage containing just over three acres. Most of the land, however, is immediately proximity to the GA ramp. Two smaller individual pads are physically separated from the property's main parcel. All necessary public utilities are available and connected to the site.

### Financial Feasibility

It has already been determined that the only legal use of the subject parcel on the date of value was to accommodate aviation uses. Of course, in order for new construction to be financially feasible, a new ground lease of at least 25 years (and preferably longer) would be required in order to give the lessee time to amortize the investment in new improvements. Commercial services of all types are in demand at the airport. It would be financially feasible to construct functional hangars and offices consistent with providing those services.

Maximum Profitability and Conclusion of Highest and Best Use As Vacant

Maximum profitability would be achieved in the construction of aviation-related improvements suitable for occupancy by aviation service businesses. It is therefore my opinion that the subject parcel's highest and best use as if vacant would be for the immediate construction of those types of improvements.

# **Highest and Best Use As Improved**

Since this appraisal is being done to estimate market ground rent "as if vacant", the analysis of Highest and Best Use "As Improved" is irrelevant to the task at hand; however, the parcel is already improved with a single box hangar that represents not only its highest and best use as vacant, but its highest and best use as improved as well.

### MARKET GROUND RENT ESTIMATE - SASO

# Discussion of Comparable Market Data

The comparable market data used in the estimate of market rent for land that is designated for specialized aviation service operation uses were presented earlier in the report. For this use, as with the Storage and FBO uses, airports bearing operational characteristics similar in nature to RAP's were identified and surveyed for the purposes of gaining information on any ground leasing that may have taken place. Current asking rents for immediately available property were also regarded as important to the Valuation.

For the SASO use, the primary data set consisting of nine comparable commercial service airports with operational similarities to RAP was augmented by lease data from a number of smaller GA airports that are more proximate to RAP.

### Consideration for Changing Market Conditions

It was shown in earlier in the description of the subject airport's Summary of Current Rates and Charges that ground rents charged for GA storage hangars have been indexed upward by about three and one-half percent over the past three years, while general inflation during the same time has run about six and one-half percent. For the data from the subject airport then, some upward consideration was required simply on the basis of inflation alone.

### Conclusion of Market Ground Rent for "Improved" SASO Parcel at RAP

Following is a table showing the market data items' most recent ground leases arrayed by rent per square foot per month from high to low, and a concluded rating vis a vis the subject airport, i.e., superior, inferior, or equivalent. The subject property's market rent can be bracketed through identification of superior and inferior properties. This analysis contemplates the hypothetical subject parcel as an "improved" parcel, which for appraisal purposes means that the parcel is essentially ready to build and has electricity stubbed to the lot perimeter.

DATA CONTINUUM –	FRO/SASO	GROUND LEASES
DATAGONTINOOM	TDO/ MAGO	OKOOND LLIMBLE

Airport	Base Rent Per SF/Yr.	Rating	Adjustment	Indications of Market Ground Rent for Storage Use
Bismarck Muni	\$0.39	Superior	Downward	Less than \$0.39
Cheyenne Reg.	\$0.36	Superior	Downward	Less than \$0.36
Durango	\$0.32	Slightly Inferior	Upward	More than \$0.32
St. George Reg.	\$0.30	Slightly Inferior	Upward	More than \$0.30
Sioux Falls	\$0.30	Similar	None	About \$0.30
Appleton Int'l.	\$0.24	Inferior	Upward	More than \$0.24
Sheridan	\$0.20	Inferior	Upward	More than \$0.20
Pullman-Moscow	\$0.19	Inferior	Upward	More than \$0.19
Green Bay	\$0.17 + % rent	Similar	None	About \$0.17 + % rent
Gillette	\$0.17	Inferior	Upward	More than \$0.17
Missoula	\$0.16	Inferior	Upward	More than \$0.16
Watertown	\$0.16	Inferior	Upward	More than \$0.16
Pierre	\$0.16	Inferior	Upward	More than \$0.16
Northern Colorado	\$0.15	Inferior	Upward	More than \$0.15

#### Rationale for Ratings

The table above includes a column showing the appraiser's opinion of the relative desirability of the comparable airports to RAP. Two airports, Bismarck and Cheyenne, were rated "superior" to RAP. Bismarck is benefitting from a special circumstance related to North Dakota's oilfield exploration and extraction industry that has allowed it to achieve high rental rates relative to the competition. Cheyenne has a constrained supply of land, which is reflected in its ground lease rates - the airport is on slightly more than 1,000 acres. Otherwise, however, its operational characteristics are similar to RAP's. It is concluded that RAP cannot be expected to generate ground rents as high as Bismarck and Cheyenne's which are \$0.36 and \$0.39 per square foot, per year.

Two airports, Sioux Falls (at \$0.30) and Green Bay (at \$0.17) were rated equivalent to RAP in terms of supply/demand and operational characteristics. However, Green Bay's commercial land rent also involves some percentage rent, which means the effective ground rent for commercial uses is considerably higher. (The airport's percentage rent includes 50 percent of tie-down revenue, among other items.) For that reason, Green Bay's \$0.17 indication is discounted for analysis purposes, and Sioux Falls' \$0.30 indication is regarded as a reasonably good indicator of market ground rent for the SASO use at RAP.

Because it has a lower activity level, Durango was rated slightly inferior to RAP. St. George, while it is a relatively new airport and has a very large based aircraft count and a similar overall

operations level, has less commercial traffic and lacks a control tower. Those two airports reported ground rents of \$0.30 and \$0.32, and are regarded as only slightly inferior to RAP. This means that RAP should be able to command ground rents near to, but slightly higher than those facilities.

Eight airports in the data set were rated substantially inferior to RAP. Appleton was rated inferior in this analysis because the item of market data selected for use involved a six-year-old lease that was not a pure ground lease, as it was an allocation for an existing facility. In general, those facilities rated inferior, are demonstrably less busy than the subject airport and are in lower density communities. Some lack many of the amenities and major infrastructure that is available at the subject airport. Those airports' ground rents for SASO use ranged from \$0.15 to \$0.24 per square foot, per year, indicating that RAP should be able to generate ground rents for SASO use considerably in excess of \$0.24.

The comparable airports' comparable ground lease market data developed for this appraisal reflected units of comparison that were nearly equally divided between rent being applied to a gross parcel area and rent applied to a building footprint or building envelope. In some cases, the parcels were, in fact, created "after the fact", based on the building envelopes created by the ground lessees. Since the market data did not reflect any transactions involving "excess land", the distinction is relatively unimportant. In the case of the subject property example, there may be some excess land included in the existing leasehold, as some parcel boundaries include as-yet-unimproved land. However, for purposes of this appraisal, which is being done to estimate market ground rent for a SASO use on an airport-wide basis, it has been assumed that the subject property is a unified vacant holding, awaiting development to its highest and best use.

Therefore, my analysis of the comparable facilities indicates that market ground rent for SASO uses at RAP, as represented by the Subject Parcel, should be more than \$0.32, and less than \$0.36 per square foot, per year. Since one data item that was rated equivalent was at \$0.30, the conclusion of market ground rent should probably be at the low end of the \$0.32 to \$0.36 per square foot range. It is therefore my opinion that the Subject Property's market ground rent, reflecting an improved lot for SASO uses, is \$0.33 per square foot, per year, calculated as:

	Estimated	
	"Improved"	Estimated
	<b>Market Ground</b>	"Improved" Annual
Parcel Size (SF)	Rent (\$/SF/Yr.)	Market Ground Rent
134,575	\$0.33	\$44,410

#### Discussion of Bifurcated Ground Rental Rates for Improved vs. Unimproved Land

The distinction between improved and unimproved land is considerably more important in the Commercial use segment of the airport real estate market than in the Storage market. Almost

by definition, because they are conducting businesses, commercial users require all public utilities to be immediately available. In most cases, they also require immediate access to major airport infrastructure, and often incorporate some exclusive-use ramp space into their leaseholds. In situations where these conditions are not met, ground rental discounts from the "improved" rate are warranted.

Market evidence in support of a lower rental rate for unimproved SASO land was found at Bismarck, where the discount is pronounced, at 38 percent below the improved rate of \$0.39 per square foot, per year. Support for a discount was also found at St. George, where the unimproved rate is \$0.18, a 40 percent discount from the \$0.30 improved rate and, at Northern Colorado Regional Airport the ground rent differential between improved and unimproved land is \$0.13 (\$0.41 for improved and \$0.28 for unimproved), or 32 percent. The three discounts range from 32 to 40 percent. At RAP, the discount has historically been 50 percent. However, it is very important to recognize that, in the cases of BIS, SGU, and FCL, the "unimproved" land reflects a situation where the lessee has to contribute toward the construction and maintenance of all of the infrastructure necessary to provide access to the parcel, perhaps even including taxi lanes and ramp space. In the case of BIS, the 38 percent rate differential was determined by calculating the amortized maintenance and construction costs over a typical long-term lease, reflecting a "worst case" scenario. It does not reflect parcels with established access and infrastructure, like the subject property already benefits from.

Therefore, in my opinion, no discount is required for "unimproved" portions of the subject property under the Airport's current definition of that term (land area not covered by a building). However, to the extent that there may be fragmented parcels that lack some utilities and have inferior access to the major airport infrastructure (the "as is" condition), a discount from the "improved" rate is warranted. The actual magnitude of the discount is almost always a major part of ground lease negotiations between the airport and the ground lessee and can vary widely. There was no direct market evidence from which to support the magnitude of the discount. Since the subject's fragmented parcels could be (and are being) sub-leased, the magnitude of the discount should not be too large and, in the absence of direct market evidence, a ten percent downward adjustment was considered reasonable.

It is my opinion that a discount of 10 percent from the concluded \$0.33 "improved" rate, or \$0.033 per square foot, per year, is warranted for the subject SASO leasehold at RAP for an indicated market rental rate of 0.297: ((0.33 - (.10 \* 0.33) = 0.297)) rounded to 0.30. Applying that rate to the entirety of the subject's land area yields the following estimated market ground rent conclusion:

	Concluded Market	t	
	<b>Ground Rent</b>	Concluded Annual	
Parcel Size (SF)	( <b>\$/SF/Yr.</b> )	Market Ground Rent	Rounded
134,575	\$0.30	\$40,373	\$40,400

#### HYPOTHETICAL FEE SIMPLE VALUE ESTIMATE - SASO USE

Hypothetical fee simple value for the subject parcel is estimated through the ground rent capitalization method within the Income Approach. Earlier in the report, it was concluded that an appropriate overall rate for capitalizing market ground rent is 6.50 percent. Hypothetical fee simple value can therefore be calculated as follows for the subject property.

Adopted				Rounded	
Parcel Size	Market Ground	Overall Capitalization		Conclusion Fee Simple	Rounded Conclusion
(SF)	Rent	Rate	Calculated	Value	<b>\$/SF</b>
134,575	\$40,400	.065	\$621,538	\$620,000	\$4.61

# Part II (Continued) Individual Parcel Report

# **Subject Property:**

FBO Use 34190 WestJet Drive and others Rapid City Regional Airport

#### Date of Value:

October 3, 2019

# Appraised by:

Alan M. Wilson & Associates 12315 Oak Knoll Road, Suite 220 Poway, CA 92064 (858) 248-6180 awmai@protonmail.com

#### APPRAISER'S CERTIFICATION

I certify that, to the best of my knowledge and belief:

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions
  and limiting conditions and are my personal, impartial, and unbiased professional analyses,
  opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- my engagement in this assignment was not contingent upon developing or reporting predetermined results.
- my compensation for completing this assignment is not contingent upon the development or reporting a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the 2018-2019 edition of the *Uniform Standards of Professional Appraisal Practice* and with the applicable portions of *FAA Advisory Circular 150/5100-17*.
- I have made a personal inspection of the property that is the subject of this report.
- no one provided significant real property appraisal assistance to the person signing this certification.
- as of the date of this report, Alan M. Wilson, MAI had successfully completed the requirements for certification as a general real estate appraiser in the State of California, and received a Temporary Practice Permit from the State of South Dakota to conduct this appraisal.
- as of the date of this report, Alan M. Wilson, MAI had completed the requirements of the continuing education program of the Appraisal Institute.

• the appraiser has made a physical inspection of the property appraised

Alan M. Wilson, MAI California AG006308

South Dakota Temp. Practice Permit No. 1819-T-2019



#### <u>SUBJECT PROPERTY DESCRIPTION – FBO</u>

Location: 4190 WestJet Drive and others

Rapid City Regional Airport

Legal Description: (Partial) Portion of the West ½ of Section 17, Township 1 North, Range 9

East, B.H.M., Pennington County, South Dakota

Dimensions: Various. The representative FBO leasehold is somewhat fragmented,

evidenced in the aerial photo above.

Size: 363,873 gross and net square feet, or 8.35 gross and net acres

Shape: Irregular

Topography: Generally level, all near or slightly below the grade of the GA ramp;

however, there are improved portions of the leasehold that are moderately undulating and there is a grade separation across part of the leasehold extending eastward toward the ramp that divides the property topographically. The elevation difference between the two parts of the leasehold appears to be about two feet, with the northerly part of the

leasehold being higher than the southerly portion.

Visibility/

Exposure: Situated within the area of the airport that is devoted to general aviation

activity, this leasehold has direct access to the GA ramp and is about midway between the primary runway ends. It has excellent visibility and

exposure from the major airport infrastructure.

Runway Access: The primary Taxiway A, parallel to Runway 14/32, is immediately

across the ramp from the subject property and is most easily accessed via the short Taxiway G2 immediately east of the GA ramp. Taxiway G2 is near midway of the primary runway, so taxi times are limited in all wind conditions. The property is also convenient to the (potential) arrival end

of the crosswind Runway 05/23.

All things equal, pilots generally prefer to store their aircraft near a runway's departure end so that they can limit taxi time on their return

legs, but there is not uniform agreement about that.

Vehicular Access: Automobile access is via Airport Road to Fire Station Road, which

terminates in the parking lot of Westjet's FBO terminal at 4160 Fire Station Road. While there are striped parking spaces on both sides of Fire Station Road leading to the terminal from Airport Road, neither the parking area nor the street is included within the current leasehold boundaries. Other vehicular access to the leasehold exists at various

locations, but they are all secured entrances.

Drainage: Drainage is assumed to have been adequately designed and maintained so

as not to interfere with the efficient operation of the subject property.

Soil and

Subsoil: No adverse geotechnical issues are known to exist anywhere at the

airport.

Street Improvements: Fire Station Road is an asphalt-paved public street with a raised curb and

partial sidewalk.

Utilities: All public services, including natural gas, electricity, telephone, water and

sewer are assumed to be connected to the site, as if it were a single

assembled holding.

Easements and

Encroachments: None assumed to exist for appraisal purposes

Other

Encumbrances: None known

Flood Hazard Area: The subject property is located within "Zone X" according to the Federal

Emergency Management Agency's Flood Insurance Rate Map, Panel Nos. 46103C0812H and 46103C0820H, last revised June 3, 2013. Zone

X is an area subject to minimal flooding.

Earthquake

Zone: The property is not located within an Alquist Priolo Earthquake Fault

Zone.

On-site

Improvements: On the date of value, the majority of the site was concrete and asphalt-

paved; however, some small areas were unimproved and grass-covered. Generally, the condition of the paving is "Satisfactory"; however, there is a significant portion that has been identified in the 2018 Pavement Condition Report provided by the Client as being in "Serious" condition. That designation falls between "Very Poor" and "Failed". Pavement condition and maintenance, along with proper drainage, are top priorities for airport leaseholders and subtenants, primarily because of aircraft

safety issues.

Site Utility: From an aircraft operations standpoint, the site would be rated above

average within the scope of the airport at large because of its proximity to the major airport infrastructure. Its size and (assumed) dimensions are

both functional for an FBO.

Nuisances and Hazards:

Because the airport has accommodated continuous aviation-related uses for many decades, including aircraft fueling and fuel storage, activities that contributed to subsurface contamination by hazardous materials (primarily petroleum-based) most likely have occurred over time at places on-airport. The extent of any subterranean contamination, if any, that might have affected the subject parcel on the date of value was unknown. It was assumed for appraisal purposes that none existed. See Assumption No. 11.

#### TAX AND ASSESSMENT INFORMATION

The most recent 2018-2019 assessed values and property taxes for the subject property are shown below:

Parcel No.	Land	Improvements	Total	Taxes
39 17 300 913	\$0	\$353,200	353,200	\$6,377.88
39 17 300 914	0	74,100	74,100	1,353.80
39 17 300 916	0	407,900	407,900	7,647.08
39 17 300 928	0	1,480,800	1,480,800	27,474.52
39 17 300 934	0	780,900	\$780,900	14,265.64
39 17 300 935	0	684,500	684,500	12,454.92
	\$0	\$1 480 800	\$1,480,800	\$27 474 52

In South Dakota, properties are appraised annually for the purpose of establishing assessments for property tax purposes.

#### OWNERSHIP AND MARKETING HISTORY – TEN-YEAR SALE HISTORY

The underlying fee interest in the land belongs to the City of Rapid City. The ground lessee is Westjet, which has been ground leasing the parcels for several decades for the purpose of operating an FBO. Westjet also subleases a significant amount of hangar, office and administrative space.

There have been no transfers of the leasehold or fee interest in the subject property for at least the past ten years.

#### GROUND LEASE SUMMARY - FBO

Lessee: Westjet Air Center, Inc.

Effective Date of Lease: August 26, 2014

Premises: Assumed to contain 363,873 square feet, or 8.35 acres, consisting

of multiple, fragmented, non-contiguous parcels

Improvements Included: Various lessee-owned buildings and fuel tanks

Term: 25 years

Commencement Date: Occupancy date of the new General Aviation Terminal (2015)

Current Annual Base Rent: \$0.07017 per improved square foot (totaling 85,198 square feet,

for a subtotal of \$5,978.34) and \$0.02056 per unimproved square foot (totaling 278,675 square feet, for a subtotal of \$5,729.56).

Total current base rent is \$11,707.90.

Disposition of Improvements: Either: New agreement or, at Lessor's option, Lessee will remove

of all or portions of improvements; any remaining improvements

will revert to Lessor's ownership

Adjustments to Base Rent: Annual CPI adjustments with reset to market every 5th lease year

be lower than previous year's rent).

Allowable Uses: Commercial Aeronautical Activity to operate as a Fixed Base

Operator as defined in the Airport's Minimum Standards

Other: Lessee must build FBO terminal (completed) and demolish

hangars/buildings located at 4150 and 4160 Airport Hangar

Road (Buildings 2, 3, and 4) within five years of Commencement.

#### SUBJECT PROPERTY PHOTOGRAPHS

Viewing northwest to the lot referred to as Area "G" within the Westjet leasehold. Its address is 4220 Westjet Drive. This is the southernmost parcel in the fragmented leasehold and contains 15,494 square feet. In the foreground is GA ramp and behind the building is Fire Station Road.



Viewing generally east between GA hangar rows along Cessna Hangar Lane. Hangars on the right are situated within Area A of the subject leasehold. Hangars on the left are not a part.



Viewing generally south along the GA ramp toward the southernmost group of Westjet's buildings. Westjet's FBO terminal is at the far end of this complex in the distance. Schinzel Hangar Lane is visible at the far right of frame.



Viewing generally west from the GA ramp toward hangar row on subject leasehold (the hangars on the left). The middle row of hangars is not a part, but the hangars on the far right of frame are on the leasehold. Cessna Hangar Lane is taxi lane between two prominent hangar rows. Cirrus Hangar Lane is to the right of the airplane.



#### SUBJECT PROPERTY PHOTOGRAPHS

Viewing generally northwest along the GA ramp in the northern portion of the leasehold. The buildings on the left are occupied by Black Hills Life Flight under a sublease arrangement from Westjet. This the northernmost group of buildings on the leasehold.



Viewing generally west from the GA ramp across the unimproved portion of subject leasehold adjacent to south of the building grouping shown in the photo frame above. In the far left of the frame is Piper Hangar Lane, which is adjacent to a hangar row that is situated on the subject leasehold.



Viewing southeast along the GA ramp with all of the subject leasehold's easterly frontage in view.



Fuel farm parcels are situated about 1,200 feet from the GA ramp and are essentially unimproved with the exception of the concrete bases providing structural support for the above-ground fuel storage tanks visible in the distance. Access to the fuel farm is secured by an electronic gate and the area is fully fenced.



#### HIGHEST AND BEST USE – FBO PARCEL

## **Highest and Best Use As if Vacant**

Legally Permissible

This highest and best use analysis concerns a partially fragmented, 8.35 gross acre leasehold that, on the date of value, was being operated as the airport's only fixed base operation. Several sources were consulted to determine what use(s) on the date of value could have potentially been legally permissible, including the FAA-approved ALP, the Airport Master Plan, and the Airport's Minimum Standards.

The subject property is zoned "Airport District". That zoning ordinance references a number of ancillary uses, other than aviation use, that could potentially be legal uses. Those are varied and many, and can be reviewed in the Addenda. They could all be potentially allowable, but the majority of them must be somehow related to aviation, and many would require another level of discretionary permit processing.

The most specific source to identify potential legal uses for airport land is the Airport Master Plan. The Master Plan is a study used to determine the long-term maintenance and development requirements for an airport. The Federal Aviation Administration (FAA) recommends that airport owners, or sponsors, update airport master plans every 10 years. An effort is currently underway to update the 2014 plan next year but the subject property's recommended use is not expected to change.

Allowable uses are also stated in the ground lease (See Ground Lease Summary), falling within the parameters of the previously noted restrictions and legal uses. The ground lease provides for the land to be used for an FBO, which provides a full range of liberal aviation service uses.

The City of Rapid City, as RAP's owner and operator, ultimately determines how the airport will be developed, but the City cannot make all of their development decisions unilaterally. The FAA also provides guidance in order to ensure that proposed airport facilities meet important safety standards. Additionally, surrounding jurisdictions also have input into the development process to the extent that a proposed airport project has the potential to impact them. Provided that proposed projects are in conformance with legal requirements, the Airport's Board of Directors formally approves projects on behalf of the City.

Based on the foregoing, the legal use of the subject parcel as if vacant is for development as an FBO. That use on the subject property is consistent with the Airport's Minimum Standards for FBOs.

#### Physically Possible

While the subject leasehold is physically fragmented into eight parcels, this appraisal addresses the property as if it were a single, consolidated, 8.35-acre holding. At 8.35 acres, the leasehold is squarely within the size range typical of FBOs at airports exhibiting similar activity levels to RAP's, and exceeds the 7.00-acre minimum lot size requirement for an FBO reflected in the Airport's Minimum Standards. All necessary public utilities are available and connected to the site. It has frontage on the General Aviation ramp (not a part of this leasehold) and has legal non-exclusive access rights to it.

#### Financial Feasibility

Any use that provides a positive return on investment is regarded as financially feasible. The subject site is treated in this appraisal as a consolidated 8.35-acre parcel that is designated in the Airport Master Plan and the ALP as an FBO. The airport's activity level effectively demands a traditional FBO to serve not only the general aviation community, but to provide the line maintenance activities required by the airlines.

Of course, in order for new construction to be financially feasible, a new ground lease of at least 25 years (and preferably longer) would be required in order to give the lessee time to amortize the investment in new improvements.

Maximum Profitability and Conclusion of Highest and Best Use As Vacant

The subject parcel's maximum productivity would be realized through the immediate construction of improvements consistent with the requirements of a fixed base operation.

#### **Highest and Best Use As Improved**

Since this appraisal is being done to estimate market ground rent "as if vacant", the analysis of Highest and Best Use "as improved" is irrelevant to the task at hand; however, the parcel is already improved as a traditional FBO, incorporating hangars, tiedowns, terminal, offices, and fuel farm. Therefore, the existing use represents not only the land's highest and best use as if vacant, but its highest and best use as improved as well.

Notably, there is still a significant amount of vacant, unimproved land associated with the current operation, suggesting that the current ground lessee has not recognized financial feasibility in constructing new improvements since a new terminal was completed in 2015.

#### MARKET GROUND RENT ESTIMATE - FBO

#### Discussion of Comparable Market Data

The comparable market data used in the estimate of market rent for land that is designated for specialized aviation service operation uses were presented earlier in the report. For this use, as with the Storage and SASO uses, airports bearing operational characteristics similar in nature to RAP's were identified and surveyed for the purposes of gaining information on any ground leasing that may have taken place. Current asking rent for immediately available property were also regarded as important to the Valuation.

For the FBO use, the primary data set consisting of nine comparable commercial service airports with operational similarities to RAP was augmented by lease data from a number of smaller GA airports that are more proximate to RAP.

#### Conclusion of Market Ground Rent for "Improved" FBO Parcel at RAP

Following is a table showing the market data items' most recent ground leases arrayed by rent per square foot per month from high to low, and a concluded rating vis a vis the subject airport, i.e., superior, inferior, or equivalent. The subject property's market rent can be bracketed through identification of superior and inferior properties. This analysis contemplates the hypothetical subject parcel as an "improved" parcel, which for appraisal purposes means that the parcel is essentially ready to build and has all necessary public utilities stubbed to the lot perimeter.

Airport	Base Rent Per SF/Yr.	Rating	Adjustment	Indications of Market Ground Rent for Storage Use
Bismarck Muni	\$0.39	Superior	Downward	Less than \$0.39
Cheyenne Reg.	\$0.36	Superior	Downward	Less than \$0.36
Durango	\$0.32	Slightly Inferior	Upward	More than \$0.32
St. George Reg.	\$0.30	Slightly Inferior	Upward	More than \$0.30
Sioux Falls	\$0.30	Similar	None	About \$0.30
Appleton Int'l.	\$0.24	Inferior	Upward	More than \$0.24
Sheridan	\$0.20	Inferior	Upward	More than \$0.20
Pullman-Moscow	\$0.19	Inferior	Upward	More than \$0.19
Green Bay	\$0.17 + % rent	Similar	None	About \$0.17 + % rent
Gillette	\$0.17	Inferior	Upward	More than \$0.17
Missoula	\$0.16	Inferior	Upward	More than \$0.16
Watertown	\$0.16	Inferior	Upward	More than \$0.16
Pierre	\$0.16	Inferior	Upward	More than \$0.16
Northern Colorado	\$0.15	Inferior	Upward	More than \$0.15

#### Rationale for Ratings

The table above includes a column showing the appraiser's opinion of the relative desirability of the comparable airports to RAP. Two airports, Bismarck and Cheyenne, were rated "superior" to RAP. Bismarck is benefitting from a special circumstance related to North Dakota's oilfield exploration and extraction industry that has allowed it to achieve high rental rates relative to the competition. Cheyenne has a constrained supply of land, which is reflected in its ground lease rates - the airport is on slightly more than 1,000 acres. Otherwise, however, its operational characteristics are similar to RAP's. It is concluded that RAP cannot be expected to generate ground rents as high as Bismarck and Cheyenne's, which are \$0.36 and \$0.39 per square foot, per year.

Two airports, Sioux Falls (at \$0.30) and Green Bay (at \$0.17) were rated equivalent to RAP in terms of supply/demand and operational characteristics. However, Green Bay's commercial land rent also involves some percentage rent, which means the effective ground rent for commercial uses is considerably higher. (The airport's percentage rent includes 50 percent of tie-down revenue, among other items.) For that reason, Green Bay's \$0.17 indication is discounted for analysis purposes, and Sioux Falls' \$0.30 indication is regarded as a reasonably good indicator of market ground rent for the FBO use at RAP.

Because it has a lower activity level, Durango was rated slightly inferior to RAP. St. George, while it is a relatively new airport and has a very large based aircraft count and a similar overall operations level, has less commercial traffic and lacks a control tower. Those two airports reported ground rents of \$0.30 and \$0.32, and are regarded as only slightly inferior to RAP. This means that RAP should be able to command ground rents near to, but slightly higher than those facilities.

Eight airports in the data set were rated substantially inferior to RAP, including Appleton. Appleton's FBO lease information dated from 2013 and represents an allocation of ground rent for an improved property from a long-term tenant, not an open-market, freely negotiated ground lease for a ready-to-build parcel. Since then, the airport has become much busier, as noted in the earlier write-up, and upward consideration for improving market conditions was warranted. Additionally, the parcel size represented in the Appleton lease is extraordinarily large, at about 14 acres. For those reasons, the Appleton comp was rated "inferior" to RAP for the FBO use.

In general, however, the balance of those facilities rated "inferior" are demonstrably less busy than the subject airport and are in lower density communities. Some lack many of the amenities and major infrastructure that is available at the subject airport. Those airports' ground rents for FBO and SASO uses ranged from \$0.15 to \$0.24 per square foot, per year, indicating that RAP should be able to generate ground rents for considerably in excess of \$0.24 for those uses.

The comparable airports' comparable ground lease market data developed for this appraisal reflected units of comparison that were nearly equally divided between rent being applied to a gross parcel area and rent applied to a building footprint or building envelope. In some cases, the lease parcels were created "after the fact" and based on the building envelopes created by the ground lessees or airport sponsors. Since the market data did not reflect any transactions involving "excess land", the distinction is relatively unimportant.

In the case of the subject property, there may be some "excess land" included in the leasehold within the context of how it is currently being used (the "as improved" condition). However, for purposes of this appraisal, the land is considered to be vacant awaiting development to its highest and best use. That distinction makes the concept of "excess land" a moot point and counters the argument for a bifurcated rental rate based on the current improvement ratio. As mentioned earlier, RAP's current policy is to bifurcate ground rental rates between "improved" and "unimproved" areas, with the distinction being building footprint area and non-footprint area. Based on my research, since that methodology is not supported in the market, the valuation will reflect a unit of comparison that is applied uniformly to the entire leasehold.

My analysis of the comparable facilities indicates that market ground rent for FBO uses at RAP, as represented by the subject property, should be more than \$0.32, and less than \$0.36 per square foot, per year. Since one data item that was rated equivalent was at \$0.30, the conclusion of market ground rent should probably be at the low end of the \$0.32 to \$0.36 per square foot range. It is therefore my opinion that the Subject Property's market ground rent, reflecting an improved assemblage for FBO uses, is \$0.33 per square foot, per year, calculated as:

	Estimated "Improved"	Estimated
	<b>Market Ground Rent</b>	"Improved" Annual
Parcel Size (SF)	( <b>\$/SF/Yr.</b> )	<b>Market Ground Rent</b>
363,873	\$0.33	\$120,078

#### Discussion of Bifurcated Ground Rental Rates for Improved vs. Unimproved Land

The distinction between improved and unimproved land is considerably more important in the Commercial use segment of the airport real estate market than in the Storage market. Almost by definition, because they are conducting businesses, commercial users require all public utilities to be immediately available. In most cases, they also require immediate access to major airport infrastructure, and often incorporate some exclusive-use ramp space into their leaseholds. In situations where these conditions are not met, ground rental discounts from the "improved" rate are warranted.

Market evidence in support of a lower rental rate for unimproved land was found at Bismarck, where the discount is pronounced, at 38 percent below the improved rate of \$0.39 per square

foot, per year. Support for a discount was also found at St. George, where the unimproved rate is \$0.18, a 40 percent discount from the \$0.30 improved rate and, at Northern Colorado Regional Airport the ground rent differential between improved and unimproved land is \$0.13 (\$0.41 for improved and \$0.28 for unimproved), or 32 percent. The three discounts range from 32 to 40 percent. At RAP, the discount has historically been 50 percent. However, it is very important to recognize that, in the cases of BIS, SGU, and FCL, the "unimproved" land reflects a situation where the lessee has to contribute toward the construction and maintenance of all of the infrastructure necessary to provide access to the parcel, perhaps even including taxi lanes and ramp space. In the case of BIS, the 38 percent rate differential was determined by calculating the amortized maintenance and construction costs over a typical long-term lease, reflecting a "worst case" scenario. It does not reflect parcels with established access and infrastructure, like the subject property already benefits from.

Therefore, in my opinion, no discount is required for "unimproved" portions of the subject property under the Airport's current definition of that term (land area not covered by a building). However, to the extent that there may be fragmented parcels that lack some utilities and have inferior access to the major airport infrastructure (the "as is" condition), a discount from the "improved" rate is warranted. The actual magnitude of the discount is almost always a major part of ground lease negotiations between the airport and the ground lessee and can vary widely. There was no direct market evidence from which to support the magnitude of the discount. Since the subject's fragmented parcels could be (and are being) sub-leased, the magnitude of the discount should not be too large and, in the absence of direct market evidence, a five percent downward adjustment was considered reasonable.

It is my opinion that a discount of five percent from the concluded \$0.33 "improved" rate, or \$0.0165 per square foot, per year, is warranted for the subject FBO leasehold at RAP for an indicated market rental rate of 0.3135: (( $0.33 - (0.05 \times 0.33) = 0.3135$ )) rounded to 0.31. Applying that rate to the entirety of the subject's land area yields the following estimated market ground rent conclusion:

	Estimated Market			
	<b>Ground Rent</b>	<b>Estimated Annual</b>		
Parcel Size (SF)	( <b>\$/SF/Yr.</b> )	<b>Market Ground Rent</b>	Rounded	
363.873	\$0.31	\$112.801	\$112.800	

#### HYPOTHETICAL FEE SIMPLE VALUE ESTIMATE - FBO USE

Hypothetical fee simple value for the subject parcel, both in the "improved" and "unimproved" conditions, is estimated through the ground rent capitalization method within the Income Approach. Earlier in the report, it was concluded that an appropriate overall rate for capitalizing market ground rent is 6.50 percent. Hypothetical fee simple value can therefore be calculated as follows for the subject property in both the "improved" and "unimproved" conditions:

				Rounded	
Adopted	Market	Overall		Conclusion	Rounded
Parcel	Ground	Capitalization		Fee Simple	Conclusion
Size (SF)	Rent	Rate	Calculated	Value	\$/SF
363,873	\$112,800	.065	\$1,735,385	\$1,735,000	\$4.77

# PART III

# GENERAL EXHIBITS AND ADDENDA

# APO TERMINAL AREA FORECAST DETAIL REPORT Forecast Issued February 2019

ACE AGL ANM : FAA and Contract Tower : Hub Size=N

					A	AIRCE	RAFT OF	PERAT	IONS					
	E	nplanemen	ts		Itineran	t Oper	ations		Loca	al Opera	tions			
Fiscal Year	Air Carrier	Commuter	Total	Air Carriei	Air Taxi & Commuter	GA	Military	Total	Civil	Military	Total	Total Ops	Total Tracon Ops	Based Aircraft
REGI	ON:AG	L STATI	E:IL I	LOCID	:MLI									
CITY:	MOLIN	E AIRP	ORT:Q	UAD C	CITY INTL									
2018*	69,712	279,766	349,478	5,683	8,871	10,384	427	25,365	6,021	539	6,560	31,925	51,472	87
REGI	ON:AG	L STATI	E:IL I	LOCID	:PIA									
CITY:	PEORI	A AIRPO	<b>)RT:</b> Gl	ENERA	L DOWNI	NG - I	PEORIA	INTL						
2018*	106,658	218,392	325,050	3,968	3 12,017	11,237	7 3,306	30,528	4,842	2,711	7,553	38,081	72,089	48
REGI	ON:AG	L STATI	E:IN	LOCID	:EVV									
CITY:	EVANS	VILLE A	IRPO	RT:EV	ANSVILLE	ERGN	ΙL							
2018*	48,834	175,922	224,756	5 2,466	9,988	11,890	1,073	25,417	5,923	612	6,535	31,952	60,079	56
REGI	ON:AG	L STATI	E:IN	LOCID	:FWA									
CITY:	FORT V	VAYNE A	AIRPO	RT:FO	RT WAYN	E INT	L							
2018*	83,755	283,405	367,160	6,490	12,160	12,676	5 1,675	33,001	5,703	432	6,135	39,136	78,038	52
REGI	ON:AG	L STATI	E:IN I	LOCID	:SBN									
CITY:	SOUTH	BEND A	AIRPO	RT:SO	UTH BEN	D INT	Ľ							
2018*	108,891	233,963	342,854	3,818	15,211	13,490	374	32,893	10,653	366	11,019	43,912	147,554	60
REGI	ON:AG	L STATI	E:MI	LOCII	):FNT									
CITY:	FLINT	AIRPOR	T:BIS	HOP IN	TL									
2018*	231,667	144,561	376,228	5,906	6,866	14,382	2 136	27,290	4,558	6	4,564	31,854	50,905	81
		L STATI												
CITY:	BISMA	RCK AI	RPOR	Γ:BISM	ARCK MU	JNI								
2018*	117,728	159,347	277,075	3,399	10,678	18,348	3 2,668	35,093	8,672	1,484	10,156	45,249	31,961	103
REGI	ON:AG	L STATI	E:SD	LOCII	):RAP									
CITY:	RAPID	CITY AI	RPOR	T:RAP	ID CITY R	GNL								
2018*	58,976	238,157	297,133	3,944	11,811	16,853	3 1,736	34,344	11,533	599	12,132	46,476	0	119
		L STATI				,	,	,	,		,	ŕ		
CITY:	APPLE'	TON AII	RPORT	:APPL	ETON INT	Ľ								
2018*	113,046	212,856	325,902	2 5,773	8,568	13,66	7 95	28,103	5,432	62	5,494	33,597	0	71
REGI	ON:AG	L STATI	E:WI	LOCII	):GRB									
CITY:	GREEN	BAY A	RPOR	T:GRE	EN BAY-A	USTI	N STRA	UBEL	INTL					
2018*	83,629	223,253	306,882	2 5,700	8,578	20,198	948	35,424	11,012	758	11,770	47,194	81,970	110
REGI	ON:AN	M STAT	E:CO	LOCI	D:ASE									
CITY:	ASPEN	AIRPO	RT:AS	PEN-PI	TKIN CO/S	SARD	Y FIELI	)						
2018*	36	272,425	272,461	11,284	9,983	16,022	2 149	37,438	4,662	122	4,784	42,222	45,808	105
REGI		M STAT				•		•	•			•	•	
CITY:	GRANI	) JUNCTIO	ON A	IRPOF	RT:GRANE	JUN	CTION I	REGIO	NAL					
					9,281					626	9,474	46,317	0	114
		M STAT												

CITY:KALISPELL AIRPORT:GLACIER PARK INTL								
2018* 115,356 185,806 301,162 5,3	3 5,356 11,703	816 23,178 4,227	953 5,180 28,358	0	164			
REGION: ANM STATE: MT LO	CID:MSO							
CITY:MISSOULA AIRPORT:MIS	SOULA INTL							
2018* 165,945 242,960 408,905 7,7	4 6,297 13,708	286 28,075 6,698	178 6,876 34,951	0	161			
REGION: ANM STATE: OR LOC	<b>ID:</b> MFR							
CITY: MEDFORD AIRPORT: ROGUE VALLEY INTL - MEDFORD								
2018* 112,863 371,004 483,867 11,3	2 8,073 16,606	487 36,478 5,502	332 5,834 42,312	0	180			
REGION: ANM STATE: OR LOC	ID:RDM							
CITY: REDMOND AIRPORT: ROB	ERTS FIELD							
2018* 6,108 412,957 419,065 10,4	6,765 20,434	187 37,873 23,889	128 24,017 61,890	0	79			
REGION: ANM STATE: WA LO	CID:PSC							
CITY:PASCO AIRPORT:TRI-CIT	ES							
2018* 61,754 320,425 382,179 8,0	5,278 16,162	1,350 30,795 15,662	1,506 17,168 47,963	69,858	123			
REGION: ANM STATE: WY LO	CID:JAC							
CITY: JACKSON AIRPORT: JACKSON HOLE								
2018* 301,177 65,990 367,167 7,7	7,965 10,176	209 26,121 960	43 1,003 27,124	0	21			
		209 26,121 960	43 1,003 27,124	0	21			

#### **CHAPTER 17.58: AIRPORT ZONING DISTRICT**

#### Section

- <u>17.58.010</u> General description.
- <u>17.58.020</u> Permitted uses.
- 17.58.030 Conditional uses.
- 17.58.040 Area regulations.
- 17.58.050 Off-street parking.
- <u>17.58.060</u> Nonconforming uses.
- 17.58.070 Airport encroachment area.
- 17.58.080 Height regulations.
- 17.58.090 Use regulations.

#### C ross-reference:

Rapid City Regional Airport Board, see Ch. 2.72



#### 17.58.010 General description.

This district is intended to provide regulations for the safe operation of aircraft into and out of the Rapid City Regional Airport.

(Ord. 5066 (part), 2005)



#### 17.58.020 Permitted uses.

Property and buildings in the airport zoning district shall be used only for the following purposes:

- A. Agriculture;
- B. Airport terminals and hangers;
- C. Airport runways, including approach-departure areas, and helipads;
- D. Fire stations;
- E. Transportation and utility easements and rights-of-way;
- F. Accessory uses and buildings, provided such uses are incidental to the principal use;
- G. On-premise signs as regulated by §§ 17.50.080 through 17.50.100;
- H. Government buildings and uses incidental to the principal use;
- I. Private terminals and accessory buildings;
- J. Car rental and accessory car washing and detailing;
- K. Commercial parking lots;
- L. South Dakota Air National Guard and accessory uses;
- M. Crew quarters necessary for airport and emergency operations;
- N. Wholesale and distribution centers;
- O. Retail business within airport terminal;
- P. Seasonal retail business within airport terminal;
- Q. Restaurant within airport terminal;
- R. Manufacturing;
- S. Commercial Aeronautical activities.

(Ord. 5517 (part), 2009; Ord. 5066 (part), 2005)

#### 17.58.030 Conditional uses.

- A. Planned commercial developments as regulated in §§  $\underline{17.50.050}$  through  $\underline{17.50.100}$  of this code;
  - B. Retail business or structure located outside the airport terminal;
  - C. Seasonal retail business or structure located outside the airport terminal;
- D. Off-premise signs as regulated by §§  $\underline{17.50.080}$  through  $\underline{17.50.100}$  and in accordance with the requirements of § 17.50.090;
  - E. Restaurant with on-sale liquor;
  - F. On-sale liquor establishments.
  - G. Hotel and Motel.

(Ord. 5517 (part), 2009; Ord. 5066 (part), 2005)



#### 17.58.040 Area regulations.

The following shall apply to all uses permitted in this district:

- A. Front yard. All buildings shall set back a minimum of 25 feet from the front property line of the exterior boundaries of the airport property and not from the internal lease boundaries.
- B. *Side yard*. No side yard is required, except that the width of a side yard which abuts a residential district shall not be less than 25 feet.
- C. *Rear yard*. Where a commercial building is to be serviced from the rear, there shall be provided an alleyway, service court, rear yard, or combination thereof of, not less than 30 feet in depth. The depth of a rear yard which abuts a residential district shall be not less than 15 feet. In all other cases, no rear yard is required.
- D. Setback from section lines. Principal and accessory buildings and structures shall be set back no less than 58 feet from any section line. No setback is required from any legally vacated section line; however, if the vacated section line forms a property line, the applicable side, rear or front yard setbacks shall be observed.

(Ord. 5517 (part), 2009; Ord. 5066 (part), 2005)



#### 17.58.050 Off-street parking.

As regulated in  $\S 17.50.270$ .

(Ord. 5066 (part), 2005)



#### 17.58.060 Nonconforming uses.

No preexisting nonconforming structure, tree or use shall be replaced, rebuilt, altered, allowed to grow higher or replanted so as to constitute a greater airport hazard than it was on the date the ordinance from which this article derives was adopted. (Ord. 5066 (part), 2005)



#### 17.58.070 Airport encroachment area.

There is hereby created an airport encroachment area, which consists of runway area zones, approach-departure zones, transition zones, a horizontal zone and a conical zone, which are adopted by the Airport Improvement Plan and defined in the Federal Aviation Regulation Part 77.25, and includes the following zones:

- A. *Runway area zones*. Runway area zones are established along the runways.
- B. Approach-departure zones. Approach-departure zones are established beyond and outward from the landing thresholds and departure limits of the runways.

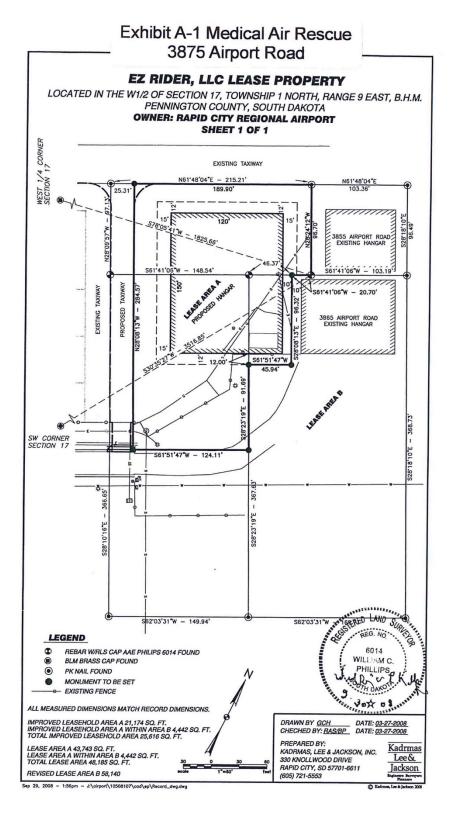
- Transition zones. Transition zones are established along both sides of all runways and approach-departure zones.
- D. Horizontal zone. A horizontal zone is established which has as its outer boundary a line beyond the airport property line.
- Conical zone. A conical zone is established as the land lying under the approach surface. The conical zone commences at the periphery of the horizontal zone, and extends outward and upward at a slope of 20 to 1 for a horizontal distance of 4,000 feet, as set forth in Section 77.25 of the Federal Aviation Regulations. (Ord. 5066 (part), 2005)

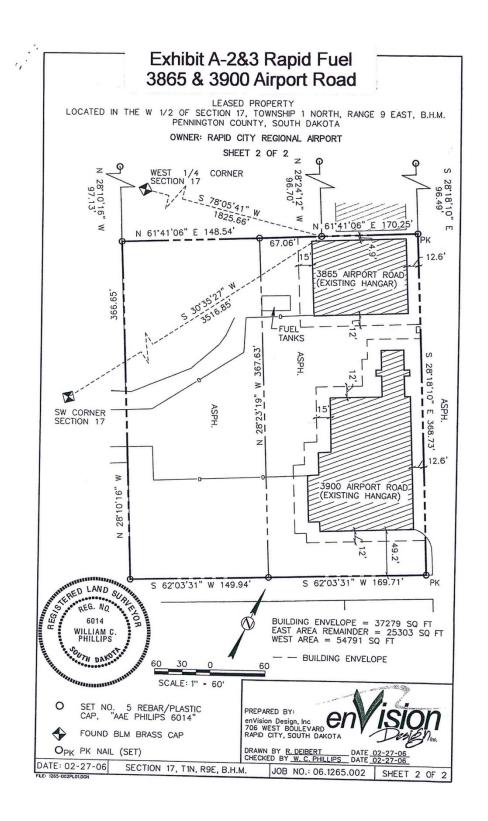
# 17.58.080 Height regulations.

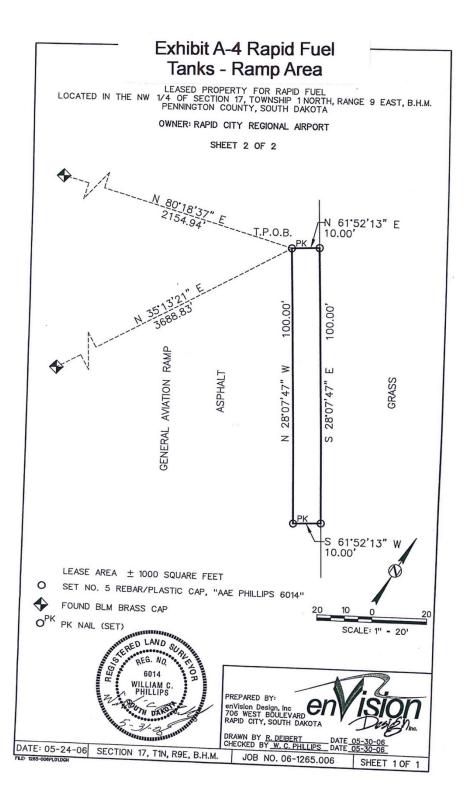
No structure, tree or other use of land shall be permitted which exceeds the height limit established by each of the encroachment zones. (Ord. 5066 (part), 2005)

## 17.58.090 Use regulations.

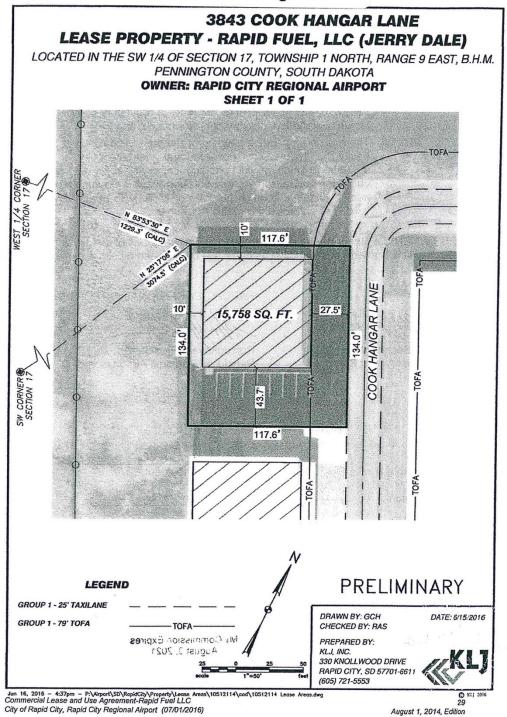
Notwithstanding any other provisions of this article, no use may be made of any land within any runway area zone, approach-departure zone, horizontal zone, conical zone or transition zone in any manner as to create electrical interference with the radio or radar communication or navigation aids between the airport and aircraft; make it difficult for air crews to distinguish between airport lights and others; result in glare in the eyes of air crews using the airport; impair visibility in the vicinity of the airport; or otherwise endanger the landing, taking off or maneuvering of aircraft within these zones. (Ord. 5066 (part), 2005)



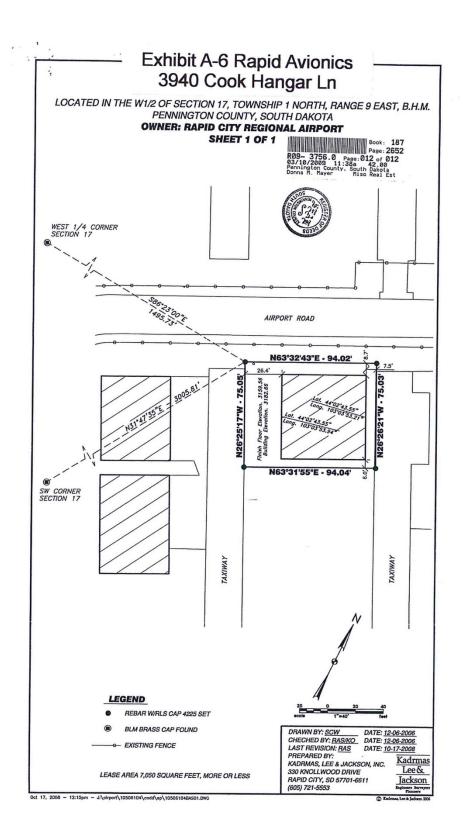




# Exhibit A-5 Rapid Fuel, Avionics 3843 Cook Hangar Ln



August 1, 2014, Edition



# Exhibit B Westjet Properties



Area A - 28,544 Improved; 102,376 Unimproved. Only Bldg 1 is improved in this area. Area D - 31,976 Improved - (Bldgs 5, 6, 7); 130,1563 Unimproved. Any building square footage is considered improved, all other areas are considered unimproved.



#### **Appraiser Certification Program**

Tel: 605.773.4608 | Fax: 605.773.5405 dlr.sd.gov/appraisers

This is to certify that the following individual has been granted Temporary Appraiser status in the state of South Dakota commencing on <a href="September 13">September 13</a>, <a href="2019">2019</a> and is valid through the completion of the appraisal work for appraisal service for the properties described as <a href="Industrial land">Industrial land in three use categories</a>: <a href="FBO">FBO</a>, SASO and GA Aircraft Storage, all located inside the fence at Rapid City Regional Airport, identified specifically as 3865, 3875 and 3900 Airport Road; 3843 and 3940 Cook Hangar Lane; 4076 Hansen Hangar Lane; 4160, 4190 and 4220 Westjet Drive; 4150 Schinzel Hangar Lane; 4120 Cirrus Hangar Lane; 4000 and 4025 La Croix Court; 3951 Piper Hangar Lane; Pennington County, Rapid City, South Dakota or six months from this date, whichever occurs first. The Temporary Permit is valid only for the person named below:

Alan M. Wilson
Alan M. Wilson & Associates
12315 Oak Knoll Road, Suite #220
Poway, California 92064
TEMPORARY PERMIT NUMBER: 1819-T-2019
ISSUED TO: ALAN M. WILSON
STATE-CERTIFIED GENERAL APPRAISER
DATE ISSUED: September 13, 2019
BY: SOUTH DAKOTA DEPARTMENT OF
LABOR AND REGULATION

This document was signed by the official in charge of licensing and certification on **September 13, 2019**.

BY:

Marcia Hultman, Secretary
Department of Labor and Regulation

#### QUALIFICATIONS OF ALAN M. WILSON, MAI

#### **GENERAL**

Principal Appraiser: Alan M. Wilson & Associates

12315 Oak Knoll Road, Suite 220 Poway, California 92064-5343 (858) 486-3350; FAX (858) 486-8350 E-mail: awmai@sbcglobal.net

#### PROFESSIONAL EXPERIENCE

1984 to Present: Principal - Alan M. Wilson & Associates 1981 to 1984: Associate Appraiser - Recht & Recht Co. 1980 to 1981: Staff Appraiser - Intra-State Appraisal 1979 to 1980: Staff Appraiser - San Diego County Assessor

#### FORMAL EDUCATION AND SPECIAL TRAINING

1977 - 1979: San Diego State University

Graduate School of Business Administration

Major - Real Estate

1973 - 1977: UCLA

B.A. - Urban and Economic Geography

#### American Institute of Real Estate Appraisers Courses

Real Estate Appraisal Principals Basic Valuation Procedures

Standards of Professional Practice

Capitalization Theory and Techniques (Parts 1-3)

Case Studies in Real Estate Valuation Report Writing and Valuation Analysis

**Investment Analysis** 

Market Analysis and Highest and Best Use

Society of Real Estate Appraisers Course

Introduction to Appraising Real Property

San Diego Graduate School of Business Administration Course

Real Estate Appraisal

San Diego Community College Course

Real Estate Law

State Board of Equalization Course

The Income Approach

Appraisal Institute Approved or Sponsored Seminars Attended:

Argus Discounted Cash Flow Attorneys, Appraisers and Real Estate

Cash Equivalence Appraisal of Partial Interests

Report Writing with WordPerfect OREA Federal and State Laws and Regulations

Subdivision Analysis

Comprehensive Examination

Blueprint Reading

Easement Valuation

Partial Acquisitions Litigation

Standards of Professional Valuation of Detrimental Conditions in Real Estate

Appraisal Practice (A, B, C) Condemnation Appraising

## QUALIFICATIONS OF ALAN M. WILSON (Continued)

#### ASSOCIATION MEMBERSHIPS

MAI - Appraisal Institute (No. 8553)

California State Certified Appraiser (No. AG006308)

Corporate Member Airplane Owners and Pilots' Association

Corporate Member Association of California Airports

#### EMPLOYMENT AND EXPERIENCE

Partial Client List:

Governmental Agencies

CalTrans

City of Chula Vista

City of Del Mar

City of Poway

City of San Diego

City of San Marcos

County of San Diego

North County Transit District

San Diego Association of Governments

United States Postal Service

#### Lenders

Bank of America

Union Bank of California

Wells Fargo Bank

#### Others

Casio Manufacturing Company

Children's Hospital

Coldwell Banker

General Electric Investment Corp.

Palomar Pomerado Health System

Solomon Brothers, Inc.

Waste Management (WMX Industries)

#### PROPERTY TYPES APPRAISED

I have prepared appraisals on most types of real estate, including commercial, residential, unimproved land, and special purpose properties.

#### QUALIFIED EXPERT WITNESS

Superior Court

United States Bankruptcy Court

Alan M. Wilson, MAI Partial List of Aviation Real Estate Appraisal Assignments

	Property Reference			
Year	Airport Location	Description	Purpose	Client
2019	Coast Air FBO Montgomery-Gibbs Executive San Diego, CA	110,000 SF of storage & maint. hangars; office & classroom	Estimate leasehold market value for proposed FBO const.	First Choice Bank
2019	Advanced Air Montgomery-Gibbs Executive San Diego, CA	9,000 SF maintenance hangar	Estimate market rent	City of San Diego
2019	SDPD Air Support Hangar Montgomery-Gibbs Executive San Diego, CA	10,000 SF maintenance hangar	Estimate market rent	City of San Diego
2019	Gibbs Flying Service Montgomery-Gibbs Executive San Diego, CA	25-acre FBO site	Estimate market ground rent	City of San Diego
2019	Experimental Aircraft Assoc. Brown Field San Diego, CA	2.5 acres of aviation land with drainage issues	Estimate market ground rent	City of San Diego
2019	Ramp 5 FBO Brown Field San Diego, CA	Four acres of aviation land	Estimate market ground rent	City of San Diego
2019	Air Force Plant 4 Fort Worth, TX	7.5-million-SF Lockheed-Martin manufacturing facility	Estimate facility market rent	U.S. Navy (subcontract)
2019	Air Force Plant 6 Marietta, GA	7.5-million-SF Lockheed-Martin manufacturing facility	Estimate facility market rent	U.S. Navy (subcontract)
2018	Crownair Montgomery-Gibbs Executive San Diego, CA	12 executive hangars	Estimate leasehold market value	Crownair
2018	WWII-era hangar Hemet-Ryan Hemet, CA	Maintenance hangar	Estimate market rent as part of proposed FBO	County of Riverside EDA
2018	Spiders Aircraft Montgomery-Gibbs Executive San Diego, CA	WWII-era maintenance hangar	Estimate market rent	City of San Diego
2017	Chino Municipal Chino, CA	18 storage hangars	Estimate market value "in bulk" for loan purposes	Pacific Premier Bank

	Property Reference				
Year	Airport Location	Description	Purpose	Client	
2017	Crownair Montgomery-Gibbs Executive San Diego, CA	12 executive hangars	Estimate leasehold market value	Crownair	
2016	Crownair Montgomery Field San Diego, CA	12 executive hangars	Estimate leasehold market value	Crownair	
2015	FAA Flight Service Station Montgomery Field San Diego, CA	Flex industrial/office building to be renovated for fire rescue	Estimate market rent	City of San Diego	
2015	40 acres of land Chino Municipal Chino, CA	Three parcels inside the fence and one outside the fence	Estimate market ground rent for potential release from aviation use	County of San Bernardino	
2015	Hemet-Ryan Hemet, CA	Generic aviation- restricted land	Estimate market ground rent	County of Riverside EDA	
2015	Jacqueline Cochran Thermal, CA	Generic aviation- restricted land	Estimate market ground rent for parcels having access to heavy and light ramps	County of Riverside EDA	
2015	French Valley Temecula, CA	Generic aviation- restricted land	Estimate market ground rent	County of Riverside EDA	
2014	Premier Jet #17 McClellan-Palomar Carlsbad	Storage hangar	Estimate leasehold market value for assessment purposes	Owner	
2014	Safari Aviation Gillespie Field El Cajon, CA	Storage and maintenance hangars	Estimate leasehold market value for partnership purposes	Owner	
2014	McClellan-Palomar Carlsbad	Aviation-restricted land subject to subsidence	Estimate market ground rent for arbitration purposes	Palomar Airport Pilots' Association	
2013	Boeing, Lockheed and Northrop-Grumman leaseholds Air Force Plant 42 Palmdale, CA	Storage and maintenance and manufacturing hangars	Estimate market rent for improvements	U.S. Navy (subcontract)	
2012	Borrego Valley Borrego Springs, CA	30-foot-wide strip of land within the RPZ	Estimate market ground rent for utility easement	County of San Diego	
2012	McClellan-Palomar Carlsbad	Aviation-restricted land subject to subsidence	Estimate market ground rent	Palomar Airport Pilots' Association	

	Property Reference Airport			
Year	Location	Description	Purpose	Client
2012	San Luis Obispo County Regional San Luis Obispo, CA	Generic storage, SASO and full-service FBO parcels	Estimate market ground rent for each of three categories	County of San Luis Obispo
2012	Oceano Oceano, CA	Generic storage, SASO and full-service FBO parcels	Estimate market ground rent for each of three categories	County of San Luis Obispo
2011	Boeing, Lockheed and Northrop-Grumman leaseholds Air Force Plant 42 Palmdale, CA	Storage and maintenance and manufacturing hangars	Estimate market rent for improvements	U.S. Navy (subcontract)
2010	McClellan-Palomar Carlsbad, CA	Generic aviation- restricted land	Estimate market ground rent	County of San Diego
2010	Marine Corps Air Station Yuma, AZ	Runway and adjacent land	Estimate fee simple value of land under runway	U.S. Navy (subcontract)
2010	Magellan FBO McClellan-Palomar Carlsbad, CA	FBO land parcel	Estimate impact of ground lease modifications on leasehold value	Magellan Aviation
2009	Gillespie Field El Cajon, CA	Generic aviation- restricted land	Estimate market ground rent	Gillespie Field Lessees' Assoc.
2007	Proposed FBO Montgomery Field San Diego, CA	16.69 acres of aviation-restricted land	Feasibility study for proposed construction	Square One Development
2007	Civic Helicopters McClellan-Palomar Carlsbad, CA	Hangar and offices on 1.14 acres	Estimate facility and ground rent	County of San Diego
2005	Scaled Composites Mojave Mojave, CA	Heavy maintenance hangar	Estimate leasehold market value	Scaled Composites, Inc.
2004	Border Patrol Offices Brown Field San Diego, CA	Office building	Estimate leasehold market value and fair market rent	City of San Diego
2004	BAE Systems Hangar Mojave Mojave, CA	Heavy maintenance hangar, warehouse, flex building	Estimate leasehold market value for potential sale	BAE Systems
2004	McClellan Palomar Carlsbad, CA	Generic aviation- restricted land	Estimate market ground rent	County of San Diego
2003	Gillespie Field El Cajon, CA	Generic aviation- restricted land	Estimate market ground rent	County of San Diego

	Property Reference			
Year	Airport Location	Description	Purpose	Client
2003	Magellan FBO McClellan-Palomar Carlsbad, CA	Proposed redevelopment of full-service FBO	Feasibility study	Magellan Group
2003	Gibbs Flying Service Montgomery Field San Diego, CA	Full service FBO	Estimate market ground rent and evaluate a proposed ground lease extension	Gibbs Flying Service
2002	Jet Source and Ocean Air FBOs McClellan Palomar Carlsbad, CA	Two existing FBOs	Estimate leasehold market value for loan purposes	California Bank & Trust
2001	Mercury Air Center and Media Aviation FBOs Burbank/Glendale/Pasadena Burbank, CA	Two existing FBOs	Estimate leasehold market value of the combined entities for loan purposes	Bank of America
2001	Avtel Services Mojave Mojave, CA	Heavy transport maintenance hangar	Estimate leasehold market value for loan purposes	Bank of America
2001	Media Aviation FBO Burbank/Glendale/Pasadena Burbank, CA	Existing FBO	Estimate leasehold market value for loan purposes for a pending sale	Bank of America
2001	Fallbrook Air Park Fallbrook, CA	Generic aviation- restricted land	Estimate market ground rent	County of San Diego
2000	Marshall Avenue Extension Gillespie Field El Cajon, CA	Aviation-restricted land to be used for road extension	Estimate fair market value for FAA release from aviation use	County of San Diego
2000	Borrego Valley Borrego, CA	Generic aviation- restricted land	Estimate market ground rent	County of San Diego
1999	Federal Express City Station Imperial Imperial, CA	Proposed air freight sorting and distribution facility	Estimate leasehold market value upon completion	Bank of America
1999	Media Aviation FBO Burbank/Glendale/Pasadena Burbank, CA	Proposed FBO	Estimate leasehold market value for loan purposes	Wells Fargo Bank
1999	Marine Corps Air Station, Miramar San Diego, CA	Limited use land within boundaries	Estimate market ground rent	U.S. Marine Corps County of San Diego
1998	SCIF leasehold McClellan Palomar Carlsbad, CA	FBO	Estimate market ground rent and leasehold market value	County of San Diego

	Property Reference Airport			
Year	Location	Description	Purpose	Client
1998	Fallbrook Air Park Fallbrook, CA	Generic aviation- restricted land	Estimate market ground rent	County of San Diego
1998	Safari Aviation East FBO Gillespie Field El Cajon, CA	Proposed executive hangars	Estimate leasehold market value for loan purposes	Grossmont Bank
1996	Media Aviation FBO Burbank/Glendale/Pasadena Burbank, CA	Existing and Proposed FBO	Estimate leasehold market value for loan purposes	Wells Fargo Bank
1994	Border Patrol facility Imperial Imperial, CA	Hangar	Estimate leasehold market value for loan purposes	Bank of America
1994	Safari Aviation FBO Gillespie Field El Cajon, CA	Existing FBO	Estimate leasehold market value for partnership buyout and loan purposes	FBO Owner and Grossmont Bank
1993	Mission West Aviation FBO McClellan Palomar Carlsbad, CA	Full service FBO	Estimate leasehold market value for loan purposes	Wells Fargo Bank
1993	Vallas leasehold McClellan Palomar Carlsbad, CA	Helicopter maintenance facility	Estimate leasehold market value for loan purposes	Bank of America
1990	Executive Air / Critical Air Montgomery Field San Diego, CA	Existing and proposed FBO construction	Estimate leasehold market value "as is"; feasibility study for proposed construction	Leasehold owner (subcontract)

#### **Partial Reference List**

Following are representatives of four firms and governmental agencies for whom I have provided airport appraisal services most recently. The various assignments performed for these clients (and others) are listed in the prior section of the Proposal. As demonstrated in the preceding list, my clients for this type of work are not strictly limited to airport sponsors. I have considerable experience working for airport tenants as well.

David L. Spencer, MAI, SRA	Ron Cozad, Esq.
Senior Appraiser, U.S. Navy	McClellan-Palomar Airport
Naval Facilities Engineering Command, SwDiv	2100 Palomar Airport Road, Suite 214
1220 Pacific Hwy., Ste. 201	Carlsbad, CA 92011
San Diego, CA 92132-5199	(760) 431-8200
(619) 532-2614	

Buzz Gibbs, President	Anne Baldwin, Senior Real Property Agent
Gibbs Flying Service	County of San Diego, Airports
3717 John J Montgomery Drive	1960 Joe Crosson Drive
San Diego, CA 92123	El Cajon, CA 92020
858-277-0310	(619) 956-4819

## Understanding of, and Approach to, the Project

The ultimate goal of the assignment is to estimate current market ground rent for improved and unimproved land representing three different use types inside the fence at Rapid City Regional Airport: SASO, G.A. storage, and FBO. Because the Airport will be using the appraisal to assist in establishing future ground rental rates for each of those use types on an airport-wide basis, it was necessary to identify a representative "template" subject property for each use. Three existing leaseholds representing each of the use types were identified in your Request For Proposal (incorporated herein by reference) and will be used as template subject properties for analysis purposes.

The ground rent estimates will reflect those specific properties' physical and locational characteristics. For example, physical improvements might include the extent and type of paving, while locational characteristics might include proximity to the major airport infrastructure. Accordingly, it will be necessary to incorporate an assumption that those subject parcels' characteristics are typical of other SASO, G.A. storage, and FBO parcels on the airport.

If I am the successful bidder, I expect to visit the airport at least twice. During those visits, I will make myself available to Airport staff, but I would also appreciate the opportunity to meet with tenants as well. From the Airport staff, I will obviously solicit input about the airport's current and future activity levels historic rent levels, pending capital improvement projects, and information about other airports that might be suitable for comparison with RAP. From the tenants, I would hope to gain a better understanding of their activities and economic trends, as well as their perspectives on the airport's operational characteristics that might not otherwise be apparent. I would welcome input from all interested stakeholders in an organized manner throughout the appraisal process.

After the subject property is fully understood, research will be conducted on the state of the general aviation industry on national, statewide, and local levels. This will be done to identify activity, economic and political trends that might impact RAP's market ground rents for each of the three use categories.

In estimating market rent for aviation-restricted land "inside the fence" the only appropriate method to use involves a survey of competitive airports for information on ground lease activity that may have occurred within a relevant time frame prior to the date of value. It is anticipated that the market data sample will include airports throughout the Midwest, with an emphasis on airports serving similar niches in the aviation market and those having similar real estate supply and demand characteristics to RAP. Identification of appropriate comparable facilities will begin with a complete understanding of the subject airport and the market it serves. In an effort to

have valid comparisons for the valuations, FAA and statewide airport classification criteria and statistical information will be studied. A proprietary filtering algorithm will then be applied to determine the most competitive facilities that will be specifically targeted for comparison purposes. The ultimate goal will be to locate recent ground lease activity at those targeted airports. Ideally, through the analysis of recent ground lease activity at "superior" and "inferior" airports, market rent for each category of land at RAP will be bracketed, recognizing of course that each airport is unique and serves a particular niche in its region.

Too many real estate appraisers apply a "broad brush" approach to data gathering when conducting airport appraisals. In many cases, "asking" rental rents at marginally competitive facilities are relied upon exclusively. My research will focus on *actual leases* executed within a meaningful interval prior to the date of value. Capital improvement requirements, lease terms, rent escalations, expense bases, fuel flowage fees, landing fees, use restrictions, percentage rent clauses, and any other major lease characteristics that could affect a ground lease rental rate will be studied, not only for the subject properties, but for the comparable market data as well.

It is possible that my survey of competitive airports will reveal only limited application of the "tiered" ground rent structure that is implied by the nature of this appraisal assignment. My market ground rent conclusions will be based on what I find in the market. To the extent that the market can provide a supportable indication of a tiered rent structure, it will be reflected in the appraisal in order to be responsive to the requested Scope of Work.

I am aware that the Airport has requested estimates of market value in addition to estimates of market ground rent for each of the identified "subject properties". Estimating fee simple market value through sales comparison and then applying a market-derived rate of return to arrive at a market ground rent is a well established and proper valuation method for almost all types of land. However, it cannot be applied to the valuation of airport land because open market, fee simple transfers involving portions of operational airports are nonexistent. Therefore, I propose to estimate fee simple market value through application of the Income Approach, in which market ground rent will be capitalized at an appropriate overall rate to arrive at the value indication. The very act of estimating fee simple market value for the subject properties implies that they actually could be sold. Therefore, that part of the appraisal assignment will require disclosure of a "hypothetical condition". A "hypothetical condition" exists when something that is known to be false is adopted as true for appraisal purposes.

# Work Plan / Requested Documents / Deliverables / Professional Fee

I will be solely responsible for the data gathering, analysis, and report writing necessary to accomplish all of the tasks in your RFP. Deliverables will include three copies of a bound narrative report that will meet current USPAP Standards for an appraisal report as well as an electronic copy in a .pdf format. The report will be sufficiently detailed for the Client to understand the appraiser's process of data collection, reasoning and conclusions. It will be of the type formerly referred to as a "self-contained narrative" appraisal report. Delivery of the report

will occur within 75 days of authorization to proceed and receipt of as many of the requested materials (listed below) as practicable.

Typically, before starting on an assignment such as this, I would like to have the following items, recognizing that many are readily available to me without having to request them from the Client:

- 1) A template ground lease
- 2) The current FAA-approved Airport Layout Plan
- 3) A map showing the boundaries of all leased parcels at the airport and the location of buildings thereon
- 4) A current ground rent roll
- 5) Information on any pending lease transactions, imminent changes in the tenant roster, and proposed improvement (new private construction) plans
- 6) Copies of all current ground leases
- 7) A history of aircraft operations at the airport, detailed by type of aircraft involved
- 8) A copy of the airport's master plan
- 9) Copies of surveys of the regional aviation market conducted by your jurisdiction or by third parties, if available
- Detailed description, history, and economic justification (feasibility studies, etc.) for any public and private construction projects contemplated at the airport
- 11) Copies of any environmental studies undertaken at the airport
- Name of contact person in Airport Tenants' Association; provided that Appraiser's interviewing of same is approved by Client
- Dates and costs of any major repairs, pavement resurfacing, or capital improvements that have been recently made to the leaseholds
- Names and phone numbers of airport manager and airport real estate contracts administrator
- 15) A history of fuel sales at the airport broken out by vendor and grade

My professional fee to complete this assignment will not exceed \$37,500, inclusive of travel expenses and deliverables. A retainer in the amount of \$9,375 is requested in order for me to schedule the work. At this time, the professional fee and the timing of deliverables must necessarily be contingent on my review and approval of the Airport's proposed contract for services.

### **Attachments**

My current resume is attached.

#### Conclusion

Once again, thank you for the opportunity to be of service to Rapid City Regional Airport. Please let me know if you have any questions about the Proposal, particularly as they might pertain to your required scope of work.

Respectfully submitted,

Alan M. Wilson, MAI

## QUALIFICATIONS OF ALAN M. WILSON, MAI

#### **GENERAL**

Principal Appraiser: Alan M. Wilson & Associates

12315 Oak Knoll Road, Suite 220 Poway, California 92064-5343

(858) 248-6180

E-mail: awmai@protonmail.net

#### PROFESSIONAL EXPERIENCE

1984 to Present: Principal - Alan M. Wilson & Associates 1981 to 1984: Associate Appraiser - Recht & Recht Co. 1980 to 1981: Staff Appraiser - Intra-State Appraisal

1979 to 1980: Staff Appraiser - San Diego County Assessor

#### FORMAL EDUCATION AND SPECIAL TRAINING

1977 - 1979: San Diego State University

Graduate School of Business Administration

Major - Real Estate

1973 - 1977: UCLA

B.A. – Geography

#### American Institute of Real Estate Appraisers Courses

Real Estate Appraisal Principals

**Basic Valuation Procedures** 

Standards of Professional Practice

Capitalization Theory and Techniques (Parts 1-3)

Case Studies in Real Estate Valuation

Report Writing and Valuation Analysis

Investment Analysis

Market Analysis and Highest and Best Use

Society of Real Estate Appraisers Course

Introduction to Appraising Real Property

San Diego Graduate School of Business Administration Course

Real Estate Appraisal

San Diego Community College Course

Real Estate Law

State Board of Equalization Course

The Income Approach

Appraisal Institute Approved or Sponsored Seminars Attended:

	Argus Discounted Cash Flow	Attorneys, Appraisers and Real Estate
ı	Cash Equivalence	Appraisal of Partial Interests
ı	Report Writing with WordPerfect	OREA Federal and State Laws and Regulations
	Subdivision Analysis	Blueprint Reading

Comprehensive Examination		nination	Easement Valuation
Partial Acquisitions			Litigation
Standards	of	Professional	Valuation of Detrimental Conditions in Real Estate
Appraisal Prac	etice (A,	B, C)	Condemnation Appraising

## QUALIFICATIONS OF ALAN M. WILSON (Continued)

#### ASSOCIATION MEMBERSHIPS

MAI - Appraisal Institute (No. 8553)

Member of Appraisal Institute's San Diego Chapter Experience Review Committee

California State Certified Appraiser (No. AG006308)

Corporate Member of the Airport Owners and Pilots Association (AOPA)

Corporate Member of the Association of California Airports

### EMPLOYMENT AND EXPERIENCE

#### Partial Client List:

Governmental Agencies

CalTrans

City of Chula Vista

City of Del Mar

City of Poway

City of Riverside

City of San Diego

City of San Marcos

County of Riverside Economic Development Agency

County of San Bernardino

County of San Diego

North County Transit District

San Diego Association of Governments

United States Postal Service

#### Lenders

Bank of America

Union Bank of California

Wells Fargo Bank

#### Others

Children's Hospital

CBRE

General Electric Investment Corp.

Palomar Pomerado Health System

Waste Management (WMX Industries)

#### PROPERTY TYPES APPRAISED

I have prepared appraisals on most types of real estate, including commercial, residential, unimproved land, and special purpose properties. My specialty area of practice is the appraisal of airport real estate.

### QUALIFIED EXPERT WITNESS

**Superior Court** 

United States Bankruptcy Court

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Alan M. Wilson, MAI Partial List of Aviation Real Estate Appraisal Assignments

	Property Reference			
Year	Airport Location	Description	Purpose	Client
2019	Coast Air FBO Montgomery-Gibbs Executive San Diego, CA	110,000 SF of storage & maint. hangars; office & classroom	Estimate leasehold market value for proposed FBO const.	First Choice Bank
2019	Advanced Air Montgomery-Gibbs Executive San Diego, CA	9,000 SF maintenance hangar	Estimate market rent	City of San Diego
2019	SDPD Air Support Hangar Montgomery-Gibbs Executive San Diego, CA	10,000 SF maintenance hangar	Estimate market rent	City of San Diego
2019	Gibbs Flying Service Montgomery-Gibbs Executive San Diego, CA	25-acre FBO site	Estimate market ground rent	City of San Diego
2019	Experimental Aircraft Assoc. Brown Field San Diego, CA	2.5 acres of aviation land with drainage issues	Estimate market ground rent	City of San Diego
2019	Ramp 5 FBO Brown Field San Diego, CA	Four acres of aviation land	Estimate market ground rent	City of San Diego
2019	Air Force Plant 4 Fort Worth, TX	7.5-million-SF Lockheed-Martin manufacturing facility	Estimate facility market rent	U.S. Navy (subcontract)
2019	Air Force Plant 6 Marietta, GA	7.5-million-SF Lockheed-Martin manufacturing facility	Estimate facility market rent	U.S. Navy (subcontract)
2018	Crownair Montgomery-Gibbs Executive San Diego, CA	12 executive hangars	Estimate leasehold market value	Crownair
2018	WWII-era hangar Hemet-Ryan Hemet, CA	Maintenance hangar	Estimate market rent as part of proposed FBO	County of Riverside EDA
2018	Spiders Aircraft Montgomery-Gibbs Executive San Diego, CA	WWII-era maintenance hangar	Estimate market rent	City of San Diego
2017	Chino Municipal Chino, CA	18 storage hangars	Estimate market value "in bulk" for loan purposes	Pacific Premier Bank

	Property Reference			
Year	Airport Location	Description	Purpose	Client
2017	Crownair Montgomery-Gibbs Executive San Diego, CA	12 executive hangars	Estimate leasehold market value	Crownair
2016	Crownair Montgomery Field San Diego, CA	12 executive hangars	Estimate leasehold market value	Crownair
2015	FAA Flight Service Station Montgomery Field San Diego, CA	Flex industrial/office building to be renovated for fire rescue	Estimate market rent	City of San Diego
2015	40 acres of land Chino Municipal Chino, CA	Three parcels inside the fence and one outside the fence	Estimate market ground rent for potential release from aviation use	County of San Bernardino
2015	Hemet-Ryan Hemet, CA	Generic aviation- restricted land	Estimate market ground rent	County of Riverside EDA
2015	Jacqueline Cochran Thermal, CA	Generic aviation- restricted land	Estimate market ground rent for parcels having access to heavy and light ramps	County of Riverside EDA
2015	French Valley Temecula, CA	Generic aviation- restricted land	Estimate market ground rent	County of Riverside EDA
2014	Premier Jet #17 McClellan-Palomar Carlsbad	Storage hangar	Estimate leasehold market value for assessment purposes	Owner
2014	Safari Aviation Gillespie Field El Cajon, CA	Storage and maintenance hangars	Estimate leasehold market value for partnership purposes	Owner
2014	McClellan-Palomar Carlsbad	Aviation-restricted land subject to subsidence	Estimate market ground rent for arbitration purposes	Palomar Airport Pilots' Association
2013	Boeing, Lockheed and Northrop-Grumman leaseholds Air Force Plant 42 Palmdale, CA	Storage and maintenance and manufacturing hangars	Estimate market rent for improvements	U.S. Navy (subcontract)
2012	Borrego Valley Borrego Springs, CA	30-foot-wide strip of land within the RPZ	Estimate market ground rent for utility easement	County of San Diego
2012	McClellan-Palomar Carlsbad	Aviation-restricted land subject to subsidence	Estimate market ground rent	Palomar Airport Pilots' Association

	Property Reference Airport			
Year	Location	Description	Purpose	Client
2012	San Luis Obispo County Regional San Luis Obispo, CA	Generic storage, SASO and full-service FBO parcels	Estimate market ground rent for each of three categories	County of San Luis Obispo
2012	Oceano Oceano, CA	Generic storage, SASO and full-service FBO parcels	Estimate market ground rent for each of three categories	County of San Luis Obispo
2011	Boeing, Lockheed and Northrop-Grumman leaseholds Air Force Plant 42 Palmdale, CA	Storage and maintenance and manufacturing hangars	Estimate market rent for improvements	U.S. Navy (subcontract)
2010	McClellan-Palomar Carlsbad, CA	Generic aviation- restricted land	Estimate market ground rent	County of San Diego
2010	Marine Corps Air Station Yuma, AZ	Runway and adjacent land	Estimate fee simple value of land under runway	U.S. Navy (subcontract)
2010	Magellan FBO McClellan-Palomar Carlsbad, CA	FBO land parcel	Estimate impact of ground lease modifications on leasehold value	Magellan Aviation
2009	Gillespie Field El Cajon, CA	Generic aviation- restricted land	Estimate market ground rent	Gillespie Field Lessees' Assoc.
2007	Proposed FBO Montgomery Field San Diego, CA	16.69 acres of aviation-restricted land	Feasibility study for proposed construction	Square One Development
2007	Civic Helicopters McClellan-Palomar Carlsbad, CA	Hangar and offices on 1.14 acres	Estimate facility and ground rent	County of San Diego
2005	Scaled Composites Mojave Mojave, CA	Heavy maintenance hangar	Estimate leasehold market value	Scaled Composites, Inc.
2004	Border Patrol Offices Brown Field San Diego, CA	Office building	Estimate leasehold market value and fair market rent	City of San Diego
2004	BAE Systems Hangar Mojave Mojave, CA	Heavy maintenance hangar, warehouse, flex building	Estimate leasehold market value for potential sale	BAE Systems
2004	McClellan Palomar Carlsbad, CA	Generic aviation- restricted land	Estimate market ground rent	County of San Diego
2003	Gillespie Field El Cajon, CA	Generic aviation- restricted land	Estimate market ground rent	County of San Diego

	Property Reference			
Year	Airport Location	Description	Purpose	Client
2003	Magellan FBO McClellan-Palomar Carlsbad, CA	Proposed redevelopment of full-service FBO	Feasibility study	Magellan Group
2003	Gibbs Flying Service Montgomery Field San Diego, CA	Full service FBO	Estimate market ground rent and evaluate a proposed ground lease extension	Gibbs Flying Service
2002	Jet Source and Ocean Air FBOs McClellan Palomar Carlsbad, CA	Two existing FBOs	Estimate leasehold market value for loan purposes	California Bank & Trust
2001	Mercury Air Center and Media Aviation FBOs Burbank/Glendale/Pasadena Burbank, CA	Two existing FBOs	Estimate leasehold market value of the combined entities for loan purposes	Bank of America
2001	Avtel Services Mojave Mojave, CA	Heavy transport maintenance hangar	Estimate leasehold market value for loan purposes	Bank of America
2001	Media Aviation FBO Burbank/Glendale/Pasadena Burbank, CA	Existing FBO	Estimate leasehold market value for loan purposes for a pending sale	Bank of America
2001	Fallbrook Air Park Fallbrook, CA	Generic aviation- restricted land	Estimate market ground rent	County of San Diego
2000	Marshall Avenue Extension Gillespie Field El Cajon, CA	Aviation-restricted land to be used for road extension	Estimate fair market value for FAA release from aviation use	County of San Diego
2000	Borrego Valley Borrego, CA	Generic aviation- restricted land	Estimate market ground rent	County of San Diego
1999	Federal Express City Station Imperial Imperial, CA	Proposed air freight sorting and distribution facility	Estimate leasehold market value upon completion	Bank of America
1999	Media Aviation FBO Burbank/Glendale/Pasadena Burbank, CA	Proposed FBO	Estimate leasehold market value for loan purposes	Wells Fargo Bank
1999	Marine Corps Air Station, Miramar San Diego, CA	Limited use land within boundaries	Estimate market ground rent	U.S. Marine Corps County of San Diego
1998	SCIF leasehold McClellan Palomar Carlsbad, CA	FBO	Estimate market ground rent and leasehold market value	County of San Diego

	Property Reference			
Year	Airport Location	Description	Purpose	Client
1998	Fallbrook Air Park Fallbrook, CA	Generic aviation- restricted land	Estimate market ground rent	County of San Diego
1998	Safari Aviation East FBO Gillespie Field El Cajon, CA	Proposed executive hangars	Estimate leasehold market value for loan purposes	Grossmont Bank
1996	Media Aviation FBO Burbank/Glendale/Pasadena Burbank, CA	Existing and Proposed FBO	Estimate leasehold market value for loan purposes	Wells Fargo Bank
1994	Border Patrol facility Imperial Imperial, CA	Hangar	Estimate leasehold market value for loan purposes	Bank of America
1994	Safari Aviation FBO Gillespie Field El Cajon, CA	Existing FBO	Estimate leasehold market value for partnership buyout and loan purposes	FBO Owner and Grossmont Bank
1993	Mission West Aviation FBO McClellan Palomar Carlsbad, CA	Full service FBO	Estimate leasehold market value for loan purposes	Wells Fargo Bank
1993	Vallas leasehold McClellan Palomar Carlsbad, CA	Helicopter maintenance facility	Estimate leasehold market value for loan purposes	Bank of America
1990	Executive Air / Critical Air Montgomery Field San Diego, CA	Existing and proposed FBO construction	Estimate leasehold market value "as is"; feasibility study for proposed construction	Leasehold owner (subcontract)