



COUNTY OF HUMBOLDT

For the meeting of: 2/4/2025

File #: 25-185

To: Board of Supervisors

From: Aviation

Agenda Section: Public Hearing

Vote Requirement: Majority

SUBJECT:

Public Hearing to Consider Amending the 2025 Humboldt County Schedule of Fees and Charges Related to the Department of Aviation's Hangar Rates

RECOMMENDATION(S):

That the Board of Supervisors:

1. Open the public hearing; and
2. Receive the staff report and public comments; and
3. Consider amending the 2025 Humboldt County Schedule of Fees and Charges related to the Department of Aviation's Hangar Rates; and
4. Provide direction to staff as appropriate; and
5. Close the public hearing.

STRATEGIC PLAN:

The recommended actions support the following areas of the Board of Supervisors' Strategic Plan:

Area of Focus: Core Services/Other

Strategic Plan Category: 9999 - Core Services/Other

DISCUSSION:

On Dec. 17, 2024, your Board adopted the 2025 Humboldt County Schedule of Fees and Charges that included increased rental rates for airport hangars.

On Jan. 2, 2025, the Department of Aviation notified hangar tenants of the increased hangar rates. Shortly thereafter the department began to receive feedback from airport tenants stating that the new aeronautical hangar rates were not reasonable and fair.

In August 2018, the Federal Aviation Administration ("FAA") conducted a land-use inspection of the county's six airports to ensure that the airports were compliant with the terms of their federal obligations with regard to airport property, aeronautical leases, non-aeronautical leases and airport safety. Following completion of that inspection, the County of Humboldt received a letter dated Dec. 13, 2018, identifying eight deficiencies that the county needed to remedy to ensure compliance with FAA regulations.

Following the receipt of the FAA letter identifying deficiencies, on Jan. 28, 2020, the Humboldt County Board of Supervisors ("Board") awarded a contract to Aviation Management Consulting Group ("AMCG") to assist in addressing FAA Land Use Inspection Compliance items, including an airport land use and rate study.

The FAA policy on airport rates and charges states that rates must be fair and reasonable and that airport proprietors must maintain a fee and rental structure that in the circumstances of the airport makes the airport as financially self-sustaining as possible. Federal law does not require a single approach to airport rate-setting. Fees may be set according to a “residual” or “compensatory” rate-setting methodology, or any combination of the two, or according to another rate-setting methodology, as long as the methodology used is applied consistently to similarly situated aeronautical users and conforms with the requirements of the policy. Airport proprietors may set fees for aeronautical use of airport facilities by ordinance, statute, resolution, regulation or agreement.

The AMCG study stated that the FAA emphasizes the importance of financial sustainability in relation to airport rates and charges. Airports must establish a fee and rental structure that ensures they are as financially self-sustaining as possible. Aeronautical rates should recover the costs of operating and maintaining the airport's aeronautical facilities. Charging fair market value for non-aeronautical uses is critical for achieving financial self-sustainability. Self-sustainability ensures that airports remain operational and reduce dependency on federal funding. Counties are encouraged to maximize revenue from non-aeronautical sources while maintaining fair and reasonable rates for aeronautical users. Aeronautical rates must be based on cost recovery, ensuring operational and maintenance expenses are covered without overcharging users. Rates and charges must be equitable and consistent, avoiding unjust discrimination among aeronautical users or subsidization that undermines sustainability. Compliance with these sustainability principles is tied to FAA Grant Assurance 24 and is a prerequisite for maintaining eligibility for FAA programs like the Airport Improvement Program.

The ACMG rate studies analyzed reasonable methodologies as indicated by the FAA including, historic cost valuation, direct negotiation with aeronautical users and objective determination of fair market value. Each evaluation is included in the attached ACMG Rate Studies. AMCG selected Objective Determinations of Fair Market Value as its opinion of market rent in its study as its base for comparative analysis of similar land and improvements at national, regional, comparable and competitive airports.

These AMCG rate studies were presented to and approved by the FAA via email on Jan. 21, 2021 and formally recognized as complete by the FAA in April 2021.

On Jan. 25, 2023, the FAA acknowledged that on Dec. 14, 2021 the Board approved a General Aviation Lease and Use Agreement Template and a Non-Commercial Aircraft Storage License Agreement Template based on the rental studies completed in April 2021, for all six airports to promote self-sustainability and included language with periodic adjustment.

Historically, hangar tenants had received annual CPI increases. Due to the extent that some of the aeronautical rent study hangar rates were increased, based on the AMCG study analysis, the Director of Aviation, at the time, worked with the FAA to obtain approval to increase the rental rates incrementally at 18% each year for five years until the hangar rates reached the AMCG, FAA approved rates. This was scheduled to bring all hangars to their appraised rate at the end of the five-year period.

On Feb. 23, 2021, the Board approved the first of such increases with the fiscal year 2020-2021 fee schedule. At the Aviation Advisory Committee meeting of the same date, the committee received an update from the Department of Aviation regarding the status of the county approved fee schedule, incremental approach methodology for aeronautical hangar rates and status on hangar rental rate increases.

In May 2021, letters were sent to hangar tenants discussing the appraisals for aeronautical use at county airports, the appraisal process, the fee schedule rate change and effective date, current hangar rate and new hangar rate effective June 1, 2021. This letter effectuated the first year of incremental rate increases, at which time 61% of hangar tenants had reached their appraised rate.

In fiscal year 2021-22, the Board approved the second-year incremental rate increases and a consumer price index (CPI) increase with the Humboldt County Schedule of Fees. In fiscal years 2022-23 and 2023-24, the Board approved incremental CPI increases only with the respective fee schedules. However, neither rate increases nor CPI adjustments were applied to tenants in fiscal years 2021-22, 2022-23 or 2023-24 .

On Dec. 17, 2024, the Board adopted the 2025 Humboldt County Schedule of Fees and Charges including the final year of the FAA approved incremental increases, for those hangars that had not yet reached the AMCG, FAA approved rate. This rate increase also included a CPI adjustment to ensure

that hangar rates keep pace with inflation and remain consistent with market rates over time.

Additional feedback from tenants indicated that tenants felt that the current rates do not warrant the improvements needed at hangar facilities, particularly with CPI adjustments leading to significant cost increases without corresponding maintenance.

The AMCG study determined that hangar conditions range overall were from fair to poor, with issues like aging structures, poor flooring and lighting deficiencies. California Redwood Coast-Humboldt County Airport exhibited better overall conditions compared to the Murray Field, Rohnerville and Garberville airports. Deficiencies common at the general aviation airports include, without limitation, incomplete construction, outdated lighting and structural wear.

The department has begun to gather condition assessments and assess funding strategies for rehabilitation efforts and increased maintenance activities at hangar facilities and general aviation airports. A key to ensuring funding strategies are successful will be CPI based adjustments. Not only will this ensure alignment with inflation and increasing operational costs, CPI adjustments will also increase revenues to assist in maintenance of facilities without placing an excessive burden on tenants, allowing for consistent funding of maintenance and improvements across the county's general aviation airports.

The FAA policy on airport rates and charges states Airport proprietors must employ a reasonable, consistent, and "transparent" (i.e., clear and fully justified) method of establishing the rate base and adjusting the rate base on a timely and predictable schedule. The department has established this as a five-year rate adjustment schedule.

SOURCE OF FUNDING:

Aviation Enterprise Fund (3530)

FINANCIAL IMPACT:

During fiscal years 2021-22, 2022-23 and 2023-24, the approved fee schedules included increased hangar rates. However, these rate increases were not applied to hangar tenants, and instead, hangar rates remained at fiscal year 2020-21 rates.

The department plans to continue to adjust fees by CPI moving forward as the FAA Land Use Inspection Compliance letter references an escalation clause be added to airport property use agreements and the FAA Land Use Compliance Inspection Resolution Letter dated Jan. 25, 2023 acknowledges the satisfaction of this.

The CPI adjustment strategy mentioned in the discussion could be a practical step to addressing funding needs for general aviation airports, ensuring alignment with inflation and maintaining fair rates for tenants.

Should your Board choose to amend the 2025 Humboldt County Schedule of Fees and Charges related to the Department of Aviation hangar rates, fees collectively would be reduced by approximately 14%, or \$55,876 in the current year by adjusting all rates to the AMCG, FAA approved rate and removing the CPI adjustment. Staff will need to come back to the Board with an ordinance to amend the 2025 Humboldt County Schedule of Fees and Charges. It should be noted that a 4/5 vote will be required to adopt such an ordinance.

The Department of Aviation would request, should the Board amend hanger rate fees, a General Fund Contribution be approved in the amount of \$55,876 for lost revenue. Staff would come back to the Board with a supplemental budget to effectuate this request.

STAFFING IMPACT:

Should the Board choose to amend the fees as established the impact to staffing will be in staff time to generate new rate letters and where applicable updated license agreements.

OTHER AGENCY INVOLVEMENT:

None

ALTERNATIVES TO STAFF RECOMMENDATIONS:

Board discretion.

ATTACHMENTS:

1. Public Hearing Notice Hangar Rates
 - 1.a. 2025 Fee Schedule Aviation Revised
 - 1.b. 2025 Revised Fee Schedule Justifications
2. AMCG Rate Study (EKA)
3. AMCG Rate Study (FOT)
4. AMCG Rate Study (ACV)
5. AMCG Rate Study (O16/D63/O19)
6. HCAAC Meeting Minutes from Feb. 23, 2021
7. Sample Redacted Tenant Letter
8. Land Use Compliance Inspection Letter
9. Land Use Compliance Inspection Closeout Letter
10. FAA Airport Rates and Charges Policy

PREVIOUS ACTION/REFERRAL:

Meeting of: 01/28/2020; 02/23/2021; 04/12/2022; 04/25/2023; 12/17/2024

File No.: 20-105; 21-192; 22-399; 23-417; 25-37