



Metropolitan Airports Commission

6040 - 28th Avenue South, Minneapolis, MN 55450 • 612-726-8100 • metroairports.org

May 2, 2024

Re: Proposed Modifications to MAC Ordinance No. 115 and No. 119 - Rates and Charges for Reliever Airports

Dear Tenant:

Aircraft Storage and Commercial tenant's rent are governed by Metropolitan Airports Commission (MAC) Ordinance No. 119 and No. 115. The Ordinances address ground rent, percentage rent, fuel flowage fees, landing fees, and administration fees. The last modification to Ordinance No. 115 was in 2012 and No. 119 was in 2014. In the fall of 2023, MAC staff began a review of MAC's general aviation rates and charges structure.

An early step in the review process included establishing the following objectives to help direct this work:

- Establishing a rates and charges structure that supports the Reliever Airports system, allowing this system to be as self-sustaining as possible under the circumstances.
- Ensuring that the rates and charges structure complies with federal and state law regarding rate setting, as well as federal policy and MAC's Grant Assurances; and
- Retaining a balanced and reasonable structure of rates and charges within MAC's general aviation system.

In the review process, MAC staff commissioned studies to assess ground rental rates, fuel flowage fees and annual escalators. The development of a rate structure, however, involves more than the establishment of ground rent, fuel flowage fees and corresponding escalators. Consideration is given to several factors, such as the definition of the leased area, categories of tenants, airport infrastructure and services, recognition that the system exists in a major metropolitan area, legal requirements regarding rate setting and financial self-sustainability, demand for space and the MAC's purpose and funding.

During the last several months, Staff have had conversations with the Reliever Airport Advisory Council (RAAC), as well as Aircraft Storage and Commercial tenants socializing the topic. These conversations and the rental analyses have led Staff to propose updates to MAC's rates and charges for general aviation users of MAC's system of airports. In concept, the changes being proposed to the current structure include removing the sublease license fee, reducing the ground rental rate escalator, adjusting rates and charges paid by commercial tenants and the fuel-flowage fee assessed to the aircraft fuel providers and harmonizing the MSP fuel flowage fee with that assessed at the Reliever Airports.

This last proposal is the one that makes an amendment to MAC Ordinance No. 115 necessary, as it is within that ordinance that fuel flowage fees for general aviation operations at MSP are established. Therefore, this process will also include a hearing process to amend Ordinance No. 115, as well as repeal and replace Ordinance No. 119. Following is an outline of the proposed changes to the ordinances:

Aircraft Storage Tenants

Ground Rent

Aircraft Storage Ground Rent currently escalates by approximately 3.33% annually. The recommendation is to adjust the escalator downward to 3.0% annually.

Sublease License Fee

The Sublease License Fee is designed to capture a fee from Aircraft Storage tenants who sublease space within their hangar to other aircraft owners. The fee has proven to be challenging to administer. The staff recommendation is to eliminate the fee.

Commercial Tenants

Ground Rent

Based upon a survey of rents, an adjustment is recommended for commercial tenant Ground Rent. Additionally, the Ground Rent charged to commercial tenants at the Anoka Airport should have been adjusted upward when the runway length was increased to 5,000 feet. The staff recommendation is to increase commercial Ground Rent to the study recommendation across the Reliever Airport system over three years, after which a 3% annual escalator will be applied similar to Aircraft Storage tenants. To attain the study recommendation, the three-year annual per square foot increase would be \$0.002 to \$0.065 depending on the airport.

Fuel Flowage Fees

There are currently three fuel flowage fees assessed in the Reliever system depending on the airport and fuel grade. The fees range from \$0.154 to \$0.211 per gallon. The staff recommendation is to charge a single flowage fee of \$0.21 to all grades of fuel across the system. The annual escalator on fuel flowage fees will remain at 4%.

In April, the Commission approved Staff to proceed with a public hearing process to repeal and replace Ordinance No. 119 and to amend Ordinance No. 115. The proposed changes to the ordinances would be generally as described above. Before the hearing, staff have scheduled **informational meetings for May 22 at 3:00 p.m. and 7:00 p.m.** at the MAC General Offices at 6040 28th Ave So., Minneapolis, MN 55450. At these meetings, staff will present the proposed changes outlined in this letter and answer questions from tenants regarding the proposal.

The public hearing is tentatively planned for July 15, 2024. Following the public hearing, MAC staff will consider the input, make any changes to the draft ordinances, and present them to the hearing officers. The hearing officers will then consider whether to recommend that the Commission adopt the modified ordinances. Correspondence related to this project, including notice of the dates for the public hearing, hearing officers' meeting and the Commission meetings at which the draft ordinance amendment will be considered can be found at <http://bit.ly/3Jm8Mob> by opening the QR code below.

If you have any questions or comments, please contact me at 612-726-8142.

Sincerely,



Kelly Gerads
Assistant Director,
Reliever Airports

