

## Land Lease Rate History & Justification

The FAA requires under the Federal Grant Assurances the Airport receive a "Fair Market Value" for land accrued under the program. The follow is from the FAA Grant Assurance Guidance.

*Public lands will not be made available for private enterprise without obtaining a fair market return. No private individual, or firm, has a right to the use of publicly funded airport land for personal gain without paying their fair share of the maintenance, development and operation of the facility. Having invested substantial public funds in the capital airport plant, the public owner and the FAA have thereby created a business opportunity for privately owned aviation services and non-aviation uses which otherwise would not exist. Therefore, the Sponsor has both a right and obligation to command a reasonable return on their investment.*

*Further, a no rent or excessively low rent lease (Aviation or Non-aviation) will not meet the requirement of the Sponsor's assurance contained in current grant agreements, which reads in part:*

*"Sponsor will maintain a fee and rental structure consistent with assurances 22 and 23 for the facilities and services being provided the airport users which will make the airport as self-sustaining as possible under the circumstances existing at that particular airport, taking into account such factors as the volume of traffic and economy of collection."*

*A fair market rental value (historically 8% to 12% of fair market value) should be assessed for grounds within the leasing area. The fair market rental value of land to be leased should be determined by an acceptable market analysis, usually formal appraisals. Such leases must bring a fair market return to the airport.*

The Airport is Federally Audited each spring to assure compliance with the Grant program. In the spring of 2004 the FAA requested the Airport to reevaluate the land values. Based upon an Appraisal conducted June 17, 2004 land at the Joplin Regional Airport had a Market value of \$.90/sq ft.

In 2004 the Airport Land Lease Rate was \$.07/sq. ft. per year. The Airport felt that a 1200% increase in the land lease rate would be detrimental to the development of the Airport. The Airport negotiated with the FAA a Land Lease Rate schedule that would provide a steady, justifiable increase in the rate over the next 25 years.

The appraiser assumed a 2% increase in land value per year and the Airport value sees an average of 3% growth per year thus a 5% annual growth was applied.

The rate is adjusted every 5 years through the 25-year term of the original agreement. After the initial 25-year term (2030) the leases will be renewed in 5-year increments. The same formulation will be applied with a maximum of no more than a 25% change in the 5-year cost. This new rate will be applied for the length of the next 25-year term.

This is the original rate schedule from 2004.

<b>LAND LEASE RATE SCHEDULE</b>		
<b>YEAR</b>	<b>LEASE YEAR</b>	<b>RATE/SQ'/YR-Rev</b>
2005	1	\$0.070
2006	2	\$0.070
2007	3	\$0.070
2008	4	\$0.070
2009	5	\$0.070
2010	6	\$0.095
2011	7	\$0.095
2012	8	\$0.095
2013	9	\$0.095
2014	10	\$0.095
2015	11	\$0.111
2016	12	\$0.111
2017	13	\$0.111
2018	14	\$0.111
2019	15	\$0.111
2020	16	\$0.129
2021	17	\$0.129
2022	18	\$0.129
2023	19	\$0.129
2024	20	\$0.129
2025	21	\$0.149
2026	22	\$0.149
2027	23	\$0.149
2028	24	\$0.149
2029	25	\$0.149

All tenants with Ground Leases are charged from this same schedule.

**UPDATE:**

On 7/6/2023, it was proposed that the Lease Rate Schedule be extended another 25 years to accommodate any future lease agreements whose term would have extended beyond the original calculated values. The traditional formula for growth was applied as it has closely resembled actual real estate growth rates for the area and meets the Fair Market Value requirement.

The extended Land Lease Rate Schedule is below:

LAND LEASE RATE SCHEDULE		
YEAR	Lease Year	Rate/SqFt
2030	1	0.172
2031	2	0.172
2032	3	0.172
2033	4	0.172
2034	5	0.172
2035	6	0.198
2036	7	0.198
2037	8	0.198
2038	9	0.198
2039	10	0.198
2040	11	0.228
2041	12	0.228
2042	13	0.228
2043	14	0.228
2044	15	0.228
2045	16	0.262
2046	17	0.262
2047	18	0.262
2048	19	0.262
2049	20	0.262
2050	21	0.302
2051	22	0.302
2052	23	0.302
2053	24	0.302
2054	25	0.302