MEMORANDUM

TO: Airport Board
FROM: Patrick Dame, C.M., Executive Director
DATE: January 28, 2020
RE: General Aviation Rates & Charges Presentation

On March 12, 2019, the Airport Board entered a professional services agreement with Frasca & Associates, LLC, to assist the Airport in developing and negotiating a General Aviation (GA) Rates & Charges Methodology and Policy. The goal of this work was to develop new GA rates and charges that are compliant with relevant federal regulations, reflective of industry best practices, and complementary to the Airport’s new airline agreement.

Frasca has completed its study and is presenting its findings to the Board today. A copy of their final report is attached. Two separate land appraisals were also completed as part of their study. A copy of each appraisal has been provided to the Board under separate cover and is available to the public through written request to the Airport administrative office.

STAFF RECOMMENDATION: Staff recommends Board acknowledgement of the Frasca presentation and report.
Rapid City Regional Airport

General Aviation Rates and Charges Study
January 2020
Rapid City Regional Airport has undertaken an effort to standardize both leasing and rates and charges policies airport-wide using industry best practices.

Frasca & Associates (FRASCA) was engaged to recommend a new General Aviation (GA) Rates and Charges Policy that is:

- Compliant with relevant federal regulations
- Reflects industry best practices
- Complementary to the new 2018 Airline Agreement

Two independent appraisals were conducted by certified appraisers to provide indicative fair market value rental rates for sample GA tenants.

FRASCA report makes recommendations regarding:

- Ground rental rates
- Defining leasehold areas
- Leasing provisions
General Aviation Rates and Charges Study - Background

GA Rates and Charges Study continues a multi-year process undertaken by the Rapid City Regional Airport to modernize, standardize, and incorporate best practices into agreements and leases.

2014 Standardized Leases
- Airport developed and adopted standardized leases for commercial and non-commercial use
- Annual escalation of rates by CPI with reset by Rent Study every 5 years
- Differential rates for:
  - Improved versus unimproved areas
  - FBO versus other GA tenants
  - FBO land occupied by buildings versus tie down areas

2017 GA Rates and Charges Study
- Summarized RAP GA facility, operational, and service data
- Reviewed historical revenues
- Summarized relevant federal regulations
- Reviewed Airport guiding documents
- Reviewed peer airports
- Recommended review of leasing practices

2018 Airline Agreement
- Developed reasonable and maintainable cost center accounting
- Calculated passenger airline rates, fees, and charges on industry standard basis
- Increased passenger airline landing fee rates to full cost recovery of related airfield facilities
Federal Grant Assurances for Airports

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.

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.

FAA Rates and Charges Policy (FAA Order 5190.6B)

...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.
<table>
<thead>
<tr>
<th>Lease Elements</th>
<th>Industry Best Practices</th>
</tr>
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</table>
| Term                          | ▪ Duration needed for developer to amortize investment in improvements  
                                 ▪ Typically 20-30 years  
                                 ▪ Term extended with reinvestment in facilities                                                                 |
| Scope of Rates, Fees, and Charges | ▪ Ground rent or ground and building rent if tenant leasing an airport-owned building  
                                 ▪ Some airports charge privilege fees, a percentage of tenant gross revenues, but typically corresponds to lower rental rates  
                                 ▪ Reimbursement for services provided by airport                                                                                           |
| Escalation Provisions         | ▪ Establish rental rates based on appraisal  
                                 ▪ Escalation tied to one or more of the consumer price indexes  
                                 ▪ Update appraisals and reset rates every 3 to 5 years                                                                                   |
| Reversion Clauses            | ▪ Term tied to useful life, investment fully depreciated over length of lease  
                                 ▪ Improvements revert to airport at the end of the lease                                                                                   |
| Definition of Leasehold Areas | ▪ Uniform rates charged over entire parcels  
                                 ▪ Differential rates for improved and unimproved land, with standard based on whether land is paved and/or has access to utilities |
Establish rental rates based on fair market value

Accept the opinion of the lower appraisal as to fair market value

- Two independent appraisal reports conforming with relevant FAA regulations suggest market rental rates for GA facilities between $0.27 and $0.39
- Implement new rental rates as provided for in agreements or as agreements renewed

<table>
<thead>
<tr>
<th>Type of Land (per sq ft)</th>
<th>Improved</th>
<th>Unimproved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aircraft Storage</td>
<td>$0.30</td>
<td>$0.27</td>
</tr>
<tr>
<td>SASO</td>
<td>$0.33</td>
<td>$0.30</td>
</tr>
<tr>
<td>FBO</td>
<td>$0.33</td>
<td>$0.31</td>
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</table>

Maintain existing rent escalation and market reset provisions

Establish following definitions of leasehold areas

- Square feet of developable land excluding taxiway and/or taxilane object free area
- Maintain charging differential rental rates for improved and unimproved land, with standard based on whether land is paved or has access to utilities
- Cease charging differential rental rates for land occupied by a building

Incorporate reversion clauses into future leases
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:

<table>
<thead>
<tr>
<th>Property type</th>
<th>Improved</th>
<th>Unimproved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aircraft storage (Schabauer)</td>
<td>$0.30/sq ft</td>
<td>$0.27/sq ft</td>
</tr>
<tr>
<td>SASO (Dale)</td>
<td>$0.33/sq ft</td>
<td>$0.30/sq ft</td>
</tr>
<tr>
<td>FBO (WestJet)</td>
<td>$0.33/sq ft*</td>
<td>$0.31/sq ft*</td>
</tr>
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* 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, 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.

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1 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.

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 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
  
  o General provisions applied uniformly to general aviation lease agreements
  
  o Minimum standards intended to promote high quality, safe, secure, and economically healthy general aviation services and facilities developed in an orderly fashion
  
  o Rules and regulations to promote the safe, orderly, and efficient operation of the Airport
  
  o 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 most 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 of airfield facilities, 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 at least equal to RAP’s, 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:

<table>
<thead>
<tr>
<th></th>
<th>Lessee A</th>
<th>Lessee B</th>
<th>Current annual ground rental rate</th>
<th>Lessee A ground rent</th>
<th>Lessee B ground rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hypothetical lot size (sf)</td>
<td>10,000</td>
<td>10,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proposed building footprint (sf)</td>
<td></td>
<td></td>
<td>$0.26722</td>
<td>$534.44</td>
<td>$1,068.88</td>
</tr>
<tr>
<td>Net “unimproved area”</td>
<td></td>
<td></td>
<td>$0.13366</td>
<td>$1,069.28</td>
<td>801.96</td>
</tr>
<tr>
<td>Total ground rent</td>
<td></td>
<td></td>
<td></td>
<td>$1,603.72</td>
<td>$1,870.84</td>
</tr>
</tbody>
</table>

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

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:

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

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:

<table>
<thead>
<tr>
<th>Type of land</th>
<th>Improved</th>
<th>Unimproved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aircraft storage (Schabauer)</td>
<td>$0.30/sq ft/building envelope</td>
<td>$0.27/sq ft/building envelope</td>
</tr>
<tr>
<td>SASO (Dale Aviation)</td>
<td>$0.33/sq ft/land</td>
<td>$0.30/sq ft/land</td>
</tr>
<tr>
<td>FBO (WestJet)</td>
<td>$0.33/sq ft/land</td>
<td>$0.31/sq ft/land</td>
</tr>
</tbody>
</table>

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.
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 6th 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/handcaps, 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, 7th 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. Shaykett MAI  
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

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.
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:
  
  o Identifies and describes the subject properties

  o Summarizes relevant provisions of the leases

  o 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

  o Documents any assumptions or limiting conditions upon which the valuation opinion was predicated
## EXHIBIT A

Attachment 1  
SUBJECT PROPERTIES  
Rapid City Regional Airport

<table>
<thead>
<tr>
<th>Lessee/Area</th>
<th>Address</th>
<th>Improved Area</th>
<th>Unimproved Area</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dale Aviation (Specialized Aviation Service Operation)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical Air Rescue Hangar</td>
<td>3875 Airport Road</td>
<td>48,185</td>
<td>0</td>
<td>48,185</td>
</tr>
<tr>
<td><strong>Dr. Ernest Schabauer (Private Hangar)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hangar</td>
<td>4076 Hansen Hangar Lane</td>
<td>5,715</td>
<td>0</td>
<td>5,715</td>
</tr>
<tr>
<td><strong>WestJet Aviation Center, Inc. (Fixed Base Operator)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A-Bldgs 1, 2, 3</td>
<td>Bldg 1 - 4160 Westjet Drive Bldg 2 - 4150 Airport Hangar Road (Bldg 2 since demolished) Bldg 3 - 4150 Schinzl Hangar Lane</td>
<td>28,544</td>
<td>102,376</td>
<td>130,920</td>
</tr>
<tr>
<td>B-Ramp Area</td>
<td>Not applicable</td>
<td>0</td>
<td>11,718</td>
<td>11,718</td>
</tr>
<tr>
<td>C-Bldg 4</td>
<td>4120 Cirrus Hangar Lane</td>
<td>0</td>
<td>29,483</td>
<td>29,483</td>
</tr>
<tr>
<td>D-Bldgs 5, 6, 7</td>
<td>Bldg 5 - 4025 La Croix Court Bldg 6 - 4000 La Croix Court Bldg 7 - 3951 Piper Hangar Lane</td>
<td>31,976</td>
<td>130,163</td>
<td>162,139</td>
</tr>
<tr>
<td>E-Fuel Tank Areas</td>
<td>Fuel Farm Road</td>
<td>0</td>
<td>4,935</td>
<td>4,935</td>
</tr>
<tr>
<td>F-New GA Bldg</td>
<td>4190 Westjet Dr</td>
<td>9,184</td>
<td>0</td>
<td>9,184</td>
</tr>
<tr>
<td>G-Bldg 8</td>
<td>4220 Westjet Dr</td>
<td>15,494</td>
<td>0</td>
<td>15,494</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td>85,198</td>
<td>278,675</td>
<td>363,873</td>
</tr>
</tbody>
</table>
Attachment 2
SUBJECT PROPERTIES
Rapid City Regional Airport

<table>
<thead>
<tr>
<th>Attachment</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2-1</td>
<td>Dale Aviation</td>
</tr>
<tr>
<td>2-2</td>
<td>Dr. Ernest Schabauer</td>
</tr>
<tr>
<td>2-3 (8 pages)</td>
<td>WestJet Air Center</td>
</tr>
</tbody>
</table>
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

LEGEND

GROUP 1 25' TAXILANE
GROUP 1 75' TOFA

5715 SQ. FT.

LACROIX COURT

DRAWN BY: GCH
CHECKED BY: RAS
DATE: 11/18/2015

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

© KLJ 2015
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 - 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 ——— BRL
GROUP 1 25' TAXILANE ———
GROUP 1 79' TOFA ——— TOFA
CHAINLINK FENCE ———

DRAWN BY: GCH  DATE: 8/19/2014
CHECKED BY: RAS  DATE:
PREPARED BY:
KLJ, INC.
330 KNOLLWOOD DRIVE
RAPID CITY, SD 57701-6611
(605) 721-5553

© KLJ 2014
EXHIBIT A

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

LEGEND

CHAINLINK FENCE

DRAWN BY: GCH
CHECKED BY: RAS
DATE: 8/19/2014
PREPARED BY:
KLJ, INC.
330 KNOXWOOD DRIVE
RAPID CITY, SD 57701-6611
(605) 721-5553
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

OWNER: RAPID CITY REGIONAL AIRPORT

SHEET 1 OF 1

9,184 SQ. FT.

9,184 Improved Area

LEGEND

BUILDING RESTRICTION LINE         BRL

LIGHTED OVERHEAD SIGN

DRAWN BY: GCH       DATE: 1/28/2015
CHECKED BY: RAS
PREPARED BY:
KLJ, INC.
330 KNOLLWOOD DRIVE
RAPID CITY, SD 57701-5611
(605) 721-5553
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);
EXHIBIT B

- 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);
- 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).
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 12th 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, 7th 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 TO FOLLOW—
IN WITNESS WHEREOF, this Agreement is executed as of the date set forth above.

Alan M. Wilson & Associates
By: Alan M. Wilson
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
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.
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
## Attachment 1 – Subject Properties

<table>
<thead>
<tr>
<th>Lessee/Area</th>
<th>Address</th>
<th>Rates Listed are as of January 1, 2019</th>
<th>Leased Area (Square Feet)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Improved .26722</td>
<td>Unimproved .13366</td>
</tr>
<tr>
<td><strong>Exhibits A 1-6 Dale Aviation (Specialized Aviation Service Operation)</strong></td>
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<td></td>
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<tr>
<td>1 - Medical Air Rescue Hangar</td>
<td>3875 Airport Road</td>
<td>25,616</td>
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<tr>
<td>2 &amp; 3 – Rapid Fuel, L&amp;D Aero</td>
<td>3865 &amp; 3900 Airport Road</td>
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<td>4 – Rapid Fuel, Fuel Tanks</td>
<td>Ramp</td>
<td>1,000</td>
<td>$267.22</td>
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<td>5 – Rapid Fuel, Avionics</td>
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<td>6 – Rapid Avionics</td>
<td>3940 Cook Hangar Ln</td>
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<td><strong>TOTAL</strong></td>
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### Exhibit A-7 Dr. Ernest Schabauer (Private Hangar)

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<th>Lessee/Area</th>
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<th>Leased Area (Square Feet)</th>
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<tr>
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<td></td>
<td>Improved .26722</td>
<td>Unimproved .13366</td>
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<tr>
<td>7 – Hangar</td>
<td>4076 Hansen Hangar Lane</td>
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<td>Area A-Bldgs 1, 2, 3</td>
<td>Bldg 1-4160 Westjet Dr Bldg 2-has been torn down Bldg 3-4150 Schinzell Hangar Ln</td>
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<td>Area D-Bldgs 5, 6, 7</td>
<td>Bldg 5-4025 La Croix Ct Bldg 6-4000 La Croix Ct Bldg 7-3951 Piper Hangar Ln</td>
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<td>Area E-Fuel Tank Areas</td>
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<td>363,873</td>
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</table>
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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.
EXHIBIT B

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);


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).
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  
awmail@protonmail.com  
(858) 248-6180
**SUBJECT PROPERTIES**

(Rates Listed are as of January 1, 2019)

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