

CITY OF WICHITA
WICHITA AIRPORT ADVISORY BOARD

MINUTES

Monday, January 7, 2002 - 2:00 p.m.

Present: Tim Austin, Dion Avello, Mitch Faroh, Beth Garrison, Carl Harris, Dorothy McKay, Dave Murfin

Absent: Charles Bouilly, Bill Calloway, Don Slawson, Jay Swanson, Carrie Williams

City Staff: Ernie Garcia, Doug Moshier

Airport Staff: Bailis Bell, Steve Flesher, Jean Zoglman, Valerie Wise

Chairman Avello called the meeting to order.

Approval of Minutes

Austin moved to approve the minutes of the December 3, 2001 Wichita Airport Advisory Board meeting. Motion passed unanimously.

Briefing on Status of Travel Bank

Steve Flesher, Air Service Development Director, explained that a pledge drive is underway to solicit commitments from businesses to one or more of the three low fare carriers targeted in the Fair Fares Campaign – AirTran, ATA, and Frontier. A Fair Fares Campaign Committee has been established. The original date to complete the pledge drive was January 18, 2002. The Fair Fares Committee has coordinated over 25 chambers and economic development agencies in the surrounding 16-county area. The committee has completed a direct mail effort to approximately 22,000 individuals in a targeted business base. The committee has established a Fair Fares ambassador call center scheduled to contact 16,000 of those organizations and assist in developing pledges. The committee has initiated full-page, Fair Fares ads and editorials to be run in the Wichita Eagle, Wichita Business Journal, and surrounding community newspapers through the duration of the pledge drive. The campaign is supported by BIG – Business Investment Group – making calls to top executives to approximately 150 of the largest air service use companies in the Wichita Metro area. The BIG group is also being given an expanded list of businesses in the South Central Kansas region and will be making phone contacts with top executives in those organizations. This committee has worked with the economic development commissions in Harvey County and Sumner County to schedule joint calls on large air service use businesses. A Fair Fares campaign web site has been developed on the www.flywichita.com web site. Fair Fares campaign ambassadors have

been provided to speak at various community functions. A Fair Fares travel purchase card program was developed that allows businesses to finance their travel pledges to the various airlines utilizing a line of credit versus deposits into pre-paid travel accounts, which is a major improvement over the initial program. This is a first in the United States. Pledge totals as of January 4, 2002 have risen to over \$2 million. Most of the promotional push will occur during the last two weeks of the campaign. A strong finish and success in recruiting AirTran, Frontier and ATA is anticipated. The January 18, 2002 deadline was set in order to capture an opportunity with one of these airlines in the May/June timeframe. The campaign may be altered to allow pledges to come in after that for the other two carriers.

Discussion of Pricing Policy and Practices for Airport Land

One of the responsibilities of the Wichita Airport Advisory Board is to review the leasing policies of airport land. There are basically two policies that govern these policies: (1) Fair market value must be charged; and (2) no discrimination without justification is allowed within classes of businesses when establishing pricing. The airlines operate at 100% of cost, which is the cost of facilities and services.

Steve Martens, President of The Martens Companies, presented the history of land rent policy. In 1986, The Martens Companies was asked to assist in the development of land rent policy, as there was concern over consistency in how land rents were applied, and to have a generalized policy for the Wichita Airport Authority to use in dealing with real estate transactions. In 1986, the land rent started at 10¢/sq.ft. per year. At that time, a 5% escalator was put in place. The current rental rate, for the period from May 1, 2001 to April 30, 2002, is \$.2081/sq.ft. After April 30, 2002, the rate will increase 5% to \$.2185/sq.ft. In most leases, the building portion of the lease could be a fixed rate over a period of time, but the land rent each year will escalate. In recent rental rate analysis involving fixed-base operators at Mid-Continent Airport, the capitalization rates utilized for land valuation analysis have been between 12.0% and 12.5%. This would provide a land value, based upon the current rental rate, of \$1.66 to \$1.73 per square foot. Martens provided comparable land values from parcels ranging in size from 72.75 acres down to 10.52 acres. For improved ground (serviced by utilities and paved for access), it is Martens' opinion that the current land rent is within the fair market value range at Mid-Continent Airport.

With regard to improvements to the land, all improvements belong to the Airport Authority. Airport Special Facility Revenue Bonds are available for financing those improvements. By State Statute, property financed with Airport bonds is property tax exempt because the property actually belongs to the local government. No land rent is paid during the term of amortization of debt service.

There was discussion concerning the practicality of a business to completely pay for a facility and lease it instead of owning it. It was Murfin's impression that the current policy conflicts with the free market system. Bell stated that FBOs all over the United

States invest large amounts of money into facilities with the understanding that airports will provide some means to help them be profitable. Companies that lease facilities must have the ability to make money.

Rental prices vary according to location. For example, land rent in the northern general aviation area is lower because it is out of the way and only small airplanes can be operated there.

Review of General Leasing Policies

The current policies of the Wichita Airport Authority governing the construction, leasing and rental of airport facilities were reviewed. The airport currently has 165 leases.

The general policy, which is also State law, states that uses of all Airport Authority land and facilities must be for aviation purposes or related thereto. It was Austin's opinion that it needs to be decided whether an outside landowner can have access to the airport with a through-the-fence operation. Paragraph 17 of the policies prohibits adjoining landowners or businesses access to Airport property or facilities, except in unusual circumstances.

A review of these policies will be part of the master plan project.

Austin was interested in knowing how past Airport Authority Boards have deviated from these policies. For the most part, the land rental rates have been lowered due to the location of the facilities.

November 2001 Statistical/Project Reports

Enplanements in November were down about 23% from a year ago.

Meeting adjourned at 3:35 p.m.

Valerie Wise, Clerk