

Figure 7-1: 2000 Investment Schedules for Salt Lake City, UT Airports⁵

DOLLARS INVESTED	SALT LAKE CITY INTERNATIONAL AIRPORT TERMS	AIRPORT II TERMS	TOOELE VALLEY AIRPORT TERMS
\$180,000 - Minimum	15 years	16 years	17 years
\$180,000 – \$357,000	15 - 17.5 years	16 – 18.5 years	17 years – 19.5 years
\$357,000 - \$535,000	17.5 – 20 years	18.5 years – 21 years	19.5 years – 22 years
\$535,000 - \$714,000	20 years – 22.5 years	21 years – 23.5 years	22 years – 24.5 years
\$714,000 - \$1,041,250	22.5 – 25 years	23.5 years – 26 years	24.5 years – 27 years
\$1,041,250 - \$1,487,500	25 years – 27.5 years	26 years – 28.5 years	27 years – 29.5 years
\$1,487,500 – \$2,231,250	27.5 years – 30 years	28.5 years – 31 years	29.5 years – 32 years
\$2,231,250 - \$3,570,000	30 years – 32.5 years	31 years – 33.5 years	32 years – 34.5 years
\$3,570,000 - \$4,908,750	32.5 – 35 years	33.5 – 36 years	34.5 years- 37 years
\$4,908,750 - over	Negotiable	Negotiable	Negotiable

Source: Salt Lake City Department of Airports, 6.07.100 Investment/Term Policy.

The State of Alaska is currently proposing to grant leases at its rural airports in this fashion. According to the proposal, for a five-year lease, there is no investment requirement. A six-year lease requires an investment of at least \$7,500. After that, each one-year lease term extension requires an additional \$7,500 in investment. Using this approach a prospective tenant is granted a 20-year lease if he or she makes an \$112,500 investment. A prospective tenant who wishes to be granted the maximum lease term of 55 years must invest at least \$375,000⁶.

This approach has the advantage of rewarding those tenants who make larger investments and makes it easier for them to secure funding. On the other hand, this approach is the most complex of all options. It also does not address issues such as the size of the leasehold that would be improved. For example, an investment of \$1 million on a 1 acre leasehold has different implications and economics than the same investment on less than an acre.

7.3.1.1.4 Lease Extensions Based on Major Interim Investments

Salt Lake City has also made provisions for tenants who make improvements to existing facilities that do not add square footage but increase the structural integrity or facility market value. The city considers the additional investment toward an increased lease term on a decreasing scale. For improvements made during the first half of the existing lease term, 50 percent of the investment will be recognized and the lease term will be adjusted according to the investment/term schedule. Improvements made during the second half of the term are recognized at 25 percent of the new investment with corresponding lease term adjustment. The additional term will be averaged with the existing lease term for any lease extension. This approach gives tenants the incentive to make improvements to their premises during the course of the lease and thus provides the aviation community with facilities that are in better shape and more likely up to current standard than other approaches.