# HANGAR DEVELOPMENT INCENTIVE PROGRAM

*Southwest Oregon Regional Airport*

## 1. Purpose

The purpose of this program is to encourage private investment in new aircraft hangars at Southwest Oregon Regional Airport, expand the supply and variety of aircraft storage, support growth in the number of based aircraft, generate long-term aeronautical revenue, and renew aging airport improvements without requiring the District to finance and construct the hangars.

## 2. Background and Findings

- The Airport currently reports 33 based aircraft and 25 hangars, including 14 District-owned T-hangars and the District-owned corporate hangar.
- Ten of the 25 hangars were developed by private parties under ground leases with the District. With one recent exception, most privately developed hangars are more than 30 years old.
- The District is currently updating its Airport Master Plan with professional services assistance from Ardurra. As part of that planning effort, Ardurra Aviation Planner Wayne Reiter has identified potential locations for several future hangar configurations: five 60-by-60-foot hangars or 12 T-hangars; one 100-by-100-foot hangar or three 60-by-60-foot hangars; four 50-by-50-foot hangars; and two 65-by-65-foot hangars.
- The number of based aircraft exceeds the number of hangars, indicating a need for additional storage capacity even though individual hangars may accommodate more than one aircraft and some based aircraft may be stored outdoors.
- District construction of new hangars is presently difficult to finance economically. Public construction may be subject to Oregon prevailing-wage and public-contracting requirements, while a qualifying privately owned and privately financed project may be exempt depending on its specific ownership, financing, public use, and other facts.
- A predictable ground-lease incentive can reduce early project carrying costs while preserving District land ownership and creating a future revenue-producing improvement.

## 3. Program Objectives

- Add safe, code-compliant hangar capacity suited to the Airport's demonstrated and anticipated aeronautical demand.
- Leverage private capital and place construction, financing, operating, maintenance, and ownership risk on the private developer.
- Use objective and consistently applied eligibility standards that avoid unjust discrimination or an exclusive right.
- Protect the Airport Layout Plan, future development needs, safety, security, and FAA grant-assurance compliance.
- Produce sustainable ground-rent and aeronautical activity after a limited incentive period.

## 4. Eligibility

An applicant and project must satisfy all of the following:

- The project is a new, permanent hangar constructed on a District-approved site under a District ground lease. Expansions may qualify only if they create material additional aircraft-storage capacity.
- The hangar's primary purpose is an FAA-permitted aeronautical use, principally storage of active aircraft or an approved aviation business requiring hangar access.

- The applicant will privately own and finance the improvements and will not rely on a District construction contract, District loan guarantee, or direct District cash contribution other than a completion reimbursement expressly approved under this program.
- The project is consistent with the FAA-approved Airport Layout Plan, applicable master planning, land-use approvals, building and fire codes, environmental requirements, utility standards, and District design and construction requirements.
- The applicant is in good standing with the District and has sufficient financial and technical capacity to complete, operate, maintain, insure, and ultimately remove or surrender the improvement as required by the lease.
- The project has not begun construction before the District approves the incentive and executes the ground lease and development agreement.

### 5. Standard Incentive Package

| Incentive | Recommended Level | Conditions |
|---|---|---|
| **Construction-period rent credit** | 100% of base ground rent for up to 24 months | Ends upon the earliest of certificate of occupancy, beneficial use, lease termination, or 24 months after lease execution. Extensions require Board approval for circumstances beyond the developer’s reasonable control. |
| **Operating-period rent credit** | 100% for months 1-24; 50% for months 25-36 | Begins after certificate of occupancy. Applies only to base ground rent; does not waive utilities, taxes, assessments, insurance, permit costs, Airport fees, or other charges. |
| **Completion reimbursement** | Up to $20,000: one aircraft / up to 3,600 sq. ft.<br>Up to $35,000: 2-3 aircraft / 3,601-6,500 sq. ft.<br>Up to $50,000: 4-6 aircraft / 6,501-12,000 sq. ft.<br>Larger: separate Board approval | Paid only after completion, certificate of occupancy, final District acceptance, proof of eligible costs, and confirmation of all required FAA, NEPA, NHPA, and other approvals. The applicable cap is based on the greater qualifying size/capacity tier shown on the approved plans. Payment is limited to actual documented eligible costs and available appropriations. |
| **FAA-required regulatory costs** | District covers only specified FAA-required review costs | Limited to costs directly related to an FAA-required National Environmental Policy Act (NEPA) environmental assessment, National Historic Preservation Act (NHPA) cultural investigation, required Airport Layout Plan update, and associated FAA approvals. The applicant remains responsible for all other professional, permitting, utility, design, construction, and review costs. |

| Incentive | Recommended Level | Conditions |
|---|---|---|
| **Lease term** | 25-year initial term with two 5-year renewal options | Each renewal is subject to compliance with the lease, timely written exercise, District approval, then-current rent and terms, Airport needs, and applicable FAA requirements. |
| **Pre-application assistance** | One coordinated staff meeting and site review | District will identify available sites, known constraints, approval steps, and available utility information without warranting site conditions or project feasibility. |

**Limited cash reimbursement.** Except for the completion reimbursement expressly approved under this program, incentives are credits against otherwise applicable District charges. Unused credits have no cash value, may not be applied to unrelated obligations, and may not be combined with another District incentive unless the Board expressly approves it.

### 6. Program Limits and Availability

- The program will accept applications for three years after its effective date (September 16, 2026) and will apply to no more than the first five projects approved by the Board, unless extended or expanded by the Board.
- Approval is subject to the availability of suitable land and Airport capacity. The program does not guarantee a particular site, utility capacity, permit, construction schedule, or FAA approval.
- The Board may establish an annual aggregate cap on foregone base ground rent. Applications exceeding the available program capacity may be placed on a waiting list or considered under separately negotiated economic-development terms consistent with law and FAA obligations.
- Commercial or unusually large hangars may be considered under this program, but the Board may require additional investment, employment, operating, or revenue commitments proportionate to the requested benefit.

### 7. Application and Approval Process

1. **Pre-application conference.** Applicant meets with District staff to discuss the concept, site availability, aeronautical use, schedule, utilities, and approval requirements.
2. **Application.** Applicant submits ownership information, concept/site plan, proposed use and aircraft, hangar dimensions, estimated investment, financing evidence, development schedule, contractor information, and requested incentive.
3. **Staff review.** Staff evaluates planning compatibility, safety, demand, financial capacity, infrastructure impacts, legal compliance, and estimated fiscal benefit to the District.
4. **Regulatory review.** Before approval, the District obtains any necessary FAA review and determines, with counsel as appropriate, whether the proposed project or incentive affects prevailing-wage coverage.
5. **Board action.** The Board approves, modifies, or denies the application and authorizes the ground lease and development agreement. Approval is discretionary and creates no entitlement until all agreements are executed.
6. **Construction and closeout.** Applicant obtains permits and approvals, constructs the project, provides required inspections and record drawings, and receives a certificate of occupancy before the operating-period credit begins.

## 8. Required Lease and Development Terms

- Construction milestones, including commencement within 12 months and completion within 24 months after lease execution, subject to approved extensions.
- District approval of plans, contractors, staging, access, utility connections, pavement tie-ins, security measures, and work affecting Airport operations.
- Applicant responsibility for all design, financing, permits, construction, taxes, utilities, operations, maintenance, repair, insurance, indemnity, environmental compliance, and removal or disposition obligations. Any completion reimbursement is subject to a written reimbursement agreement and may be recovered on a prorated basis if the hangar ceases qualifying aeronautical use or the lease terminates during the first five years after payment.
- Use and occupancy requirements consistent with FAA hangar-use policy, including priority for aeronautical use and storage of an active aircraft within 90 days after occupancy unless the District approves another qualifying aeronautical use.
- Rent adjustment after the incentive period under the District's then-current aeronautical ground-rent methodology, together with any periodic escalator stated in the lease.
- Assignment and transfer only with District consent. A remaining rent credit may transfer with the hangar only if the successor assumes all obligations and remains eligible.
- Remedies for default, including suspension or termination of credits, repayment of credits received during a period of noncompliance, termination rights, and required cure periods.
- No exclusive right, no assurance of future development approvals, and reservation of the District's governmental, proprietary, safety, planning, and grant-compliance authority.
- Disposition of the hangar at lease expiration through removal, negotiated purchase, or reversion to the District, as specified in the individual lease and permitted by law and FAA requirements.

## 9. Evaluation Criteria

If competing applications seek the same site or exceed available program capacity, the District will apply the following criteria consistently:

| Criterion | Points |
|---|---|
| Additional aircraft-storage capacity and demonstrated aeronautical demand | 30 |
| Readiness to proceed, financing, and achievable schedule | 25 |
| Compatibility with Airport plans, site efficiency, and infrastructure | 20 |
| Long-term financial return and investment in the Airport | 15 |
| Aviation business activity, employment, or public benefit | 10 |

## 10. Compliance Safeguards

- FAA obligations. The program and each lease must comply with applicable grant assurances, including economic nondiscrimination, exclusive-rights, compatible land use, hangar-use, revenue-use, and self-sustainability requirements. Similarly situated applicants will be treated under consistent published standards.
- Aeronautical use. Privately constructed hangars on airport land remain subject to FAA aeronautical-use requirements. Non-aeronautical use requires specific District and, when applicable, FAA approval and may require fair-market rent.
- Oregon prevailing wage. The District will not represent that a project is exempt. Any direct or indirect use of public funds, public ownership or occupancy, or other project facts may affect coverage under ORS 279C.800 to 279C.870.

- Airport revenue and valuation. Before implementation, the District will document the ordinary aeronautical ground-rent rate, the value and duration of each credit, the anticipated long-term return, and the public-airport purpose served. FAA ADO concurrence will be obtained if staff or counsel determines it is appropriate.
- Legal review. Every lease and development agreement is subject to final review and approval as to form by District counsel.

## 11. Administration, Reporting, and Sunset

The Executive Director will administer the program, maintain records of applications and credits, monitor construction milestones and aeronautical use, and report annually to the Board on approved projects, hangar square footage added, aircraft accommodated, private investment, credits granted, and ground-rent revenue projected after the incentive period. The Board may amend, suspend, or terminate the program prospectively. Approved incentives remain governed by their executed agreements.