

SOUTH DAKOTA BOARD OF REGENTS

Budget and Finance

**AGENDA ITEM: 7 – K
DATE: March 30-31, 2021**

SUBJECT

SDSU Airport Hangar Update and Lease

CONTROLLING STATUTE, RULE, OR POLICY

[BOR Policy 5:3](#) – Agreements and Contracts

BACKGROUND / DISCUSSION

At the August 2020 BOR meeting, SDSU presented a Preliminary Facility Statement (PFS) for a new Airport Hangar. During the discussion at that meeting, it was suggested that SDSU look for options to lease hangar space or have another party build the hangar space and then lease it to SDSU. In response to those suggestions, SDSU has verified that there is no current hangar space available for rent in Brookings. In addition, at the December 2020 BOR meeting, SDSU informed the BOR that SDSU had started discussions with the SDSU Foundation and were looking at options including acquiring an existing hangar, if one can be found, or having the SDSU Foundation or someone in the private sector build a hangar to lease back to the university.

As discussed at the August 2020 meeting, the aviation program currently occupies a hangar at the Brookings Municipal Airport, which is owned and operated by the university. This hangar is designed to store six airplanes but is currently storing 10. In addition, SDSU is storing three airplanes in rented spaces. While a ratio of 8:1 for students to aircraft would allow for maximum flexibility and student flight time, the SDSU program has set a goal of 10:1, which with careful management still allows for students to progress through the program in a timely manner and maintains cost effectiveness.

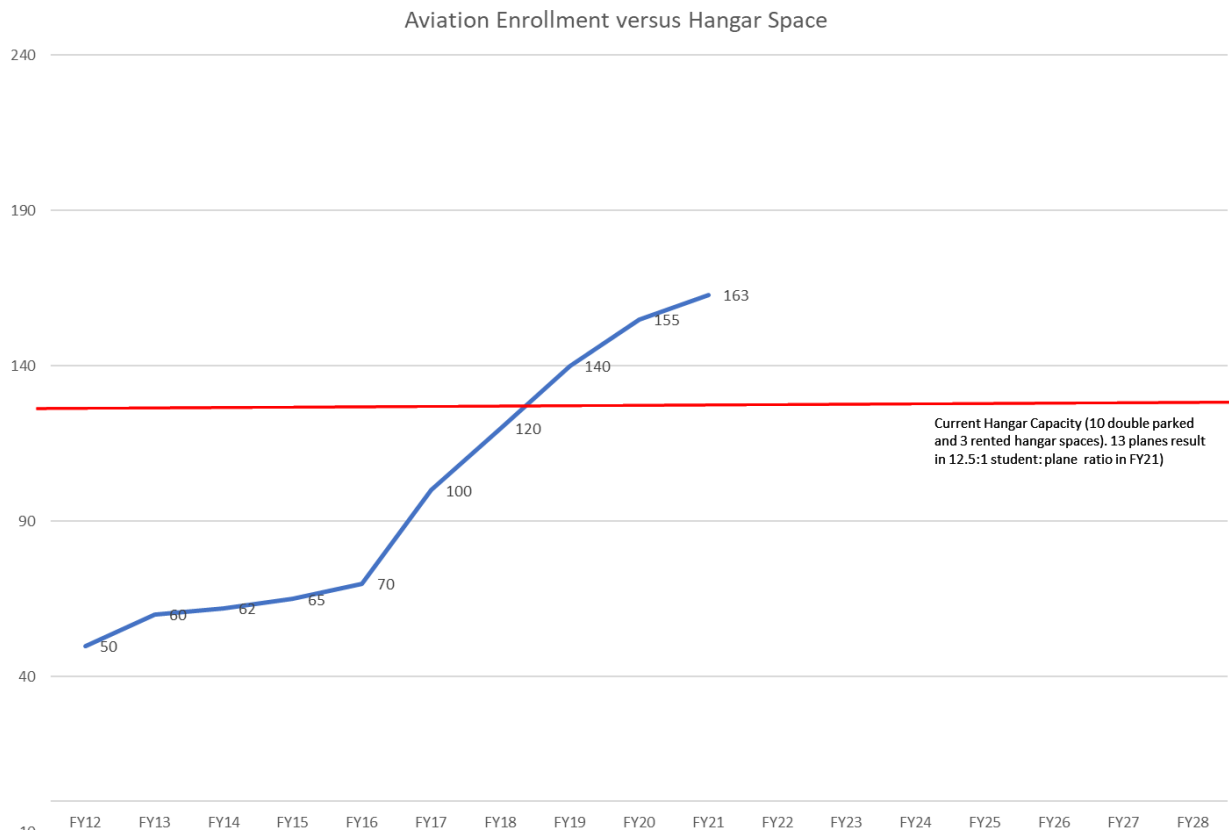
Current enrollment in the SDSU Aviation Education program is 163 and the program has 13 aircrafts. Based on the 10:1 goal for airplanes, SDSU would currently have space for 13 aircrafts which would result in a capacity for 130 students in the program, if SDSU maintained this ratio. The current enrollment of 163 and the available hangar spaces of 13 results in a 12.5:1 ratio due to the limitations in hangar space.

(Continued)

DRAFT MOTION 20210330_7-K:

I move to authorize the Executive Director to finalize and execute a hangar lease with the SDSU Foundation, consistent with the directives of the Board, with the executed lease to be reported to the Board at its first meeting after its signed.

To address the limitation, or the lack of hangar space, imposes on the enrollment of the program; the SDSU Foundation has agreed to pursue leasing land and building a hangar to store 8-10 planes with the intention of leasing the hangar to SDSU. SDSU is requesting approval to enter into a lease agreement with the SDSU Foundation. The lease would be for five years with an option to renew every five years, with an annual lease rate not to exceed \$84,000 per year. The Foundation continues to actively fundraise for this facility and any fundraising success could reduce the annual lease rate.



IMPACT AND RECOMMENDATIONS

The proposed hangar is anticipated to be approximately 13,000 square feet at a cost of \$1.5M to \$1.8M. The annual lease payments of \$85,000 are based upon a cost of \$1.5M at an interest rate of 3.7% paid back over 30 years.

ATTACHMENTS

None