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Airport operator calls lease value exaggerated

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AUBURN - The president of Victory Aviation, fixed-base operator of the DeKalb County Airport, said Thursday an appraisal used by the Board of Aviation Commissioners to value airport property is flawed.

The airport commissioners decided last month to seek bid proposals for a fixed-base operator, after negotiations to extend Victory's contract another five years reached a standstill.

At issue is the price Victory Aviation is willing to pay the county to operate the airport, and the value placed on the operation as the result of the appraisal by Misner and Associates of Fort Wayne.

Misner's comparisons of the DeKalb County Airport with other airports in the state are flawed, and many of its figures are just plain "wrong," said Todd McCutchan, president of the aviation company that is a part of Kruse International.

Misner's appraisal sets the value of leasing the terminal building at the airport at \$4 per square foot per year and the value of the service hangar at \$2.65 per square foot. Victory has been paying the equivalent of \$1.30 per square foot for the entire 30,000 square feet of space, according to airport manager Russ Couchman.

The first five years of a 10-year lease with Victory expired last year, at which time the airport board had the right to seek an appraisal and renegotiate the contract, McCutchan noted. An agreement would extend the existing lease and would not be a new lease, he pointed out.

According to Couchman, Victory rejected a proposal to increase the lease fee by 60 percent in the first year of the remaining five years of the lease period. The proposal called for 5 percent increases in each of the four following years.

The county has experienced a steady increase in its income from the fixed-base operations, which include income from jet and aviation gas sales and fuel contracts that Victory honors with certain aviation customers, according to figures from McCutchan. At the same time, Victory has shown a substantial loss in all but one of the last four years, he said.

McCutchan provided the loss figures to back up his claim, but asked that they be kept confidential.

His figures show the airport's income has risen from \$40,200 in 2002 to \$55,255 in 2005. In 2002, Victory was the fixed-base operator for only five months.

Starting in 2002, Victory paid the airport \$1.195 per square foot, and starting in 2005 the rate was \$1.31, McCutchan's figures show.

McCutchan argues that Victory should have a "first tier" lease rate that allows it to lease facilities to other

vendors and businesses and make a profit. Among the reasons Mid America Avionics cut back its major facility at the DeKalb County Airport were the high cost of leasing space and the uncertainty of what a new lease between Victory and the airport would mean for its operating costs, McCutchan said.

According to McCutchan, Misner's appraisal sets the value of hangar space at the DeKalb airport higher than a major tenant pays at Fort Wayne International Airport for hangar space.

McCutchan said Victory was given the option of getting another appraisal at its own expense, but he said that would cost about \$10,000.

"Why should we pay to correct the mistakes they (Misner) made?" he asked.

The DeKalb County Airport offers pilots and passengers the same level of service and amenities provided at the Fort Wayne airport, McCutchan pointed out, but he said those amenities simply aren't supported by Victory's income.

He said the greatest source of income is fuel sales, adding they aren't that great even though Victory sells fuel "cents cheaper per gallon" than Fort Wayne's fixed-base operator.

McCutchan said Victory's owner, Dean V. Kruse, knows that the airport and the community it serves can't grow without the amenities and services, so he is willing to take an operating loss.

"I could get rid of the losses in a heartbeat," McCutchan said, but it would be at a high cost to DeKalb County. That could be accomplished by reducing staff and hours that the terminal is open, he said.

"But that would not be a level of service that would be a welcome mat to visitors and businesses," he said.

McCutchan said he offered to fly the DeKalb County Commissioners and aviation board members to the airports used in Misner's appraisal so they could see first-hand the inaccuracies and disparities that he says are contained in the study.

He didn't get any takers, he said.

McCutchan said Victory Aviation remains open to further negotiations.

"We have been committed to the airport in the past, and we remain committed," he said. "We look forward to a resolution as quickly as possible."

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