

DATE: 10/27/2021
TIME: 3:30-5:17 PM
RE: Planning and Development Subcommittee Meeting (PDSC)
ATTENDEES: Diane Jones, Troy Bliss, Jason Licon, Aaron Ehle, James Hays

Begin Meeting Record 10/27/2021

Agenda Item #1: Meeting Minutes – September 22nd

- **Diane moved to approve the minutes. The motion, seconded by James, passed unanimously.**

Agenda Item #2: Hangar Ground Lease Reversion Policy

- There has been interest from some tenants in extending their land leases.
 - Most leases at the Airport have 40-year terms, with improvements reverting to Airport ownership when the lease expires.
 - The Airport can then rent out the facilities at fair market value, generating more revenue than just renting out the land.
 - Staff is looking to develop a consistent approach to these requests
 - After years of leasing just the land under the buildings, many tenants are resistant to the value of the improvements being factored into extension lease rates.
 - The language in leases has changed throughout the years.
 - In the past, some tenants have deeded the improvements back to the Airport in order to avoid paying property taxes.
 - Any potential lease extensions will set precedent for future extensions.
 - The T-hangars that recently reverted to Airport ownership originally had a 30-year lease that was extended by 10 years to bring it into parity with other leases.
 - The Airport generates about \$185,000 in revenue by renting these units out.
 - Reversion is considered a best practice and is recommended by the FAA.
 - Reversion helps Airports stay financially self-sustaining
 - The failure to exercise reversion has led to FAA scrutiny and penalties at some airports.
 - As leases near expiration, there is little incentive for tenants to invest in maintenance and improvement of the buildings if they know ownership is going to revert to the Airport.
 - Investment in facilities could be a condition of extending leases.
 - The FAA considers ground leases of 30 to 35 years are sufficient to retire a tenant's initial financing and provide a reasonable return for the tenant's
 - Leases that exceed 50 years may be considered a disposal of the property in that the term of the lease will likely exceed the useful life of the structures erected on the property.
 - The average lifespan for a hangar building is 50-60 years.
 - Structural evaluations may need to be done to determine how much lifespan is left in specific buildings prior to considering lease extensions.
 - Many of the lease areas of the older leases only cover the footprint of the buildings. This leaves the Airport with a burden to maintain the pavement around the buildings.
 - FAA funding for pavement maintenance for private hangars has become increasingly difficult to obtain.
 - Increasing the lease areas as a condition of extending leases is a way to mitigate this.

- Other ways to fund maintenance of infrastructure that supports private hangars may need to be considered.
- Many of the leases started out at very low rates and even with escalation according to consumer price index (CPI), they are still not generating much revenue for the Airport. There are a good number of hangars that were built in the 1990s, that are currently paying less than \$0.20 per square foot.
 - If leases are extended, the lease rates for the land should be brought up to current rates. The value of the improvements past the initial lease expiration date needs to be considered as well.
 - We might need to establish new methods for determining lease escalation so that lease rates keep up with current lease rates.
- Coming up with a list of what we are trying to achieve would be beneficial to developing a strategy.
 - How do the goals align or conflict with the interests of tenants?
 - Should businesses be handled differently than private hangars?

Agenda Item #3: West Airport Development Plan

- The Master Plan does not provide much specificity for this area of the Airport as the east side is anticipated to accommodate the next 20 years of aeronautical
- The owner of Boyd Lake Self Storage (BLSS) has expressed interest in leasing land on the west side of the Airport for storage and potential other uses (car wash, hangars, solar).
 - Vehicle/aircraft shelters with solar panels is a potential use. There is an electric substation in close proximity.
 - Shorter-term leases for uses like storage could allow us to generate revenue now, but reserve the land for other uses in the future.
 - It's important to preserve land for aeronautical use.
 - Storage shouldn't be allowed along Boyd Lake Ave, due to aesthetic concerns.
- Having a development plan is important for understanding what the infrastructure needs are.
- There could be future uses (cargo, passenger transport) associated with the Union Pacific rail line that we need to start considering now.
- A development plan for the west side of the Airport could be part of a larger Airport Influence Area (AIA) overlay plan.
- There needs to be a secondary access point for emergency response in order to develop the southwest side of the Airport.
 - Boyd Lake Self Storage has expressed interest in partnering with the Airport to bring a road across the southern portion of the Airport to connect Rocky Mountain Ave with Boyd Lake Ave.
- The uses that BLSS proposed for the northwest side of the Airport are not aligned with our mission or vision. Staff will meet with BLSS to discuss the possibility of a short-term lease on the southwest side.
- Staff will put together some concepts that incorporate data from the Utility Master Plan.

Agenda Item #3: Open Discussion

- The Next meeting will be on November 17th.
 - The Strategic Plan/StratOp will be on the agenda.

End Meeting Record