

ROLL CALL

Roll call was taken 4:00 pm as follows:

Commission Members Present

Jim Moeny, Chairman
Bill Wade, Vice Chairman
Bill Tinnin, Commission Member
Ron Krumm, Commission Member
Vernon Reed, Commission Member

Staff Members Present

Morgan Scott, Development Services Operations Manager
Kelly Jobe, Administrative Assistant-Public Works

PLEDGE OF ALLEGIANCE TO THE FLAG

Chairman Moeny led the Pledge of Allegiance.

CALL TO THE PUBLIC

No comment from the public.

DISCUSSION ITEM: LONG TERM LEASE REVERSION POLICY

Morgan Scott – stated that this meeting is a work session to review the details on the policy and to advise the public there will be not be a vote on this item tonight. This item has been brought to the commission several times; the document in discussion has not had any new revisions. It is down to a two (2)-page document. Morgan stated he would like to move forward and skip to page two, item “B” as the first page and section “A” is just background information. Item B: FAA Requirements; the FAA chose not to participate on the Long Term Lease Committee, but has given us guidelines to follow in putting the policy together. Morgan summarized the FAA requirements.

Public Comment: Larry Minch stated that item #4 could not be farther from the truth for hangar owners, Mrs. Thompson, Mr. Heath, and himself, Larry Minch. He would like to go on record as acknowledging that.

Morgan – read through and summarized Section C of the policy.

Public Comment: Al Paxhia asked Morgan to clarify the expectation of the City taking ownership of the hangar after 25 years. Morgan stated that was correct, it is stated as such in the current leases. Al stated that The Hangar Association, LLC Lease reads that at the end of the 25 years there is a 15-year option to renew that lease, with the only item negotiable was the lease rate. Al advised there is nothing stating in the lease that the hangar would revert to the City. Morgan suggested to Al to read it again. Al advised him he has read it and has had two attorneys read the (The Cottonwood Hangar Association, LLC) long term lease and they advised him the Association has the right to a 15-year extension. Al Paxhia stated, “As President of The Cottonwood Hangar Association, LLC; he would like to go on record and protest that this policy would not affect The Hanger Association, LLC.” Morgan asked Al why he did not think it

would affect him; Al stated they have a valid lease that mentions nothing of this new policy being implemented into their lease. Morgan disagreed.

Public Comment - Larry Minch stated he would like to know how the City obtained the right to do anything with the lease before the end of the lease. He stated he owns the improvements until the day before the lease ends and the fact that the city is making an afterwards policy to implement these decisions (after the fact) is in violation of the lease itself. Larry asked why the City would violate the terms of the lease by implementing this policy.

Bill Tinnin – Stated this is a discussion of options on how to correct the issues with the existing leases. The leases would not be changed by this, not without an addendum. The correction would have to be approved and signed by both parties.

Public Comment - Larry Minch - Stated that the City is violating the terms of the lease by starting any process that would involve his hangar before his lease was up.

Morgan – Stated that this policy is trying to help compensate the owners and not have the hangars removed from the Airport.

Public Comment - Larry Minch - Stated the City is dictating a formula on how the city would pay him for the hangar. He mentioned that the methodology that the city wants to implement is more of a dictation on what the City wants to compensate the owners.

Vernon Reed - Stated due to the chaos that may be created by someone who arrives at the end of the lease and would knowingly be handing over their hangar (to the city), they wanted to come up with an option to compensate the hangar owner. Vernon stated it could create anxiety of other hangar owners and cause a possible disruption to the Airport if they decided to remove the hangar. This policy was created by the City to make available to the hangar owners as option to recover some of their investment and keep the hangar in place. It would be appraised at fair market value.

Public Comment - Larry Minch - Stated Jan Thompson was advised by the City to get an appraisal; in summary, the appraisal stated her hangar was worth 80,000 less because of how her lease is written, but if there was a 15-year option/extension, it is worth over \$200,000 more. Larry stated there should be no depreciation what so ever in his hangar. According to the gifting clause in the US Constitution, article 6 paragraph C, the US Constitution takes precedence over State and City gifting clause. He believes the gifting clause the city is presenting is not valid at all. Larry said this is a one sided deal to benefit the City.

Morgan Scott - Stated the current tenants are not going to be asked to sign this policy.

Public Comment - Larry Minch – stated the word “TERM” reads differently in the leases on the Airport. He had asked to go to the FAA and was advised he has to go to arbitration over his lease. No ruling by the arbitrators can change the wording of the lease. He would like to go ahead and go to the FAA. He has asked permission from the City to go to the FAA. He feels that the city is in violation of the terms of the lease because they did not go to arbitration before going to Mr. Garcia with the FAA. His concern is banking on the Council and City Manager at the time of the Lease term.

Morgan Scott - Stated the City responded to a question of Mr. Garcia with the FAA after Mr. Minch reached out to him. Morgan stated this document was drafted to protect the hangar owners and the City, and is trying to follow the standard business practices as the FAA recommended. If there is a value left in the improvements, this policy will assist in that process.

Public Comment - Larry Minch – Stated within three (3) days of filing a complaint with the FAA, he withdrew his complaint; and went on to say, the City did not withdraw their complaint

and feels the city is in violation of the lease agreement. Larry would like permission from the City to go to the FAA with his complaint.

Jim Moeny – Suggested releasing Mr. Minch from arbitration and giving permission to take his complaint to the FAA.

Morgan Scott - Stated that Mr. Minch has been given verbal permission to file a complaint to the FAA.

Jim Moeny – Asked Morgan if the City had given Mr. Minch written permission to file a complaint with the FAA, if not then requested him to oblige Mr. Minch.

Morgan Scott - stated it was not a problem to do so.

Public Comment - Larry Minch – Stated he has been trying to obtain the written permission to take his complaint to the FAA and confirmed with Morgan that he can get a written statement from Morgan giving him permission to file a complaint with the FAA.

Public Comment - Al Paxhia - Stated it seems this is an onerous policy – he has been involved with other airports across the country. Those airports encouraged the general aviation to come to the airport by giving aviators encouragement to stay. He stated the land that the hangers sit on and the land the tie downs sit on is worth the same amount. He stated as landowners, they should be able to set a land lease fee that is equal to all tenants. Al does not understand why the city does not entice more tenants to come in and want to stay. He stated if there were 100 hangar spaces, there would be 100 hanger tenants. Al said the City stated there is no gifting of property due to the state gifting clause – but he believes it was gifted when the 15-year option was implemented on some of the leases. The City should encourage general aviation so they would be able to have an FBO present to draw even more people to the Airport and community for the wine tasting and the wine industry and be an asset to the City and the City would benefit.

Bill Wade - Agrees with Al Paxhia. It seems like the lease needs to be simplified. After 25 years, there should be fair negotiations, then after 40 years, and then the City owns it.

Public Comment - Phil McClure - Stated the City is price fixing on property they are holding captive with a terminating lease. If the hangar were removed, the rebuilding of the hangar would be a lot more than \$30,000. He stated the recent policies coming in are strangling the Airport. The number of aircraft and activity has diminished at the Cottonwood Airport and he believes it is due to the unfriendliness the City has shown to the Airport. He does not understand why the City is treating the tenants in this manner.

Public Comment - Larry Minch - Stated he has been around airports since the 1950's – and the hangar values have stayed the same and have not depreciated. He disagrees that the hangar would be worth less at the end of his lease. He stated that Morgan had proposed if his lease read that he has the 15-year renewal option and to have the 40-year term – would Larry give up the hangar up at the end of the 40 years. Larry stated he would agree to that. The “TERM” is the operative word that defines the leases. He stated he would only do that if it were equal across the board.

Public Comment - Dave Heath - Has real concerns with this policy. He would like to know why the loyalty of the current owners, which are paying now do not take precedence. He stated that prior to the lease coming to term, if the City advertises and gets a bid from the public, it allows the current owner to have no negotiating option, and that it will open it up for back door dealings to be made. It is stated in the current owners lease, they have first right of refusal. The dealing with this lease needs to be kept honorable in order to keep this Airport viable and active.

Jim Moeny - He agrees with Mr. Heath on his statements. He feels the lease policy is counterproductive to the growth and sustainability of the Cottonwood Airport and feels that a second look needs to happen on what exactly the City is purposing.

Public Comment - Mark Boarman – He stated that the “term” fair market value – he stated the formula that has been presented is a joke and it should be called a replacement value. They need to come up with a true fair market value. Each hangar will disappear one by one if they keep this formula and advise the shareholders that their hangar is only worth scrap metal value. He stated that the section that read: “The City shall have the right to review and approve the purchase” and an appraisal comes in at \$100K and the City states it is only worth \$25K., so it seems it is all up to the City on the value and what the hanger is worth.

Morgan Scott - Stated the tenants agreed to enter into a contract with the City. He stated the City is implementing standard business practices and following what is stated in the leases. He stated the other users of the airport and the citizens would have to absorb the loss if the leases were to be changed. The Airport is an enterprise fund that is supposed to be ran with its own funds. The public puts money into the Airport every year. The tenants knowingly entered into their contract with the agreement of at the end of the term, the hanger would belong to the City. He stated the improvements go back to the public at the end of the lease. He stated the price fixing concern would be avoided by a public bid. He addressed the concern of the Airport going away; he stated that if the public has to continue to support the Airport, it might be possible. He addressed the statement that was made regarding the gifting clause and that the City did not gift the owners with a 25-year lease, because they were receiving compensation for it. The purpose of this policy is to stick to guidelines that are in the lease. He stated that the current tenant does have the first right of the refusal.

Public Comment - Larry Minch - He stated there is a wording discrepancy on the word “term” in the leases. He feels he was discriminated against because he has not received the same lease as others on the Airport. He stated that the FAA bought 90 % of the Airport and the City should not be in the business of making money at the Airport. He stated he agreed to give the improvements over to the City at the end of 40 years, 25 years is not enough time to amortize the cost. City Council meeting in November 2007 there was a motion made and approved and codified that he as well as two other hanger owners is to receive the same lease as Larry Greene and it has not been done. That did not happen – it was a lie. He stated that he had paid the City according to the agreement including escalator fee. He agrees that there is price fixing and that this is a bad policy.

Public Comment - Phil McClure - Would like to see a balance sheet on the Airport to include line items. He would like to see how much the Airport is costing the public. He stated that part of the contract with the FAA on any grant is continued support, improvement and utilization at the Airport for public service, and that is not happening. There is not much being given to the Airport to improve anything or bring business in.

Public Comment - Mark Boarman - Stated that if the policy is not price fixing, they need to remove item **C1c**. Mark stated the policy reads: “If the lessee wishes to sell the improvements to the highest bidder (in any amount than not greater than the price they would have received to have the hangar removed from the Airport). He stated this is price fixing.

Bill Wade – Questions why the City could not have a 40 year lease, with the current owner

Morgan Scott - Brought up “similarly situated” as commented on earlier. He stated what utilities were paid for and the size of the hangars that would bring in more revenue would not be similarly situated. He stated to keep the “backdoor deals” out of the equation; advertising to the public would keep that from happening. The Commission and the City would be giving up the revenue that would be made by following how the leases are written now.

Public Comment - Larry Minch - The lease does not state anything in regards to the amount of investment put in for the improvements made. There was no value put on the improvements. If it is not in the lease, then he is similarly situated and wants the same lease as Larry Green and The Hangar Association and so does Mrs. Thompson & Mr. Heath.

Public Comment - Mark Boarman – requested to have Morgan address the price fixing issue in section C 1c.

Morgan Scott – Wanted to address previous comments made. He stated the City does not want to take the hangars; they just want to follow the lease. They are just discussing the terms of the lease. Morgan used an example; if a developer comes in and brings utilities to the lots, they are worth more than if they did not have utilities and they are not similarly situated. He stated that the City does not have the extra revenue to build more hangars. Morgan stated he could strike the line item C1c. By state and federal law, it cannot be more than the public bid price.

Public Comment - Al Paxhia- Would like to know if he can enter in agreement with the City today to lease a part of land on the Airport 150’ long x 50’ wide and place a metal building there. He asked if he could have a 40-year lease. Asked Morgan if there was a standard rate on what the bare land is worth. He asked if he could pick the location on where to build the building.

Morgan Scott - Stated there would have to be an RFP and there is a state process. He stated due to the economy changing there is not a set rate. He stated that he did not see why he could not get a 40 year Term in the beginning, before lease agreement is signed and not during the term. Morgan stated it would have to be negotiated between Al and the City on the location. Morgan stated they would have an RFP go out as soon as the current issues with the Lease Reversion Policy and Commercial Standards are wrapped up.

Public Comment - Larry Minch – Stated he entered into his lease however, he did not know he was being discriminated against and did not realize that he was only getting a 25-year lease when the others were getting 40-year leases. He stated Mr. Horton advised him it would cost the City \$500,000 to fix his lease.

Adjournment

A motion to adjourn by Vice Chairman Bill Wade, 2nd by Commission Member Ron Krumm, all approved. Meeting adjourned at 5:25 pm.

SUMMARY MINUTES OF THE **SPECIAL WORK SESSION MEETING** OF THE COTTONWOOD AIRPORT COMMISSION OF THE CITY OF COTTONWOOD, ARIZONA, HELD **JANUARY 30, 2017 @ 5:30PM** AT THE COUNCIL CHAMBERS, 826 N. MAIN ST., COTTONWOOD, ARIZONA.

ROLL CALL

Roll call was taken 4:00 pm as follows:

Commission Members Present

Jim Moeny, Chairman
Bill Wade, Vice Chairman
Bill Tinnin, Commission Member
Ron Krumm, Commission Member
Vernon Reed, Commission Member

Staff Members Present

Morgan Scott, Development Services Operations Manager
Kelly Jobe, Administrative Assistant-Public Works

PLEDGE OF ALLEGIANCE TO THE FLAG

Chairman Moeny led the Pledge of Allegiance.

CALL TO THE PUBLIC

Resident Rick Rokosz – who lives in the Grey Fox Subdivision and would like to see if the flight pattern can be altered or the times of flight can be altered. The flying starts at 6 am and comes around every 6 minutes during the weekends. He also has a concern of an aircraft failure while over a populated area. Morgan and Chairman Moeny stated they would meet with him to go over his concerns.

DISCUSSION ITEM: AIRPORT COMMERCIAL STANDARDS

Morgan stated there are 3 main points on why they have developed this policy.

1. To standardize business at the Airport – to protect users and citizens from financial burden.
2. To have Businesses absorb the risks caused by the businesses. He stated if we had these in place, the incident at the last airshow in Cottonwood would have been absorbed by the businesses involved, and the City would not have had to pay a million dollars to defend the Airport.
3. To create and economic engine for the Airport. Morgand has been contacted by several businesses but turned away due to not having a policy in place.

Morgan stated there have been several revisions of this document. It basically came from Glendale, Sedona, Page, Safford, Bisbee & Scottsdale. Morgan stated he reverred the order as discussed in a previous meeting to make it more user friendly, especially for the smaller vendors.

Morgan stated this new policy needs to cover the smallest businesses to the largest businesses.

He removed the section that required a number of employees required. Section F has all the changes and revisions made as requested.

Morgan stated that when licensees make any changes to employees that are listed on the permit – to advise the City within 7 days.

Morgan stated that this policy is not required for touch and go activities. You must be based or have paying customers on the Airport. This would mean that the businesses on the east side of the Airport, they will not be included in this policy.

If a mechanic has a business off the secured Airport area, this policy will not be required for them unless they come on the Airport to conduct business.

Morgan suggests it would be best to waive permit fees at this time.

Morgan stated he met with Eric Brunner, Ed Moates, Bob Luna and Red Rock Skydiving. Bob Luna advised Morgan that the insurance required would be an issue.

Jim Money - has a concern on the Application process section, letter m. He stated the whole section m be scratched or revised. Morgan stated that with Red Rock Skydiving, all their pilots are contractors, not employees. Jim stated it needs to be revised.

Bill Wade – Section 2.3 – there should be a time frame on when a permit should be approved. All agreed to make it 30 day response time.

Morgan asked commission – if fees were implemented – what are the comments – Jim Moeny stated it is complex and not necessary. Morgan advised him there is hardly an Airport that does not charge some type of fee for businesses. Morgan brought up they have 17 months after they would have had to pay an initial fee. He stated it would be more proactive to implement the fees with this policy verses adding it after a business starts on the field. These would be annual fees based on the amount of revenue brought in, which may be verified by a tax form. The city would use a 3rd party auditor to protect businesses sharing information. Any time someone hands a document to a public employee, it becomes public.

It was suggested to retain Item 2.5 for future utilization – and to keep in the document.

The other section we should keep in the document for aircraft and aircraft fuel storage.

Bill Wade –he asked if the city can indemnify? Morgan stated he believes so, but will clarify.

Jim Money – Article 4 – section B, he stated that it was commercial auto language. Morgan stated that most accidents are with commercial vehicles – Jim just asked for clarification in the policy. The vehicle on the Airport property stored by flying clubs would need this.

Jim had a question on g & h. He feels the aircraft owner only should have insurance that covers the student pilot or renter, not the renter or the student pilot. Item K - the coinsurance needs to be implemented.

Section 5-8 – does not understand the load restrictions as this Airport is not equipped to handle the large aircraft of that size, Morgan stated it would include trucks, cranes as such.

Section 5.3 – Why would there be restrictions on how a business runs special fees. Morgan stated to not have discrimination issues.

Sections 5-15 – It discusses the restrictions on what type of area certain mechanical work can be performed. Morgan explained this was a safety precaution and is included in the leases on what type of mechanical work is allowed in each hanger.

Section 6-1 Non-Commercial activities - Jim Moeny stated it was overly complicated – need to revisit this section. Morgan stated he can revise.

Commission recessed at 7:05 pm

Commission Reconvened at 7:40 pm

Jim Money – commented on Section on Aircraft Component and Accessory Repair Services and Sales –

It was revised to say: The operator shall provide/lease adequate training facilities for the amount and type of training involved so that the operator's use of the airport does not hinder or interfere with the use of the airport by non-commercial airport users.

This is to justify how much space they need to the type of business.

Section on Aircraft Charter or On Demand Air Taxi Service - took out a few redundant sections and added: An aircraft charter or on-demand air taxi service operator as defined by the FAA shall have a current FAR Part 135 Certificate.

Crop Dusting section was replaced with Banner Towing Operations - Morgan stated he has had a few requests to fly banners.

He stated everything under the entire section 8 would need to have wording that would include the guidelines of leasing adequate space to run the operation.

Specialized Commercial Flying Services - deleted a few requirements.

Aircraft Management Services - all looks good – no changes

On-Airport Rental car, limousine or other ground transportation services or concession services deleting the wording of mandatory on site employees at all times during business hours.

There has been discussion on a kiosk for rental cars that did not take off.

Non Tenant Commercial Operators – This was requested to exempt insurance requirements for delivery companies such as Fed Ex and UPS & USPS.

The section on Current Business License – will be moved to the front of the document.

Section on Flying Clubs – section g. Commission doesn't agree with the restriction of payment to a third party. Morgan stated the restriction will be deleted.

Jim Money – has an issue with the flying club only allowing five (5) members. Morgan stated the majority of other airports flying clubs he as checked into has two (2) members.

Morgan stated under the Fuel Storage section- there may be a different permit for that.

Adjournment

A motion to adjourn by Commission Member Bill Tinnin, 2nd by Commission Member Vernon Reed, all approved. Meeting adjourned at 8:20 pm.

DRAFT