

SUMMARY MINUTES OF THE REGULAR MEETING OF THE COTTONWOOD AIRPORT COMMISSION OF THE CITY OF COTTONWOOD, ARIZONA, HELD **MAY 4, 2016 @ 4:00 PM** AT THE COUNCIL CHAMBERS, 826 N. MAIN ST., COTTONWOOD, ARIZONA.

MEETING WAS CANCELLED DUE TO NOT HAVING A QUORUM. NEXT MEETING TO BE HELD JUNE 1, 2016 @ 4:00 PM at the COUNCIL CHAMBERS.

ROLL CALL

Roll call was taken as follows:

Commission Members Present

Bill Tinnin, Vice Chairman

Ron Krumm, Commission Member

Commission Members Absent

Jim Moeny, Chairman

Bill Wade, Commission Member

Vernon Reed, Commission Member

Staff Members Present

Morgan Scott, Development Services Operations Manager

Kelly Jobe, Administrative Assistant-Airport & Public Works

PLEDGE OF ALLEGIANCE TO THE FLAG

Chairman Moeny led the Pledge of Allegiance.

APPROVAL OF MINUTES

Motion was made by Ron Krumm to approve minutes for February 3, 2016 meeting, Bill Wade second. All approved.

CALL TO THE PUBLIC –

No comment from the public.

BRIEF SUMMARY OF CURRENT EVENTS

Brief Summary of events is presented by - Morgan Scott, Development Services Operations Manager:

OLD BUSINESS

1. Hangar Lease Policy - Morgan stated that there was a request for an extension of the 25 year leases. There was an Executive Session held on Thursday, Feb.25th to get direction and legal advice looking into the requirements and allowances based on the FAA grant assurances and State Law. This meeting is to discuss how we move forward with this process. The city has hired an aviation attorney, Tim McCulloch to assist and educate us on the process on moving forward. Tim stated he has surveyed the leases along with the appraisal of Jan Thompsons lease. The City has decided to set aside and disregard the appraisal of the lease. The city will reimburse Jan Thompson the full amount of the cost of the appraisal. Everyone will be granted the 15 year extension renewal that is the same as Larry Greens. There will not be any negotiations until it nears the time of the end of the 25 year lease. The leases are very clear in stating that the city will own whatever structure is present at the end of the lease. The negotiations will include the vertical structure in the lease. The city will be leasing the full structure. It will not be based off of bare dirt as was when the initial leases was drawn up.

John Altizer inquired as to when the negotiations start for the lease renewal, Tim stated that the standard time frame is usually within 90 days, there has been nothing established.

Vernon Reed asked who initials the request for the renewal – Tim stated it should be handled by Morgan Scott, Airport Manager.

Bill Wade stated he completely disagrees with the city not renewing the land lease. It should be renewed as a land lease only with an updated appraisal of the land only. He stated it is an error of the city wanting to own the hangars at the end of 25 years. He feels it is inappropriate and believes there are other airports that would renew a lease on the land value only.

John Altizer – a few years ago city council unanimously granted the option of a renewal option. How can the city ignore what was stated in the council meeting and not let everyone have the option to renew? Tim stated that his review of the minutes and councils direction was on the renewal, it would be subject to negotiations at fair market value at the time of the renewal.

Morgan stated that all six of the lease holders have been offered the renewal option, they may not be finalized and signed, but they all have the same option.

Larry Minch - the city gave him a book with Jan Thompson's appraisal. He stated that in the appraisal, which read that the original term of the lease of 25 years is considered to be significantly less than the life expectancy of the building improvements. It stated that a class S maintenance hangar has a life expectancy of 40 years. This would indicate that when this lease was signed, the improvements constructed it created a negative leasehold. It stated that a minimum lease term of 40 years would have been more reasonable for the investment. Larry stated that he feel discriminated against because he has fought for several years to obtain the same option Larry Green was given. He has a letter from the City Attorney at the time, stating the city will take possession of Larry Minch's building 25 years after the lease is signed. It states that the city will take position of Larry Green's hangar 40 years after the lease is signed.

He feels that it is discrimination against him and other lease holders. He stated there is a resolution passed by city council that council member Kirby moved to authorize the city attorney to prepare words to give everyone the same option as Larry Green. The motion was passed unanimously. He stated that the leases still read differently than Larry Greens. Mr. Minch continued to discuss other items, which included a discrepancy between his lease and the tie down lease.

Ron Krumm – asked Minch if he signed his lease that if there were requirements on how his building would be constructed – he stated there were no limitations other than there will be no commercial activity out of the hangar and he couldn't have the 15 year option that Larry Green got for two reasons, 1) Larry Green was there first and 2) They were never going to give the option again.

Bill Wade – Agrees with Larry Minch. His recommendation is for the city to follow Larry Greens 25 year lease with a 15 year extension. He stated that the city should develop a consistent with the square footage charges for all tenants. He stated that it is not fair the way it is written now. He believes if the city owns the hangars, they will be empty. City should get together with the users and have a negotiation session and come up with a comparison to other airports and a format for lease rates. Bill believes it would be harmful to the city to not adopt new leases.

Vernon Reed - If the city does own the building at the end of the lease then they are under the FAA regulation. The buildings must be utilized for aeronautical use and if there is not a market to put aviation users in it, the building is of zero value. There will be a never ending maintenance issue without revenue. The economy in the aviation industry has not recovered and it needs to be understood.

Tim McCulloch – stated that we need to look at the economy at the end of the lease. It is impossible to determine where the economy will be in 10+ years. The economy will tell where the negotiations need to be for the City of Cottonwood with respect to the assets they hold. If it becomes clear that the city becoming a landlord is not fiscally responsible, then they will look at what is. The city has to make sure they follow state law and not deprive itself from assets that would be considered a gift of public funds. It would be depriving the airport of funds that could be used for self-sufficiency.

Mark Boarman - Has a concern of when the market value varies, that the lease rates could be all over the place at the time of the lease renewal. The people that put the airport hangars on there in the beginning should be treated the same. The tenants on the other side of the fence have next to nothing lease rates. Mark stated that the city can't lease the small hangar B, so how would they possibly be able to rent out a much larger hangar. He stated that they city should not be allowed to store non-aviation material in the hangar. Morgan stated that the water department had stored bagged gravel, but it is now out of the hangar.

Jan Thompson - Stated her husband had passed away several years prior and has been trying to sell the hangar for a couple of years now. At the time I started the process was just prior to the FAA audit, so nothing was going to be able to happen at that time. She was advised that she had to get an appraisal which she paid out of pocket. It came back at \$220,000.00 with the time she has left on her lease. With the 15 year land lease extension, it is worth \$305,000.00. Mr. Horton suggested she give the \$85,000.00 for the difference and she would be granted the lease. She stated she had contacted several airport around the country and to name a few, Denver

Centennial, Falcon Field and all others have 40 year leases. She stated she has to sell her hangar now and not in 2029 when the initial lease is up, she stated she does not have that kind of time. She cannot get anyone to purchase for the 12 years or less it has on the lease. She stated that Mr. Horton had called her and told her he would give her the same lease extension option that Larry Minch has and it would read exactly like his. She has a copy of both and it is nothing like Mr. Minch's lease. She stated that Mr. Horton advised her that "Larry Minch's lease was more of a soft promise." She asked Tim McCulloch if he has knowledge on the verbiage of the leases that are on the outside of the fence. She stated they are 50 year leases with two (2) twenty five year lease extensions. She stated they read exactly like Larry Greens lease. Jan was advised by Mr. Garcia with the FAA that even though the city made a mistake in that those leases are hard set.

Tim – stated that the leases on the east side are on sub leases on the 99 year leases and does not have direct contractual privity with the airport. Tim stated it is a different contract a different situation was his prospective. Tim stated that Larry Green's lease and Larry Minch's lease reads exactly the same. Larry Minch has disagreed a second time on that statement. He suggested that Tim re read both leases completely, because they were indeed not the same.

Jan – stressed the fact that she needs to sell her hangar and she cannot sell it without the 15 year extension.

Morgan Scott - stated the City will be reimbursing Jan Thompson for the cost of the appraisal.

Bill Wade – would like to know where this goes from here, a meeting with City Council possibly.

Chairman Moeny – Would like to see city staff and council come back to the airport commission with some suggestions on how we can get to a meeting point with the stakeholders and have a resolution. Commission would like to see more flexibility on the city's side. Possibly set up an executive session or work session with the city council. A recommendation was made by Bill Wade to meet with the city manager and city council to argue these points.

Mike Crocous – a previous tenant, stated that the city has already decided on the rate when they gave the amount to Jan Thompson for the next 15 years.

Vernon Reed – remarked on the vacancy on hangar B, and wants the city to make sure they do not want vacant hangars.

Mike Crocous – inquired if the city owned hangars are able to be utilized for non-aviation use.

Vernon Reed – stated per FAA Assurances there cannot be utilized for anything but aviation use.

Mark Boarman – asked what is in hangar B – he stated forklifts and pallets are coming in and out of Hangar B.

Morgan Scott – stated it was used to store sand and gravel and will not happen again.

Larry Minch – stated his investigator cannot find anything that relates to the Public Works Building on any contract that the city pays the airport fund for the non-airport use. He stated the city holds both ends of the contract and would like to know how this is legal.

Jim Moeny – recap to have a meeting with city council and the stake holders as soon as possible.

NEW BUSINESS

1. **Open Meeting Law Training** - Morgan stated we had an open meeting training law was very beneficial. He stated the perc chart cannot be put on every agenda. We can limit items to discussion topics that will become an action item. Any discussion items need to be placed on the agenda. Dale Williams stated that the minutes should be posted three days after the meeting. Morgan stated that the Airport Commission is an advisory commission and we were made aware that we have ten days to have the meeting minutes posted and will be done.

Dale had asked for a current copy of the bylaws. He stated in a previous copy of the bylaws, it states the elections for the commission are held in June. He stated he did not see any item on the minutes for the previous June.

2. **New agenda items** – Hangar lease policy.

Adjournment

A motion to adjourn was made by Bill Wade, 2nd by Vernon Reed, all approved. Meeting adjourned.