

**City Council Airport Committee
Tuesday, April 13, 2018
Approved Meeting Minutes**

After determining that a quorum is present, the Council Airport Committee of the Denton City Council convened in a special meeting on Tuesday, April 13, 2018, at 1:07 p.m. in the City Hall, City Hall Basement Meeting Room at 215 E. McKinney St., Denton, Texas to consider the specific agenda items listed below:

PRESENT: Mayor Chris Watts, and Councilman John Ryan.

ABSENT: Councilmen Don Duff

STAFF PRESENT: Mark Nelson, Transportation Director; Trey Lansford, Deputy City Attorney; and Scott Gray, Airport Manager, Julie Mullins, Administrative Assistant and Recording Secretary.

OTHERS PRESENT: Win Perkins, Airport & Aviation Appraisals, Inc., Robin Paulsgrove, Fire Chief and Kenneth Hedges, Assistant Fire Chief.

The Airport Committee of the Denton City Council convened into a Closed Meeting to consider specific items as these items is listed below under the Closed Meeting section of this agenda. When items for consideration are not listed under the Closed Meeting section of the agenda, the Airport Committee of the Denton City Council will not conduct a Closed Meeting and will convene at the time listed above for its regular or special called meeting. The Airport Committee of the Denton City Council reserves the right to adjourn into a Closed Meeting on any item on its Open Meeting agenda consistent with Chapter 551 of the TEXAS GOVERNMENT CODE, as amended, as set forth below.

At 1:07 p.m. the Airport Committee of the Denton City Council convened into a Closed Meeting.

1. CLOSED METING

- A. CAC18-012** Deliberate regarding Real Property - Under Texas Government Code 551.072; Consultation with Attorneys - Under Texas Government Code Section 551.071

Discuss, deliberate, and receive information from staff and provide staff with direction pertaining to an Airport lease reimbursement request where the deliberation of same in an open meeting would have a detrimental effect on the position of the governmental body in negotiations with a third person or potential litigation. Consultation with the City's attorneys regarding legal issues associated with an Airport lease reimbursement request where a public discussion of these legal matters would conflict with the duty of the City's attorneys to the City of Denton, the Denton City Council, and the Council Airport Committee under the Texas Rules of Disciplinary Conduct of the State Bar of Texas, or would jeopardize the City's legal position in negotiations or potential litigation.

At 1:20 p.m. the Council Airport Committee re-convened in the Regular Meeting. No official action was considered on Closed Meeting item(s) under 551.071 of the Texas Government Code, as amended.

1. REGULAR MEETING

- A. CAC18-003** Consider approval of the minutes from the meetings held on October 5, 2017 and November 28, 2017.

Mayor Watts made a motion to approve the minutes as presented. Councilman Ryan seconded the motion. The motion was approved unanimously with a vote of (2-0).

- B. CAC18-002** Receive an update on the CPI Review and Recommended Action Plan

Gray informed all 50 Airport lease agreements were reviewed for CPI calculation and periodic fee increases. Staff met or discussed with each of the affected tenants the status of their billing statements over the subsequent months. Staff coordinated with the Customer Service Department to ensure a billing process could be instituted moving forward clearly indicating the billing changes. Each tenant was mailed a letter on February 16, 2018, explaining the process and results, including a copy of all calculations for their leasehold. All Airport lease billings were updated and included in the February billing cycle (March invoices). Several tenants contacted Staff following receipt of the February billings with questions and were provided clarifications as necessary. All Airport tenants have accepted the newly calculated lease rates and all CPI calculations are up-to-date.

Mayor Watts inquired about the total amount. Gray stated total billings were \$74,000 for FY17-18 and \$72,000 for FY16-17.

- CAC18-004** Receive a report, hold a discussion and make a recommendation to the Denton City Council on a proposed Airport Fire Station location.

Gray stated the 2015 Airport Master Plan identified a location for an Airport Fire Station at the west end of Schweizer Street on the Airport Layout Plan (Exhibit 2) generally located at the south end of the Airport. This location was intended to be an airport only fire station and was not for emergency response to the adjacent industrial area. Airport Staff was approached by Fire Administration regarding a different location in the vicinity of the Airport Terminal Building. This new location was determined by Fire Administration to be more advantageous in meeting response time requirements to both airport emergencies and to the adjacent industrial area. Airport staff has been coordinating with Fire Administration on consolidating the facility footprint, resulting in the Proposed Airport Fire Station Conceptual Plan. The conceptual plan includes a two-story structure and incorporates vehicle parking needs by expanding the existing Terminal Building parking area. These design elements assist in ensuring valuable aviation related land remains available in the terminal area for future aviation-related development.

Gray continued by stating to ensure the proposed location is available for the future development of the Airport Fire Station, Fire Administration is recommending a formal resolution be approved by City Council. Additionally, Airport staff is recommending the Airport Layout Plan be updated to reflect the newly proposed site as depicted on the conceptual plan.

Chief Paulsgrove stated the proposed location would give prime response location and access to all areas.

Mayor Watts made a motion recommending a formal resolution be approved by City Council for proposed location of Airport Fire Station. Councilman Ryan seconded the motion. The motion was approved unanimously with a vote of (2-0).

C. CAC18-007 Receive a report, hold a discussion and make a recommendation to City Council on the GAhangar, LLC, lease agreement.

Gray stated on August 15, 2017, the City Council approved an Airport lease agreement with GAhangars, LLC for 3.214 acres of vacant property at \$0.27/sf/yr for the development of approximately 20 hangars. The proposed development included hangars capable of accommodating midsized corporate jet aircraft, as well as smaller hangars for single and twin engine aircraft.

The lease agreement contains two sections with several requirements with specific deadlines. The first section is in relates to the construction period, which identifies a deadline of May 12, 2018. This section does not have any provisions to modify or adjust the deadline. The second deadline is associated with several additional conditions, generally related to financing, which should be met by February 11, 2018. This section does include provisions to modify deadlines. Both of these deadlines have been included in the agreement to ensure the proposed development is timely as the monthly lease fees do not begin until after the receipt of a building permit and to avoid developers "holding" properties without developing.

During the past six months, Airport Staff has met numerous times with GAhangars, LLC representative, Tony Montgomery, to discuss the project. In November 2017, Mr. Montgomery informed Staff that he was modifying the proposed hangar layout to include approximately 40 small box hangars to address the needs based on their market analysis. He was informed that while it wasn't what was originally proposed, it was within the scope of use as provided in the lease agreement. Mr. Montgomery was encouraged to schedule a Preliminary Development Review Committee meeting to ensure there were no issues with his proposed project and to ensure he was able to meet the performance deadlines contained in the lease agreement.

Mr. Montgomery informed Staff on December 12, 2017, that he was unable to secure the financing he had been working on for several months. In coordination with Economic Development, Staff hosted a meeting with the North Texas Small Business Development Center on December 15, 2017, to assist with acquiring financing for the project. NTSBDC had been working with Mr. Montgomery in finding a financial institution.

On February 20, 2018, Staff met with Mr. Montgomery and representatives of Green Bank to answer questions about the Airport and tour the area. The bank representatives felt comfortable with the information and indicated that they would be taking the project to their Financing Committee on March 1, 2018. Staff received several additional questions from the bank on March 1st regarding airport operational and based aircraft data, which the information was provided. They indicated they were expecting to take the project financing to their Board for approval on March 2, 2018.

Staff met with Mr. Montgomery on February 23, 2018, and discussed the project, financing, and lease requirements. Mr. Montgomery was informed that Staff would wait to see if the bank would approve his financing. If he was unable to secure financing, he was advised that the City would consider exercising the rights to terminate the lease agreement in accordance with the Conditions Precedent language.

On March 2nd, the bank informed Staff they were requiring Mr. Montgomery to conduct additional market analysis. In addition, the bank indicated that they had several proposed lease language changes to assist in their decision to finance the project. They were informed that it was not likely the changes would be made to the lease, however, they should forward any proposed changes so that the City's Legal Department could review them.

On March 12, 2018, Staff provided a letter requesting details from both Mr. Montgomery and the Green Bank regarding the proposed solution to meeting the deadlines or requesting a change to the lease agreement. On March 16, 2018, both Mr. Montgomery and Green Bank provided responses to the March 12th letter. Green Bank indicated that they anticipated funding in approximately 45 days. The tenant requested a 120 day extension to both deadlines.

If an extension is approved, this would also delay Airport revenues as lease fees do not begin until the issuance of a building permit. The extension should also include a lease amendment adjusting the lease rate (\$0.27/sf/yr) based on the recently completed appraisal which indicated that the Fair Market Value (FMV) for Site #7 is \$0.31/sf/yr. This would increase lease revenue by \$5,600/yr. or \$224,000 in unadjusted revenue over the 40-year lease term.

Termination of the lease agreement provides the City with an opportunity to address FMV, enter into an updated lease agreement to ensure FAA compliance. Additionally, this allows Staff to continue to market this parcel for the highest and best use as identified in the recently completed appraisal report. If the existing tenant has continued interest, this would provide ample time to further investigate the market and address financing issues and submit under the new development review process.

Mayor Watts inquired if larger hangars are more desired than smaller hangars. Gray responded there is a strong desire for the smaller T-hangars, however, for Airport operations there are advantages to attract larger aircraft.

Mayor Watts made a motion to recommend City Council terminating lease agreement in accordance with the Conditions Precedent language. Councilman Ryan seconded the motion. The motion was approved unanimously with a vote of (2-0).

D. CAC18-011

Receive a report, hold a discussion and provide staff direction on the Draft Airport Appraisal Report.

Gray reported based on Airport staff review of current fees, along with several questions raised during budget preparation and lease negotiations, Airport Staff engaged the aviation appraisal firm of Airport & Aviation Appraisals, Inc. from

Austin, Texas, to assist in assessing various fees at Denton Enterprise Airport. The process included a market rate comparison to other airports in the Metroplex and recommendations for establishing Fair Market Values (FMV) lease rates for vacant Airport land parcels, T-hangar, apron, fuel flowage, and FBO hangar/tiedown commissions.

Mr. Win Perkins, Airport & Aviation Appraisals, Inc., presented an overview of the appraisal process and recommendations.

Gray stated Airport staff is recommending to follow the recommendations and analysis as presented.

Mayor Watts made a motion for staff to follow the recommendations included in the Draft Airport Appraisal Report. Councilman Ryan seconded the motion. The motion was approved unanimously with a vote of (2-0).

E. CAC18-009

Receive a report, hold a discussion and provide staff direction on the establishment of Airport Guiding Documents.

Gray stated the Denton Enterprise Airport operates under the guidance of the Federal Aviation Administration (FAA). The FAA has many policies that regulate the operation of an airport, including grant assurances, policies, orders, and advisory circulars. To assist in compliance with these various FAA documents, many airports establish their own guiding documents. These documents generally are developed to work in conjunction with one another, but each has a specific purpose.

Gray continued with Airport staff recommendation of a three-phase approach as follows:

Phase 1 - Staff has included another agenda item for possible action to recommend to Denton City Council the approval of the Airport Rates and Fees Schedule.

Phase 2 - Development of the Airport Leasing/Development Policy which would be brought forward to the CAC and City Council in approximately 30-60 days.

Phase 3 - Development of the remaining guiding documents through a formal six to nine month public process of tenant meetings and Airport Advisory Board meetings.

Mayor Watts made a motion to proceed with staff recommendations to proceed with a three-phase approach. Councilman Ryan seconded the motion. The motion was approved unanimously with a vote of (2-0).

F. CAC18-010

Receive a report, hold a discussion and provide staff direction on Rates and Fees Schedule.

The Denton Enterprise Airport operates under the guidance of the Federal Aviation Administration (FAA). The FAA recommends that airports establish rates and fees associated with the use of airport land and facilities to assist in reaching financial

self-sufficiency. In accordance with City Code, any fee for the use of City property must be adopted by the City Council. The establishment and adoption of an Airport Rates and Fees Schedule provides staff, users, and tenants with a clear understanding of any approved airport-related fee.

Based on the recently completed Airport Appraisal Report, previous direction by the Council Airport Committee, and other City Department practices, an Airport Rates and Fees Schedule was developed.

Mayor Watts made a motion to adopt the Airport Rates and Fees Schedule as presented. Councilman Ryan seconded the motion. The motion was approved unanimously with a vote of (2-0).

With no further business, the meeting was adjourned at 2:20 p.m.



JOHN RYAN
COMMITTEE CHAIRMAN
CITY OF DENTON, TEXAS



SCOTT GRAY
AIRPORT MANAGER