

WORK MEETING

**AGENDA
AND
STAFF MEMO**

HEBER CITY CORPORATION
75 North Main Street
Heber City, Utah
City Council Meeting

February 6, 2014

Work Meeting 5:30 p.m.

DISCUSSION ITEMS

- (Tab A)** 5:30 Paul Berg, Wasatch County School District Review of Proposed Redevelopment for the Old High School
- (Tab B)** 5:45 Mark Nelson, Heber Valley Historic Railroad Authority, Review of 2013 Operations and 2014 Business Plan
- (Tab C)** 6:00 Paul Boyer, Discuss Hangar Lease Rates and Charges Study
6:20 Mel McQuarrie, Discuss Airport Advisory Board Membership
- (Tab D)** 6:30 Mike Bardole, Review Proposed 1200 South Access Agreement
6:45 Kent Hiatt, City Council Fiduciary Responsibility

OTHER ITEMS AS NECESSARY

Ordinance 2006-05 allows Heber City Council Members to participate in meetings via telecommunications media.

In accordance with the Americans with Disabilities Act, those needing special accommodations during this meeting or who are non-English speaking should contact Michelle Kellogg at the Heber City Offices (435) 654-0757 at least eight hours prior to the meeting.

Posted on February 3, 2014, in the Heber City Municipal Building located at 75 North Main, Wasatch County Building, Wasatch County Community Development Building, Wasatch County Library, on the Heber City Website at www.ci.heber.ut.us, and on the Utah Public Notice Website at <http://pmn.utah.gov>. Notice provided to the Wasatch Wave on February 3, 2014.

Memo

To: Mayor and City Council
From: Mark K. Anderson
Date: 02/03/2014
Re: City Council Agenda Items

WORK MEETING

First of all, because of the number of issues on the Work Meeting, Work Meeting will begin at 5:30 p.m.

5:30 Paul Berg, Wasatch County School District Review of Proposed Redevelopment for the Old High School (Tab A): Paul Berg is coming before the Council on behalf of the Wasatch County School District to review a redevelopment concept plan of the old high school property. Enclosed is a staff report prepared by Tony Kohler and the associated plat maps. The District would like to know if the City Council supports the proposed plan before they move forward.

5:45 Mark Nelson, Executive Director, Heber Valley Historic Railroad Authority, Review of 2013 Operations and 2014 Business Plan (Tab B): Mark Nelson, Executive Director of the Heber Valley Historic Railroad, has asked to come before the Council to update them on the operations of the Heber Valley Railroad. Enclosed is information that Mark will review with the Council that includes 2013 financial results and 2014 goals and examples of special train events that will be held this year. Staff believes the railroad is an important part of Heber City's identity and economy.

6:00 Paul Boyer, Discuss Hangar Lease Rates and Charges Study (Tab C): Paul Boyer, airport hangar owner, has asked to come before the Council to discuss the Hangar Lease Rates & Charges Policy that is being discussed by the Airport Board. I anticipate that there will be many hangar owners in attendance with Paul. This has been a very controversial project and the Board has yet to recommend a final policy for Council adoption. It is fair to say that there are many opinions on the Airport Board about how the City should proceed. Paul has provided a packet of information which includes the Aviation Lease Rates and Policy Analysis and City Council/Airport Board minutes.

For Council review, I have also enclosed a copy of the Aviation Final Scope of Work that was approved by the Airport Board along with a map which identifies the type of lease each hangar has and when the lease expires.

Observations I would make are as follows:

- It seems more appropriate for Paul to first make the presentation to the Airport Board as they have not yet finalized their recommendation to the Council.
- One of the 22 non-reversionary hangar leases was converted to a reversionary lease at the request of the owner.
- The purpose of the study was not to recommend amendments to existing leases, as the City cannot amend hangar leases without the consent of the lessee. It was to make sure our lease rates/practices were in line with the market before other hangars are added to the airport and identify conditions when the City would/should consider extending the lease terms.
- One challenge we have with non-reversionary leases is that the lease agreement provides for a 20 year lease period with a right to renew provided the new lease term does not exceed five 5 years. There is no guaranteed provision that the City will extend the lease beyond 25 years. When the lease is terminated, the lessee has the right to remove the hangar and restore the site to its previous condition.
- Some owners of non-reversionary hangars have purchased the hangars as investments with the thought that the City would continue extending their lease provided the land was not needed by the airport for other purposes. The hangar lease agreements do not guarantee more than 25 years. As owners of non-reversionary leases consider selling their hangar, it would be nice to give clarity to potential buyers on what to expect from the City.
- Some owners of reversionary hangar leases have expressed a desire to have their leases made non-reversionary to keep hangar values higher which would encourage investment in the airport. I would not recommend the City entertain this discussion at this time. It may make sense to discuss this matter closer to the end of the lease when you have more information about the hangar condition, a more current Airport Master Plan (which may or may not require the removal of hangar row) and a more current understanding of demand factors at the airport.
- Reversionary leases allow the City to better control development/redevelopment of the airport and are the most prevalent type of lease at airports.

Staff would recommend that the Council allow the Airport Board to make their recommendation on the Hangar Lease Rates & Charges Policy before any decision is made. Lastly, I will forward you a link via email to the "Guidebook for Developing and Leasing Airport Property" which is published by the Airport Cooperative Research Program which may be of interest to you on this topic.

6:20 Mel McQuarrie, Discuss Airport Advisory Board Membership: Based on the motion of Councilman Bradshaw to have the Airport Board discuss having a voting and non-voting representative of the Council on the Airport Advisory Board, Mayor McDonald was contacted by Mel McQuarrie who has asked to express his opinion on the makeup of the Airport Advisory Board to the City Council.

With Mel McQuarrie being a member of the Airport Advisory Board, I think it would be best to have him first express his opinion on the matter to the Airport Board as requested by the City Council.

With that said, below is a copy of the Airport Board By-Laws as it relates to Appointment and Terms of Members.

Article 3:

Appointment and Terms of Members

- A. *The Airport Advisory Board shall consist of (7) members;*
- B. *Membership shall be as follows:*
 - 1. *Membership will include persons of diverse interests from throughout the cities and suburbs in Wasatch County.*
 - 2. *A Technical Assistance Committee will be formed as needed to help understand technical and other issues associated with the airport or other entities that might be affected by it.*
- C. *The Airport Advisory Board will interface with and be supported by the City Manager, his designee, and/or the Airport Manager. Heber City will also provide a secretary and staff support as needed.*
- D. *The terms of office for the seven appointed Airport Advisory Board members shall be four years. The initial appointments shall be for, three positions two years, two positions three years, and two positions four years from January 1, 2005. Any vacancies in these positions shall be filled by a recommendation from the Mayor and confirmation by the City Council. The appointment will be for at the remaining time of the member whose vacancy is being filled.*
- E. *Improper conduct and non-performance of duties shall result in a recommendation to the Heber City Council for removal of said member. Members may be removed after a public hearing, by a majority vote of the City Council.*

6:30 Discuss 1200 South Access Agreement Proposed by Mike Bardole (Tab D): Staff has reviewed the proposed Access Agreement proposed (at the last City Council meeting) by Mike Bardole and his attorney. (Enclosed) Mark Smedley has responded with the enclosed memo which includes staff recommendations. Staff is looking for direction from the Council on whether or not the City should allow Mr. Bardole use of City owned right-of-way to access his property and if access is granted, what conditions would the City impose? Also included is an aerial map of how the property is currently accessed.

6:45 Kent Hiatt – Discuss Fiduciary Responsibility of the City Council: Kent Hiatt, former Mayor of Heber City, has requested an opportunity to talk to the Council about their fiduciary responsibility as members of the legislative body. Kent has expressed concern on several occasions with decisions that were made at Heber Light & Power regarding board compensation.

DISCUSSION/ ACTION ITEMS

TAB A

Heber City Council
Meeting date: February 6, 2014
Report by: Anthony L. Kohler

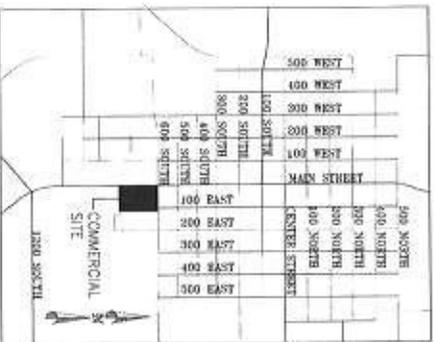
Re: High School Redevelopment Plan

The Wasatch School Board has begun the process of redeveloping the old Wasatch High School site. They have proposed a commercial subdivision, which has been granted Concept Approval by the Planning Commission. In the future, as the School Board identifies buyers for lots, those lots and accompanying infrastructure will be developed.

The primary issue of discussion with the Planning Commission was making sure the new proposed public road would align with 100 East. The city's General Plan designates a future public street aligning at 100 East, connecting from 600 South to 1200 South, and the proposed development is consistent with that goal.

The purpose of this discussion item is to keep the City Council informed of the proposed development. No action is needed by the Council, but the School District would appreciate informal support of the proposed plan. The School Board will likely be razing the building and will soon be more active in marketing of the property. The city is already in discussion with a potential buyer of Lot 1.

OLD WASATCH HIGH SCHOOL REDEVELOPMENT COMMERCIAL CONCEPT PLAN



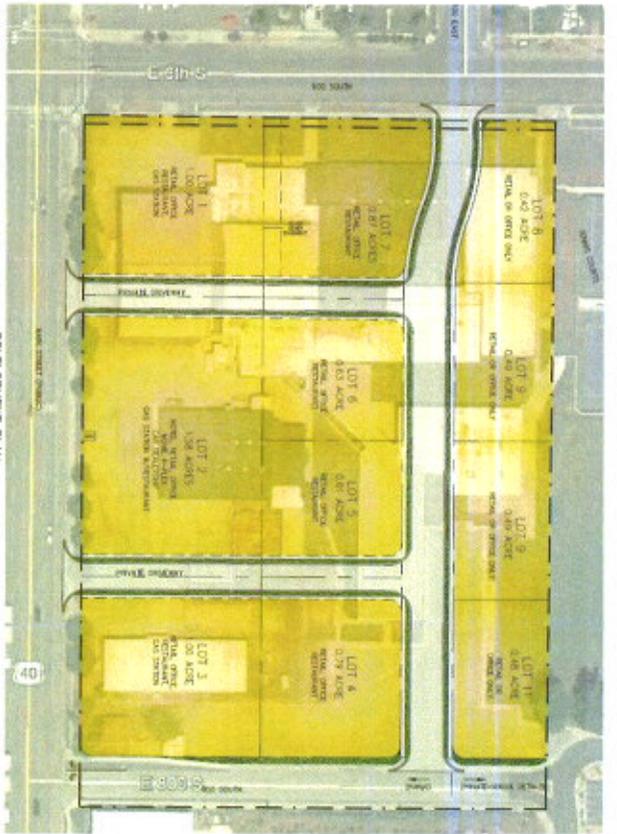
VICINITY MAP

SHEET INDEX

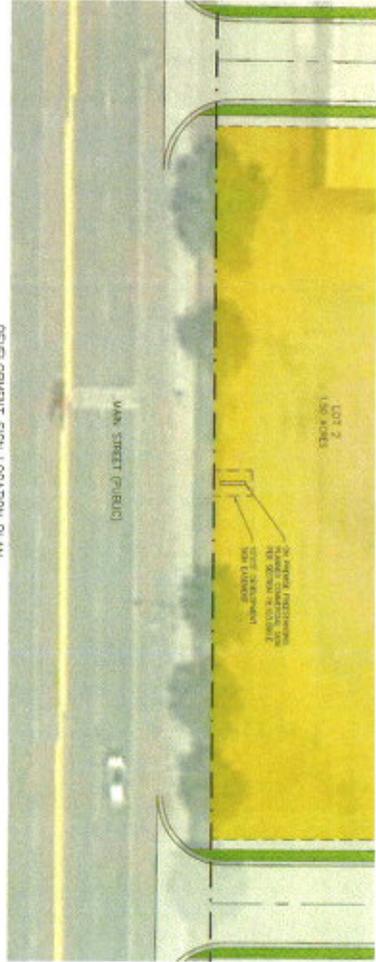
1. COMMERCIAL CONCEPT PLAN
2. SIGN PLAN
3. UTILITY PLAN
4. STORM DRAIN CONSTRUCTION DETAILS

PREPARED BY:
 BERK ENGINEERING
 1000 N. 1000 W.
 SUITE 100
 WEST VALLEY CITY, UT 84113
 TEL: 801.373.1000
 FAX: 801.373.1001
 WWW.BERKENGINEERING.COM

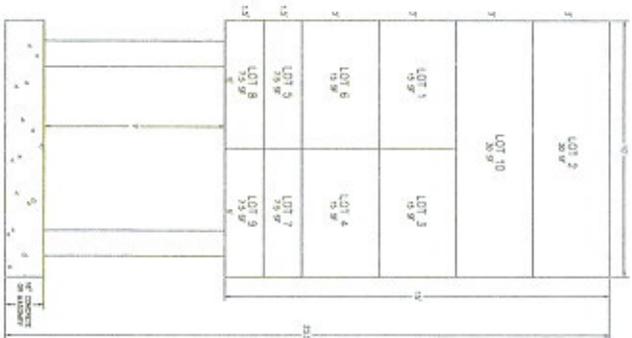
 BERK ENGINEERING ENGINEERING GROUP, INC. 1000 N. 1000 W. SUITE 100 WEST VALLEY CITY, UT 84113 TEL: 801.373.1000 FAX: 801.373.1001 WWW.BERKENGINEERING.COM	OLD WASH REDEVELOPMENT COVER SHEET	SHEET NO. 0 TOTAL SHEETS 1 DRAWN BY: [blank] CHECKED BY: [blank]
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DEVELOPMENT PLAN
SCALE 1" = 80'



DEVELOPMENT SIGN LOCATION PLAN
SCALE 1" = 20'



DEVELOPMENT SIGN DETAIL

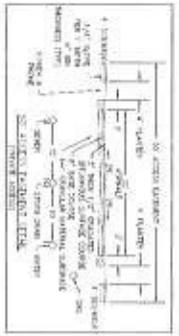
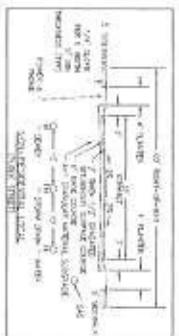
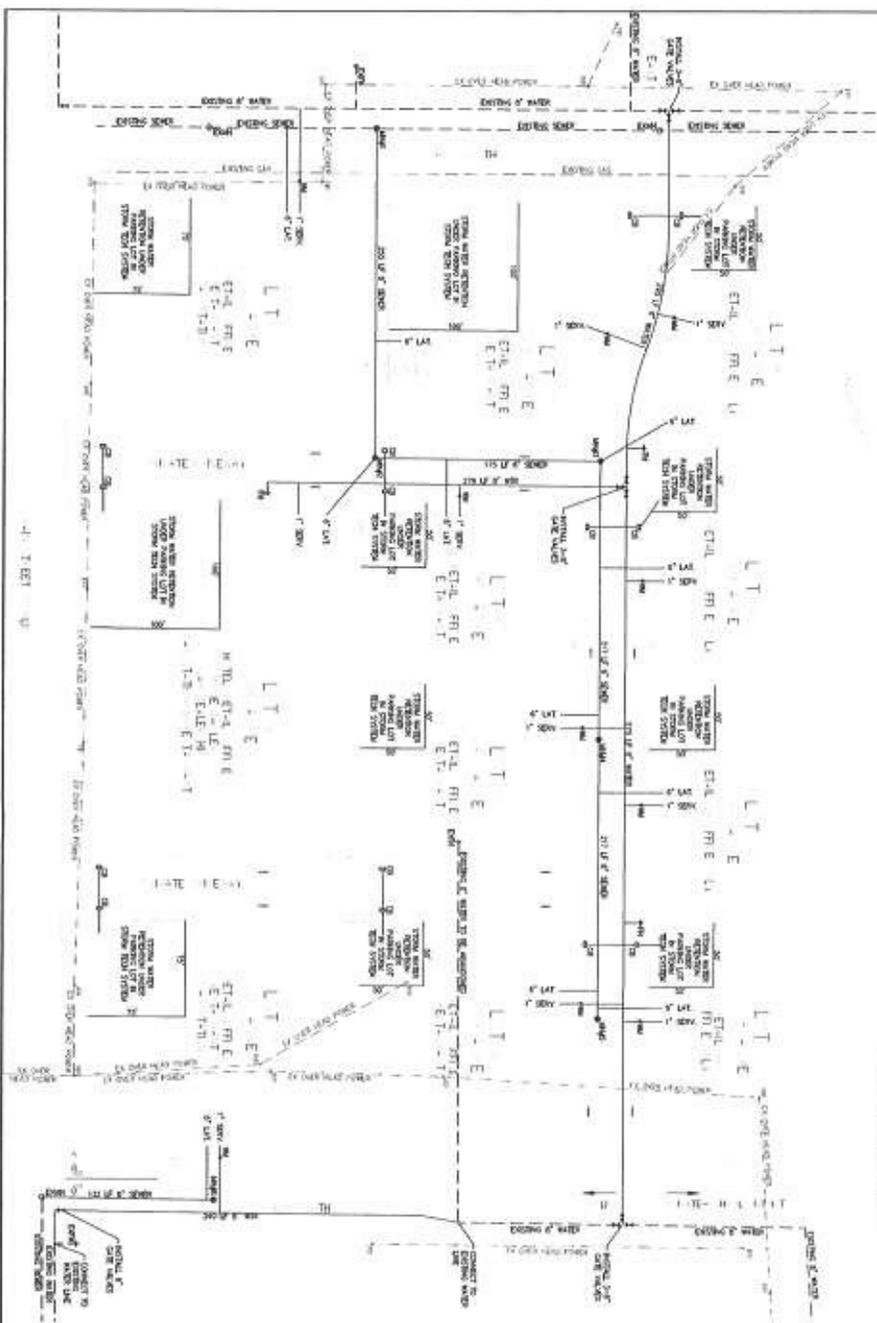
- NOTES:
1. ALL SIGNAGE SHALL BE INSTALLED AS PER THE SIGNAGE PLAN.
 2. ALL SIGNAGE SHALL BE INSTALLED AS PER THE SIGNAGE PLAN.
 3. ALL SIGNAGE SHALL BE INSTALLED AS PER THE SIGNAGE PLAN.

- GENERAL NOTES:
1. ALL SIGNAGE SHALL BE INSTALLED AS PER THE SIGNAGE PLAN.
 2. ALL SIGNAGE SHALL BE INSTALLED AS PER THE SIGNAGE PLAN.
 3. ALL SIGNAGE SHALL BE INSTALLED AS PER THE SIGNAGE PLAN.

OLD WHIS
REDEVELOPMENT
SIGN PLAN

CHRG ENGINEERING
Professional Engineer
No. 123456789
1234 Main St., Suite 100
Anytown, CA 90001
Tel: (555) 123-4567
Fax: (555) 987-6543
www.chrg-engineering.com

PROJECT NO: 12345
DATE: 10/20/2023
DRAWN BY: JSM
CHECKED BY: JSM
SCALE: AS SHOWN



THIS PLAN IS TO BE USED IN CONNECTION WITH THE UTILITY PLAN FOR THE REDEVELOPMENT OF THE OLD WAREHOUSE BUILDING AT 100 WEST 10TH STREET, NEW YORK, N.Y. THE PLAN IS TO BE USED IN CONNECTION WITH THE UTILITY PLAN FOR THE REDEVELOPMENT OF THE OLD WAREHOUSE BUILDING AT 100 WEST 10TH STREET, NEW YORK, N.Y. THE PLAN IS TO BE USED IN CONNECTION WITH THE UTILITY PLAN FOR THE REDEVELOPMENT OF THE OLD WAREHOUSE BUILDING AT 100 WEST 10TH STREET, NEW YORK, N.Y.

NO.	DESCRIPTION	DATE	BY	CHECKED
1	PRELIMINARY PLAN	10/15/50	J. H. B.	J. H. B.
2	FINAL PLAN	11/15/50	J. H. B.	J. H. B.
3	AS BUILT	12/15/50	J. H. B.	J. H. B.

**OLD WAREHOUSE
REDEVELOPMENT
UTILITY PLAN**

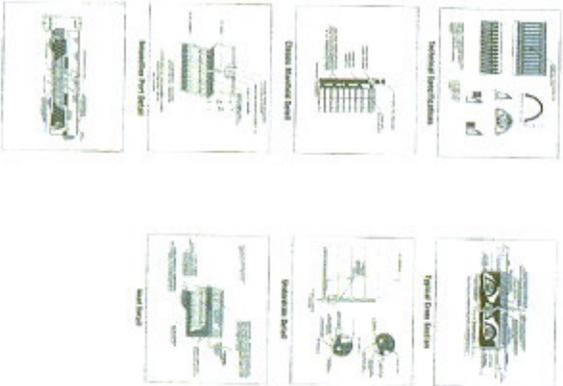
BERG ENGINEERING
INCORPORATED
100 WEST 10TH STREET
NEW YORK, N.Y.

DRAWN BY: J. H. B. DATE: 11/15/50
CHECKED BY: J. H. B. DATE: 11/15/50
SCALE: 1" = 60'

11.0 Detail Drawings

11.2 AVAILABLE DETAIL DRAWINGS

Below are examples of some of the details that can be used for the installation of stormwater drains.



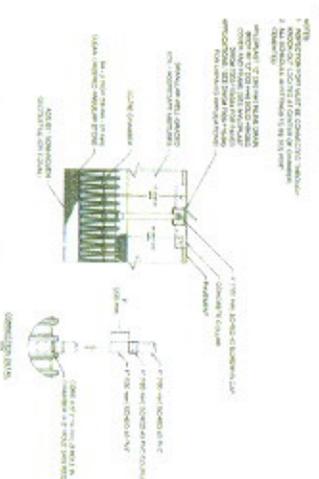
11.0 Detail Drawings



Figure 18 - StormTech StormTech 1000 Series



Figure 19 - StormTech StormTech 1000 Series



11.0 Detail Drawings

Figure 16 - Total Flow Detail - StormTech 1000 Series

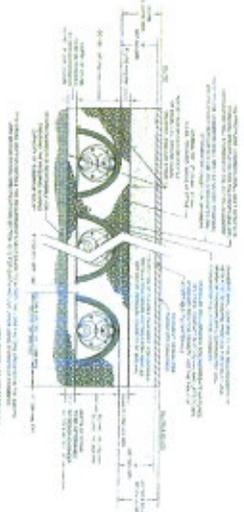


Figure 17 - Total Flow Detail - StormTech 1000 Series

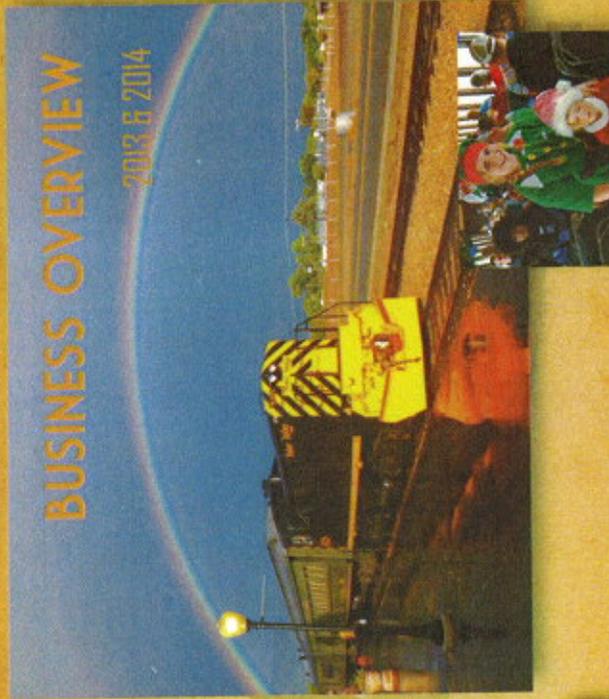


	OLD WHS REDEVELOPMENT STORM DRAIN DETAILS
	BERG ENGINEERING 100/101 Old Whs Rd North Sydney NSW 1585 Australia Tel: +61 (0)2 9439 2000 Fax: +61 (0)2 9439 2001 Email: info@berg-engineering.com.au

TAB B

BUSINESS OVERVIEW

2013 & 2014



HEBER VALLEY HISTORIC RAILROAD



HEBER VALLEY HISTORIC RAILROAD

HEBER VALLEY HISTORIC RAILROAD



Organization Overview:

An independent entity of the State of Utah

Formed by the Legislature in 1992

Controlled by a board of directors appointed by the Governor

Utah's only historic railroad

Operates on 16.5 miles of track between Heber City and Vivian

Park in Provo Canyon



HEBER VALLEY HISTORIC RAILROAD

HEBER VALLEY HISTORIC RAILROAD

2013 Results:

Revenues of \$1.6M, Net Income* of \$250K

Carried 71K passengers - ~50% from out of state

Significantly reduced payables and long-term debt

Increased customer satisfaction

Progressed restoration work

Formed Advisory Board

Progressed funding channels



HEBER VALLEY HISTORIC RAILROAD

HEBER VALLEY HISTORIC RAILROAD



2014 Plans & Goals:

- Grow revenues & be profitable
- Obtain external funding (FRA, State, private)
- Put the No. 618 steam locomotive back in service
- Introduce new events & services
- Develop Utah County strategy
- Maintain/repair/improve tracks & bridges



HEBER VALLEY HISTORIC RAILROAD

HEBER VALLEY HISTORIC RAILROAD

Markets we serve:

- Tourists - mostly from outside of Utah
- Wasatch Front & regional families & individuals
- Schools & organizations
- Wasatch & Summit county residents



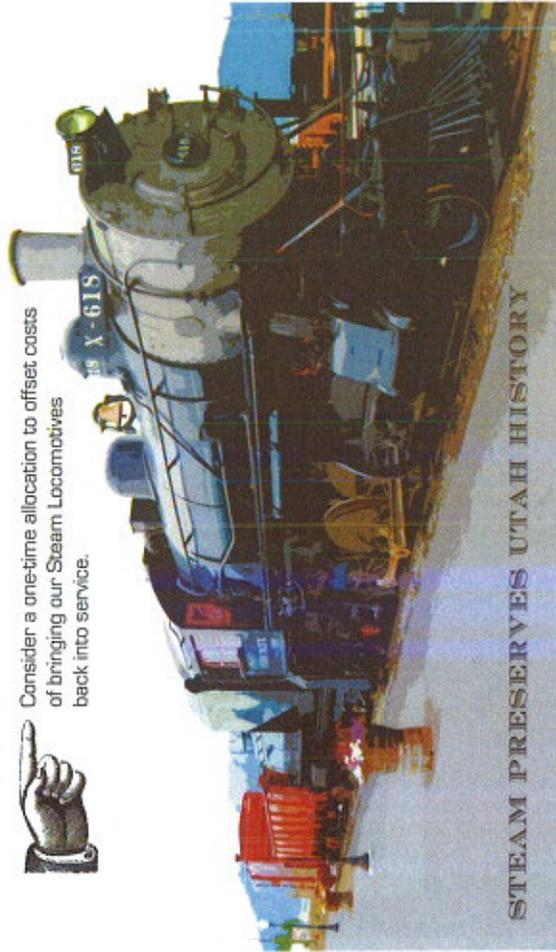
HEBER VALLEY HISTORIC RAILROAD

HEBER VALLEY RAILROAD

STEAM IS MAGIC



Consider a one-time allocation to offset costs of bringing our Steam Locomotives back into service.



STEAM PRESERVES UTAH HISTORY

HEBER VALLEY RAILROAD

TASKS & COSTS

NO. 618

1907 Steam Locomotive

FRA-required Boiler Inspection

Labor - volunteers & staff - \$20K

Descaling(cleaning) materials - \$10K

Steam tubes - \$15K

Form4 completion - \$10K

Trucks (wheels) refurb - 5K

New tires (8) - \$25K

Paint & finishing - 15K

Total - \$100K

NO. 75

1907 Steam Locomotive

Complete Restoration (75% done)

Labor - volunteers & staff - \$83K

Tender frame

Cab

Boiler

Running gear

Assembly

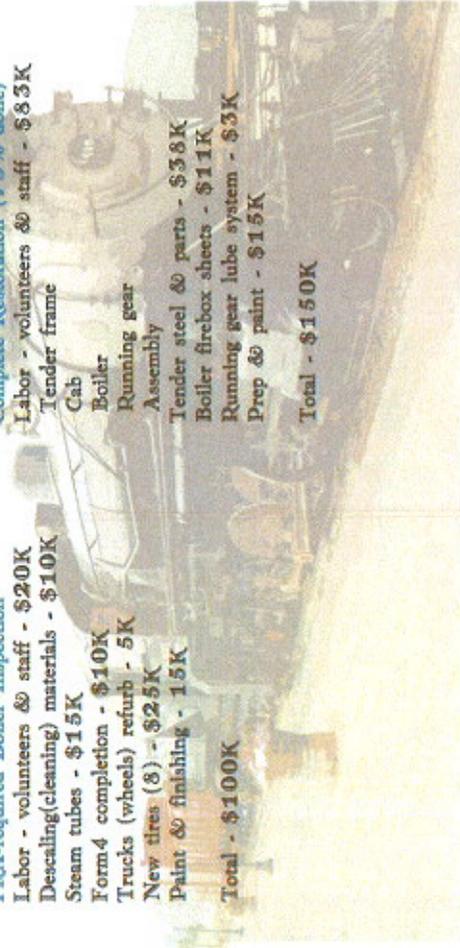
Tender steel & parts - \$38K

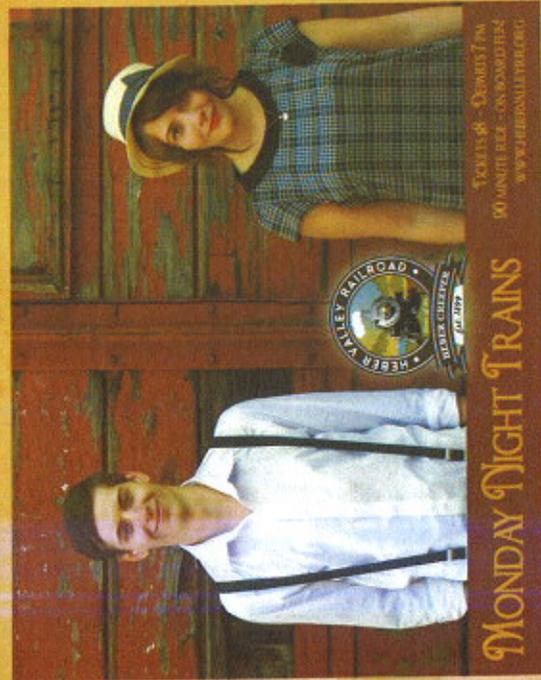
Boiler firebox sheets - \$11K

Running gear lube system - \$3K

Prep & paint - \$15K

Total - \$150K





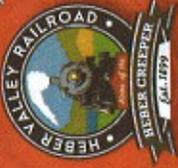
Tickets \$8 - Adults \$10
90 minutes - 05300010184
WWW.HEBERVALLEYR.R.ORG

MONDAY NIGHT TRAINS

HEBER VALLEY HISTORIC RAILROAD



VALENTINES SPECIAL



A Steamotive Experience

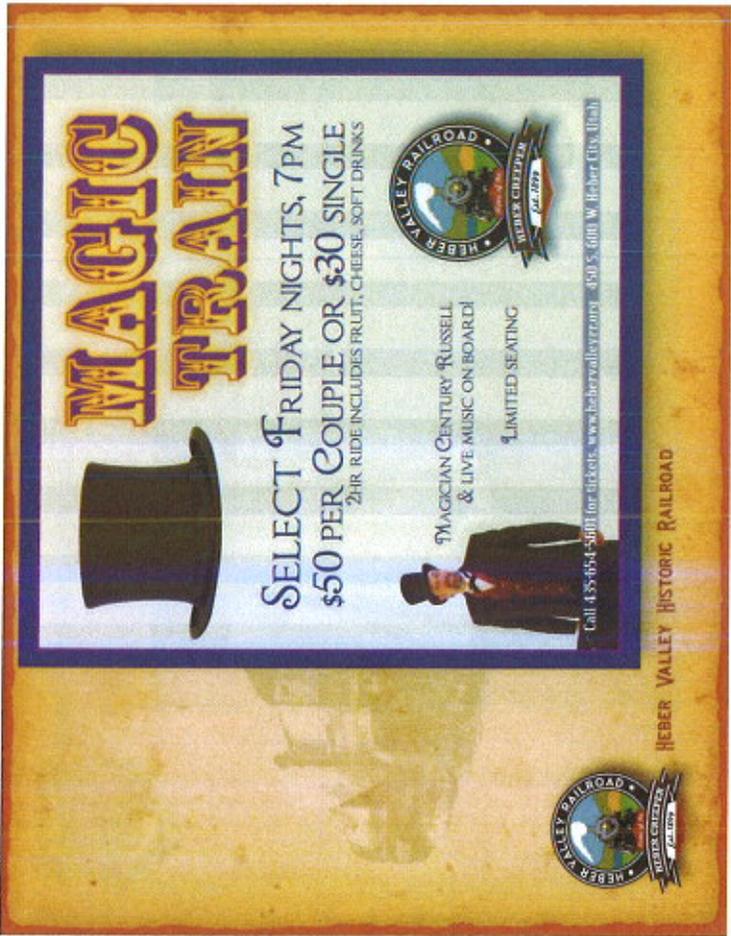
FEBRUARY 14TH 7:00 - 9:00 PM

\$49/person

Since 1899

HEBER VALLEY HISTORIC RAILROAD







MAGIC TRAIN

SELECT FRIDAY NIGHTS, 7PM
\$50 PER COUPLE OR \$30 SINGLE
2HR RIDE INCLUDES FRUIT, CHEESE, SOFT DRINKS



**MAGICIAN CENTURY RUSSELL
& LIVE MUSIC ON BOARD!**

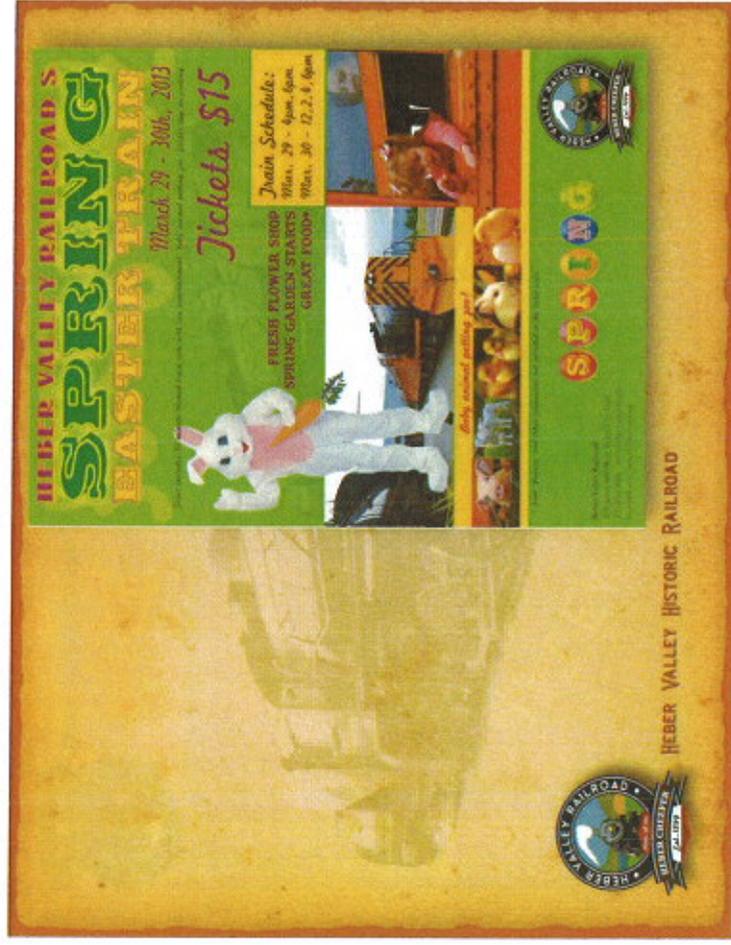


LIMITED SEATING

Call 435-954-5601 for tickets. www.hebervalleyrr.com 450 S. 600 W. Heber City, Utah



HEBER VALLEY HISTORIC RAILROAD



HEBER VALLEY RAILROAD'S
SPRING EASTER TRAIN
 March 29 - 30th, 2013

Tickets \$15



FRESH FLOWER SHOP
SPRING GARDEN STARTERS
GREAT FOODS

Train Schedule:
 Mon, 29 - 4pm-6pm
 Wed, 30 - 12, 2, 5, 8pm




SPRING






HEBER VALLEY HISTORIC RAILROAD

**HEBER VALLEY RAILROAD'S
DINOSAUR TRAIN**

MAINTAIN YOUR
DINOSAUR TRAIN!
BRUSH
CHANGE YOUR TRAIN!

July 1-6
5pm to 7pm
Tickets \$15

COOL STOP: Dinosaur Museum

HEBER VALLEY RAILROAD
UTAH'S HISTORIC RAILROAD
CLASSIC EXPERIENCE

HEBER VALLEY RAILROAD
UTAH'S HISTORIC RAILROAD
CLASSIC EXPERIENCE

**HEBER VALLEY RAILROAD'S
HOBO DAYS**

Friday
August 2nd
&
Saturday
August 3rd

Tickets \$49

5pm at the depot
Includes:
Historical
Entertainment
Music Show
Bake Sale
Bake Sale

7:30 pm Train
Board car ride
Food and
Refreshments
Sleep & Jokes

Free movies at 10 pm
Hobo clothing
Encouraged!

HEBER VALLEY RAILROAD
UTAH'S HISTORIC RAILROAD
CLASSIC EXPERIENCE

HEBER VALLEY HISTORIC RAILROAD

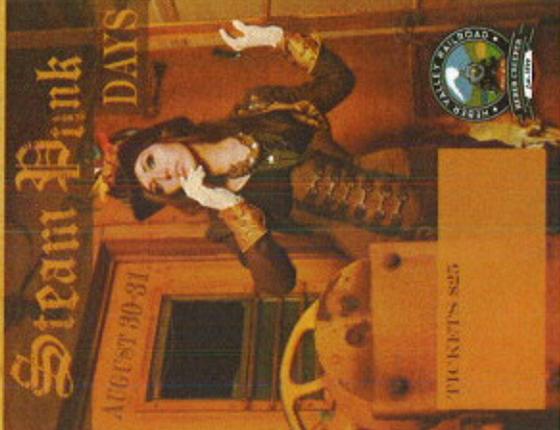


HEBER VALLEY RAILROAD'S
Wizard's Train
 S Costume Party

Aug 31 - Aug 1, 5pm - 7pm
 Aug 23, 4pm, 5pm, 7pm
 Aug 28th - August 30th
 Tickets \$25

1890
 HEBER VALLEY RAILROAD
 WIZARD'S TRAIN
 WIZARD'S TRAIN
 AND THE WIZARD'S TRAIN
 OF THE WIZARD'S TRAIN
 WIZARD'S TRAIN
 WIZARD'S TRAIN

HEBER VALLEY HISTORIC RAILROAD

AUGUST 30-31
Steam Punk
 DAYS
 TICKETS \$25

HEBER VALLEY HISTORIC RAILROAD



NORTH POLE EXPRESS

November 29th - December 24th 2013



Experience the magic...



HEBER VALLEY HISTORIC RAILROAD

PUMPKIN FESTIVAL

Oct. 10-26, 29-30

\$15

40 MINUTE TRAIN

HAUNTED CAR

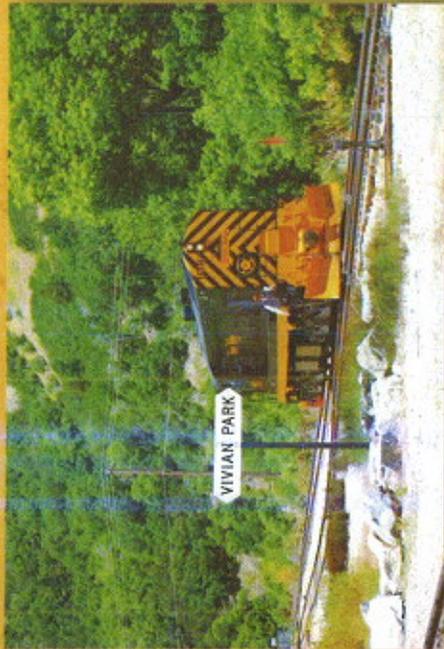
PUMPKIN PATCH

TATTOOS

Tickets \$15 each,
\$3 for toddlers 1-3



HEBER VALLEY HISTORIC RAILROAD



THANK YOU



HEBER VALLEY HISTORIC RAILROAD

TAB C

HEBER CITY AIRPORT

Lease Rates and Practices

SCOPE OF WORK

The Heber City Airport Lease Rates and Practices Study will be completed to aid Heber City and the Heber City Airport Board in developing policies to guide future lease rates and agreements. Airports similar in size and nature will be surveyed to collect data and industry trends. The survey data will be analyzed and compared to existing conditions at the airport. In addition, a Leasing Policy Document will be developed which will aid the airport in identifying conditions where the city should consider granting extensions to existing lease agreements. The policy will also identify considerations which will be extended to existing hanger owners at the end of their current lease.

Proposed Work Tasks

1.0 Prepare and Distribute Airport Surveys

An airport survey will be created in paper and/or online format and will include a variety of questions developed by Jviation with input from the Airport Board. The survey will include, but will not be limited to, questions regarding lease type, escalation clauses, hangar ownership and rates, fuel flowage fees, tie-down fees, special facility fees, and other various data points.

The survey will be distributed to various airports (not more than ten) similar in size and nature to that of the Heber City Airport. Jviation will contact each comparison airport by telephone or email as needed to verify and validate that the information collected is complete and accurate. Airports to be surveyed include:

1. South Valley Regional, UT
2. Provo, UT
3. Driggs, ID
4. Eagle, CO
5. Aspen, CO
6. Grand Junction, CO
7. Hailey, ID
8. Rifle, CO
9. Montrose, CO
10. Yampa, CO

2.0 Data Analysis

The data collected in the airport surveys will be analyzed and a summary prepared. The summary will note any trends or discrepancies. The airport survey data will then be compared to the Heber City Airport data and differences will be noted.

3.0 Data Reporting

The data collected as part of the study will be reported in a final document to the Heber City Airport. The final document will include an overview of the study, what airports were surveyed, survey methodology used, major data analysis findings, and recommended actions.

4.0 Lease Rates and Charges Policy

A Lease Rates and Charges Policy will be developed to aid the airport in future lease decisions. The Policy will address lease types, duration, extensions, and other items as found through the data analysis.

5.0 Tenant Open house

Hanger tenants will be notified of an open house, the data collected on rates and charges will be presented and a draft Leasing Policy document will be available. The open house will be facilitated by Jviation staff. Questions and answers about the policy and the data will be presented to attendees. Comments on the draft policy will be collected and presented to the Airport Board.

6.0 Meetings & Schedule

Four meetings will be attended as part of this study. The meetings include:

Kick-off, site visit and initial Scope of Work: May 8, 2013 – Site visit and meet with Airport Board to discuss scope of work and approach to study.

Finalize Scope of Work: June 12, 2013 - Airport Board to discuss the final scope of work and airports to be surveyed. (Not attended in person by Jviation Staff)

Survey Results: August 14, 2013 - Meeting with the airport board to discuss the survey results and recommendations.

Open house with tenants: September 11, 2013 - Meeting with the tenants to discuss the study and give an opportunity for tenants to voice their concerns with Lease Policy.

Presentation of study results: October 9, 2013 - Meeting with the airport board and tenants to discuss recommendations and overall study results.

Deliverables

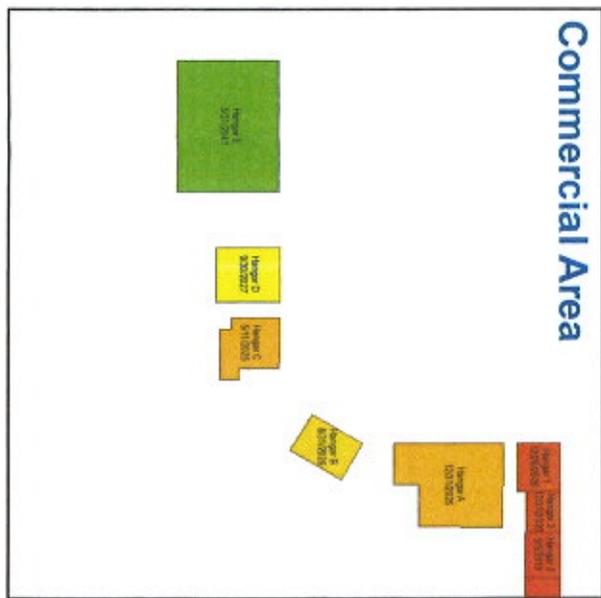
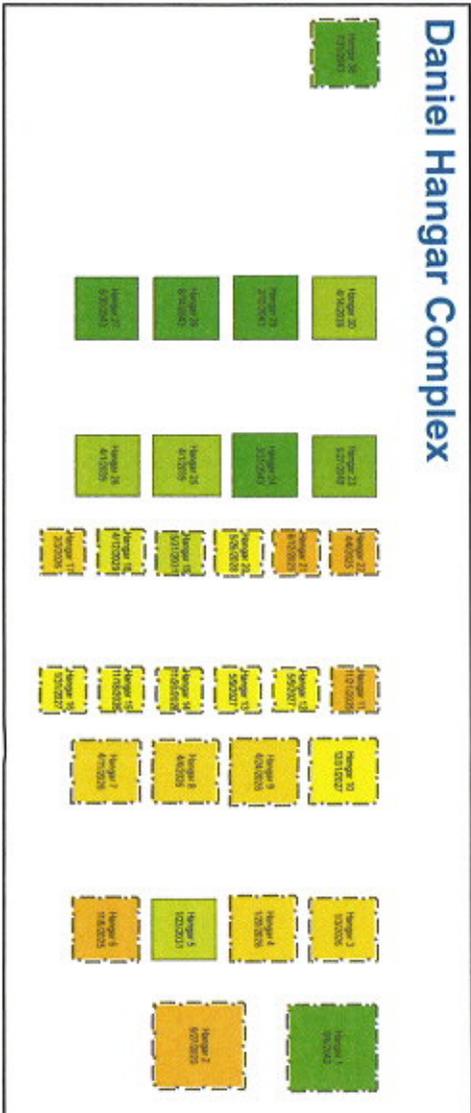
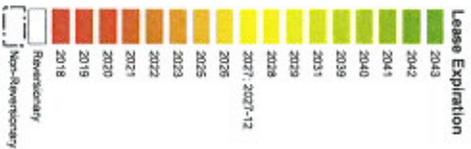
The study will result in three primary deliverables:

1. Airport Surveys Summary
2. Technical Document (reporting survey data)
3. Lease Rates and Charges Policy



Hangar Row

Hangar 1 1/23/2008	Hangar 2 1/23/2008	Hangar 3 1/23/2008	Hangar 4 1/23/2008	Hangar 5 1/23/2008	Hangar 6 1/23/2008	Hangar 7 1/23/2008	Hangar 8 1/23/2008	Hangar 9 1/23/2008	Hangar 10 1/23/2008	Hangar 11 1/23/2008	Hangar 12 1/23/2008	Hangar 13 1/23/2008	Hangar 14 1/23/2008	Hangar 15 1/23/2008	Hangar 16 1/23/2008	Hangar 17 1/23/2008	Hangar 18 1/23/2008	Hangar 19 1/23/2008	Hangar 20 1/23/2008	Hangar 21 1/23/2008	Hangar 22 1/23/2008	Hangar 23 1/23/2008	Hangar 24 1/23/2008	Hangar 25 1/23/2008	Hangar 26 1/23/2008	Hangar 27 1/23/2008	Hangar 28 1/23/2008	Hangar 29 1/23/2008	Hangar 30 1/23/2008	Hangar 31 1/23/2008	Hangar 32 1/23/2008	Hangar 33 1/23/2008	Hangar 34 1/23/2008	Hangar 35 1/23/2008	Hangar 36 1/23/2008	Hangar 37 1/23/2008	Hangar 38 1/23/2008	Hangar 39 1/23/2008	Hangar 40 1/23/2008	Hangar 41 1/23/2008	Hangar 42 1/23/2008	Hangar 43 1/23/2008	Hangar 44 1/23/2008	Hangar 45 1/23/2008	Hangar 46 1/23/2008	Hangar 47 1/23/2008	Hangar 48 1/23/2008	Hangar 49 1/23/2008	Hangar 50 1/23/2008	Hangar 51 1/23/2008	Hangar 52 1/23/2008	Hangar 53 1/23/2008	Hangar 54 1/23/2008	Hangar 55 1/23/2008	Hangar 56 1/23/2008	Hangar 57 1/23/2008	Hangar 58 1/23/2008	Hangar 59 1/23/2008	Hangar 60 1/23/2008	Hangar 61 1/23/2008	Hangar 62 1/23/2008	Hangar 63 1/23/2008	Hangar 64 1/23/2008	Hangar 65 1/23/2008	Hangar 66 1/23/2008	Hangar 67 1/23/2008	Hangar 68 1/23/2008	Hangar 69 1/23/2008	Hangar 70 1/23/2008	Hangar 71 1/23/2008	Hangar 72 1/23/2008	Hangar 73 1/23/2008	Hangar 74 1/23/2008	Hangar 75 1/23/2008	Hangar 76 1/23/2008	Hangar 77 1/23/2008	Hangar 78 1/23/2008	Hangar 79 1/23/2008	Hangar 80 1/23/2008	Hangar 81 1/23/2008	Hangar 82 1/23/2008	Hangar 83 1/23/2008	Hangar 84 1/23/2008	Hangar 85 1/23/2008	Hangar 86 1/23/2008	Hangar 87 1/23/2008	Hangar 88 1/23/2008	Hangar 89 1/23/2008	Hangar 90 1/23/2008	Hangar 91 1/23/2008	Hangar 92 1/23/2008	Hangar 93 1/23/2008	Hangar 94 1/23/2008	Hangar 95 1/23/2008	Hangar 96 1/23/2008	Hangar 97 1/23/2008	Hangar 98 1/23/2008	Hangar 99 1/23/2008	Hangar 100 1/23/2008
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Heber City Airport Hangar Leases

January 29, 2014

36U Hangar Owners Group Presentation
6:00pm February 6, 2013
City Council Work Meeting
With Airport Advisory Board in attendance

Materials for Work Meeting Packet:

First slide of presentation

Aug 8, 2013 Lease Rates and Policy Analysis document

July 7, 2012 City Council Work Meeting Minutes

Aug 16, 2012 City Council Regular Meeting Minutes

Aug 14, 2013 Airport Advisory Board Meeting Minutes

Ground Leases and the Decision Making Process

- 67 Privately Owned Hangars
Built on land leased from the City

- A Collage of Leases

31 Hangar Row Reversionary
5 Commercial Apron Reversionary
22 Daniel Non-reversionary
8 Daniel Reversionary
1 CAF Museum



Heber City Airport/Russ McDonald Field
Lease Rates and Policy Analysis

August 8, 2013

Prepared by Jviation Inc.

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INTRODUCTION

It is essential for airports to charge fees that are both fair and reasonable for users and tenants, as well as assist in covering the operating costs of the airport. The purpose of the Lease Rates and Policy Analysis (Study) is to provide guidance and recommendations in achieving these two goals. The data collected as part of this study will help Heber City/Russ McDonald Field's (Heber) establish fair lease rates and policies for the future.

The Lease Rates and Policy Analysis is a companion document and the basis for the "Leasing Policy". The Study reviews existing airport lease rates and compares lease rates of similar airports to Heber City Airport. It identifies Heber City Airport's overall market position, ascertains the adequacy of the airport's leasing structure and policy, and recommends where improvements should be considered.

The foundation of this Study is the airport survey. The survey gathers leasing information from airports that are in similar markets, size and direct competitors.

The data gathered is a gauge to compare Heber City Airport's lease rates and provide assistance with the establishment of future rates within the context of the airport's market environment. It should be stated that a lease rates analysis does not supplement a property appraisal for specific lease negotiations.

The key objective of this Study is to analyze lease rates at comparable airports. This was accomplished by:

1. Obtaining and reviewing the existing leases and lease rates at the airport.
2. Identifying current lease issues and concerns.
3. Working with the Airport Board to develop a list of similar airports or airports that compete in the same market.
4. Survey airports on their lease rates and practices.

SECTION 1 – AIRPORT MARKET PROFILE

Heber is a general aviation airport in Wasatch County, located approximately 1 mile south of Heber City's central business district. The airport serves Wasatch County and the most populated area of Summit County. The airport is owned and operated by Heber City.

The airport serves the general aviation needs for the area, including Heber City, Midway and Park City. Four of Utah's Ski Resorts are in close proximity to the airport, including three of the largest ski resorts in the state; Deer Valley, Park City and the Canyons.

OK3 Air is the only Fixed Based Operator (FBO) at the airport and services the 73 single engine, four twin engine, four helicopters and four jets based at the airport. It is a full-service FBO that offers line services, aircraft maintenance, flight training, aircraft sales, private charter planes, and scenic flight tours.

SECTION 2 – SURVEYED AIRPORTS

In order to collect and review lease rates for airports similar to Heber City Airport, criteria were developed to determine a list of comparable airports. The following criteria were used to develop the list of airports shown in Table 1:

- Similar airports located within 50 miles of Heber;
- Airports of similar size and scope in terms of ownership and use, type, and based aircraft;
- Airports in similar type of communities: aircraft operations and resort towns.

**Table 1
Airports Considered for Comparison**

Airport	Distance	Ownership /Use	Airport Type	# of Based A/C	Operations	Comparable Criteria
Heber City Municipal		City	GA	73	19,468 (2011)	Resort Town
South Valley Regional	50 miles	City	GA	165	75,000 (2011)	Competitor
Provo Municipal	30 miles	City	CS	104	172,014 (2011)	Competitor
Driggs-Reed Memorial	285 miles	City	GA	81	7,600 (2006)	Resort Town
Aspen-Pitkin County	340 miles	County	CS	77	36,900 (2013)	Resort Town
Grand Junction Regional	270 miles	City	CS	99	50,987 (2013)	Similar Size
Friedman Memorial (Hailey)	320 miles	City	CS	147	44,237 (2012)	Resort Town
Garfield County Regional (Rifle)	280 miles	County	GA	52	8,129 (2011)	Resort Town
Montrose Regional	330 miles	County	CS	81	26,460 (2012)	Resort Town
Yampa Valley (Hayden)	270 miles	County	CS	4	9,677 (2011)	Resort Town
Eagle County Regional	330 miles	County	CS	78	36,401 (2012)	Resort Town

Source: U.S. Department of Transportation Federal Aviation Administration, Airport Master Record, Accessed 2013

Surveys were sent to each airport requesting relevant lease information not provided on their public airport master record. If a response was not received, the airport was contacted and information was gathered over the phone.

The airports were provided with a matrix designed to gather information in five areas of interest with respect to leases, fees, investments, lease clauses, inflators, and any additional information that the airport could provide that would assist with the analysis. The survey results are provided in Table 2.

Table 2
Survey Results

Airport	Hanger Information			Lease Information				Lease Terms			Escalation Clauses			Reversionary Lease
	No. Hangars	No. Sponsor owned Hangars	Hangar Built in 2012	Hangars Built 2009-2011	Waiting List	Ground Lease Type	Lease Amount per sqft/yr	% Gross Revenue	Initial Term- Yrs	Extensions available	Y/N	Basis	Freq.	
Heber City Municipal	67	3	0	9	No	Improved Non-improved	\$0.30 \$0.15		20 20	two 5yr two 5yr	Yes	CPI	Annual	Yes
South Valley Regional	140	140	0	0	Yes	Commercial/Improved	\$0.18		15+	Yes	Yes	Chart	5 yrs	Yes
Provo Municipal	97	47	3	18	Yes	Improved	\$0.28	55%	30	two 5yr	Yes	CPI	2 yrs	Yes
Driggs-Reed Memorial	71	1	0	6	No	Improved	\$0.22		20	infinite 5 yr	Yes	CIP	Annual	No
Aspen-Piikin County						Improved	\$0.47		3-5					Yes
Grand Junction Regional						Improved	\$0.18		20	one 10yr		CPI		Yes
Friedman Memorial (Hailey)						Improved	\$0.71					CPI	Annual	Yes
Garfield County Regional (Rifle)						Improved	\$0.19		20	10 years	Yes	CPI	Annual	No
Montrose Regional	33	5	0	1	No	Private Hangar Commercial Aeronautical	\$0.10		Negotiable	Negotiable	Yes	CPI	Annual	Negotiable
Vanuxem Valley (Hayden)	7	1	0	0	Yes	Private Hangar Commercial Aeronautical Other Aeronautical	\$0.15 \$0.26 \$0.26	5% 5% 5%	35 35 5	5 years 5 years No	Yes Yes No	CPI CPI CPI	Annual Annual Annual	Yes Yes Yes
						Commercial Non-Aeronautical Industrial	\$0.26 \$0.26	10% 10%	5 5	No No	Yes Yes	CPI CPI	Annual Annual	Yes Yes
Eagle County Regional	15	9	0	1		Private Hangar	\$0.35		25	yes	Yes	CPI	Annual	Yes

Source: Aviation Inc., 2013

SECTION 3 – SUMMARY OF KEY FINDINGS

After reviewing the data collected, several observations were made from the averages of the data and most common answers, as depicted in Table 3.

- The average lease amount per square foot was \$0.24.
- The initial lease terms ranged from 5 years to 30 years, with 19 years being the average.
- Nearly every airport offer some sort of extension, after the initial lease term. The extensions are primarily used to update the lease agreements. A five year extension is the most common.
- Every airport’s lease included an escalation clauses based on CPI, with most of the escalations occurring annually.
- All but one airport have reversionary leases; however, the terms of the reversionary clause varied by airport.
- The most common extensions, beyond the initial lease terms, were based on the amount (in dollars) of improvements.

**Table 3
 Summary of Key Findings**

	Survey Question	Average/Most Common	Heber City
Hangar Information	No. Hangars	61	67
	No. Sponsor owned Hangars	29	3
	Hangar Built in 2012	1	0
	Hangar Built 2009-2011	5	9
	Waiting list	Varies	No
Lease Information	Ground Lease Type	Varies	Improved and Unimproved
	Lease Amount per sqft/yr	\$0.24	\$0.30/\$0.15
Lease Terms	Initial Term	19 years	20 years
	Extensions available	Yes – 5 years	Yes – 2, 5 year extensions
Escalation Clauses	Y/N	Yes	Yes
	Basis	CPI	CPI
	Frequency	Annual	Annual
	Reversionary Lease (Y/N)	Yes	Yes

Source: Aviation Inc., 2013

SECTION 4 – OBSERVATIONS AND RECOMMENDATIONS

Heber City Airport has leasing policies in place that have worked efficiently in the past; however, the policies may not account for the change in operations and demand for hangars that the airport is starting to experience. In order to determine how the existing policies and rates compare to similar airports, the existing rates and policies at Heber City Airport were compared to the surveyed airports and overall averages from the survey data.

Observations

A collective look at the data gathered through the surveys gives a general idea of what the market trends are for airports similar to Heber City Airport. Table 4 depicts how Heber City Airport compares to market trends. Observations gathered from the survey are:

- **Rates:** The rates at Heber City Airport are slightly higher than many of the airports surveyed; however, airports with similar demographics (Aspen and Eagle) charged more than Heber City Airport. It should also be noted that Heber City Airport charges \$0.30 per square foot of the hangar footprint and then \$0.15 for an additional 15 feet around the hangar. Many airports charge the same rate for the building footprint and the 15 foot perimeter. As such, the total rate charged at Heber is less than \$0.30 per square foot which brings the rate in line with the market trends.
- **Commercial Lease Value:** It is likely that a commercial appraisal of the hangar pads would show the rates of return, for the current economic conditions, as being undervalued.
- **Growth:** Hangar construction is in line with market trends as Heber City Airport experienced roughly a 13% growth with the construction of nine hangars between 2009 and 2011. The majority of the hangars built during this time period were by the airport sponsors.

Table 4
Leasing Observations and Recommendations

	Survey Question	Average/Most Common	Heber City	Observation
Hangar Information	No. Hangars	61	67	In-line with Market
	Sponsor owned Hangars	29	3	Lower than Market
	Hangar Built in 2012	1	0	In-line with Market
	Hangar Built 2009-2011	5	9	In-line with Market
Lease Information	Ground Lease Type	Varies	Improved and Unimproved	NA
	Initial Lease Amount per sqft/yr	\$0.24	\$0.30/\$0.15	In-line with Market
	% Gross Revenue	15%	NA	NA
Lease Terms	Initial Term	19 years	20 years	In-line with Market
	Extensions available	Yes, 5 years	2, 5 year extensions	In-line with Market
Escalation Clauses	Y/N	Yes	Yes	In-line with Market
	Basis	CPI	CPI	In-line with Market
	Frequency	Annual	Annual	In-line with Market
	Reversionary Lease (Y/N)	Yes	Yes	In-line with Market

Source: Aviation Inc., 2013

Recommendations

From the observations and data collected, recommendations for the Airport's future lease and rates were developed. In general, Heber City Airport is very comparable to the airports surveyed and the market trends. However, for the Airport to capitalize on the emerging market demand at Heber City Airport, the following recommendations are given:

- **Hangar Ownership:** The number of hangars owned by Heber City Airport is much less than most of the airports surveyed. This hinders the amount of control the airport has on the hangars and ultimately land use. As demand increases for hangar space and development, it will become critical for the airport to have more control over each hangar. As such, it is recommended that the practice of using reversionary clauses in the leases be continued. Table 5 provides a summary of the rental rates from hangars that are owned by the airport.
- **Lease extension:** If the land is not needed by the airport for current or future development many airports with reversionary leases offer lease extensions for capital improvements to the hangars. The duration of the extension is based upon the cost of the capital improvement. At the surveyed airports, a fixed dollar amount was used to determine the length of the extension. The amount needed to qualify for the extension was adjusted periodically. The size or value of the hangar was not taken into account. At one airport the age of the hangar was a factor. Capital improvements on older hangars could only use a fraction of the investment to qualify for an extension.

An extension based upon a set dollar amount was not found to be practical as it would need to be updated over time. It is recommended that extensions be offered for improvements worth 1/30 of the value of a new hangar of similar size.

For example a lessee has 10 years left on the lease and installs a new hangar door. The new hangar door costs \$5,000. A new hangar of similar size currently sells at the airport for \$150,000. The number of years the lease would be extended would be 1 year for every \$5,000 of verifiable and airport approved improvements (\$150,000 divided by 30). In this example the hangar owner would qualify for 1 additional year on their lease.

- **Future Rates:** The demand for new hangars will eventually exceed the existing buildable hangar space and new hangars will need to be constructed. It is recommended that when the airport reaches maximum capacity for new hangars, appraisal values be used to establish lease rates.
- **Future Commercial Rates:** To ensure market value is maintained, at the end of the current life of the commercial hangar leases, the lease should go through a competitive process to establish an updated rate.

Table 5
Summary of Reversionary Lease Data

Survey Question	Average/Most Common
Rent Base on (sq. ft., flat)	Flat Fee
Approx size of Hangars	1552 sq. ft.
Monthly Rent Amount	>10,000 sq. ft. (Flat Fee) - \$3,764.27
	<2500 sq. ft. (Flat Fee) - \$242.33
	<2500 sq. ft. (Sq. Ft.) - \$0.25

Source: Jviation Inc., 2013

- It is recommended that non-commercial hangar leases be standardized. The Commercial leases currently utilized at the airport have been tailored to meet the business models at the airport. Some degree of flexibility should be maintained when dealing with current and future businesses at the airport. Recommendations for the leases are as follows:

a. Hangar Row

The hangars comprising “Hangar Row” were built between 1989 and 1993. The hangar leases are reversionary lease for a term of 30 years. The leases are non-escalating and are for a flat fee for \$50 per year. The first leases granted will come due in 2019. The area where these hangars sit will be needed for future development if the airport decides to expand to meet the demands of aircraft that are already operating at the airport. It is suggested that none of the leases in this area be extended. Depending on the economic conditions at the time of reversion, the City can either, remove the hangars or rent them on a month to month basis. The FAA currently has funding place holders for the airport upgrade in 2021.

It is likely that relocation or condemnation will be necessary if the airport upgrade comes to fruition in or before 2021. The City should provide airport land and/or improvements that are comparable to the improvements currently being occupied by these lessees. If comparable airport land or improvements are not available, the City should buyout the leasehold interest held by the lessee at the market value determined by an appraiser.

b. Daniel Hangars 2 - 22

The Daniel Hangars 2-22 were built between 1995 and 2008. These hangar leases are non-reversionary leases with terms of 20 years and one 5-year extension. The leases have an escalation clause and were initially set at \$0.25 per sq. ft. per year for improved and \$0.125 per sq. ft. per year for unimproved. No provision has been made to deal with the lessees or improvements at the end of the lease. One hangar owner (hanger 5) has opted for a 30 year (20 yr plus two 5 years extensions) reversionary lease instead of a non-reversionary lease.

The land in which the hangars are currently located on has not been identified as being needed for future development. It is recommended that a 5-year reversionary lease be offered at the end of the 25 years (the initial term and the 5 year extension), but only if the hangar is in good condition.

If the hangar is in poor condition, then the hangar owner will retain the improvements (the hangar structure) and be required to remove it from airport property. Heber City will at all times will maintain ownership of the property.

If the hangar is in good condition at the end of the reversionary lease, the City can do what is economically best for the City. The options include, but are not limited to:

- Month to month leases, giving the prior lease holder the first right of refusal to rent the hangar
- Resell the hangar and issue a new lease (giving the prior lease holder the first right of refusal to purchase the hangar)
- Remove the hangar

It would be advantageous to implement a means for extending the leases on these 20 hangars beyond 30 years. Following the recommendation previously laid out in this study, extensions could be offered to the lessees for improvements worth 1/30 of the value, of a new hangar of similar size.

c. Daniel Hangars 23 – 30

The Daniel Hangars 23 -30 are comprised of 8 hangars the City built in 2009. These hangar leases are reversionary leases with terms of 20 years and two, 5-year extensions. The leases have an escalation clause. The hangars are 75'x75' on 95'x95' pads. The 75'x75' area under the hangar is initially leased at \$0.30 per sq. ft. The additional 15' around the hangar is leased at a different rate; \$0.15 per sq. ft. per year. No provision has been made to deal with the lessees or improvements at the end of the lease. It is anticipated that the structure and the land will revert to the City at 30 years. If the hangar is in good condition at the end of the reversionary lease, the City can do what is best economically for the City. The options include, but are not limited to:

- Month to month leases, giving the prior lease holder the first right of refusal to rent the hangar
- Resell the hangar and issue a new lease (giving the prior lease holder the first right of refusal purchase the hangar)
- Remove the hangar

It would be advantageous to implement a means for extending the leases in this area. It is recommended that extensions be offered for capital improvements to the hangar or leased pad.

d. Commercial Apron Area

Accommodations have been made to commercial operators at the airport. Geographically these buildings surround the main apron. Their lease terms and rates differ slightly from the reversionary hangar leases. Commercial leases have been extended to the commercial operators that meet the "Minimum Standards" adopted by the airport. The lease terms have been negotiated with the Airport Board and approved by the City Council. The terms are based upon the business model and economic benefits that the business will bring the airport and community.

Additional discussions on the commercial leasing practices are needed before specific recommendations can be given.

Appendix A
Reversionary Lease Information

Survey Response – Reversionary Leases

Reversionary Leases										
Airport	Extension Mechanism	Length of Extension	Hangar Ownership	Age of Hangars (yrs)	Condition of Hangar Group	Rent Amount	Approx Size of Hangars	Rent Amount	Utilities Included	
South Valley Regional	Yes	Varies	Private							
			Private							
			Airport	10	Good	Flat Fee	1,554 Sq. Ft	\$310.00/mth	Yes	
			Airport	30	Fair	Flat Fee	1,400 Sq. Ft	\$233.00/mth	Yes	
			Airport	30	Fair	Flat Fee	1,702 Sq. Ft	\$310.00/mth	Yes	
Provo Municipal	Yes	Varies (See Note)	Airport	30	Fair	Flat Fee	<2500 Sq. Ft	\$225.00/mth	Yes	
			Airport	10	Good	Flat Fee	<2500 Sq. Ft	\$300.00/mth	Yes	
			Private	30+	Poor to Fair	sqft	<2500 Sq. Ft	\$0.15/sqft/yr		
			Private	10-	Good	sqft	<2500 Sq. Ft	\$0.28/sqft/yr		
			Private	10-20	Good	sqft	<2500 Sq. Ft	\$0.28/sqft/yr		
			Private	20-30	Good	sqft	<2500 Sq. Ft	\$0.28/sqft/yr		
			Private	30+	Fair	sqft	<2500 Sq. Ft	\$0.28/sqft/yr		
Grand Junction Regional			Both					\$0.42/ sq ft/yr	No	
Yampa Valley (Hayden)	Improved	5 years								
	Improved	5 years								
			Private	<10	Good	Flat Fee	>10,000 Sq. Ft	\$2.041.32/mth	No	
			Private	<10	Good	Flat Fee	>10,000 Sq. Ft	\$3,090.52/mth	No	
			Private	<10	Good	Flat Fee	>10,000 Sq. Ft	\$6,160.96/mth	No	
Eagle County Regional	NA	2, 5 year extensions								

Source: Aviation Inc., 2013

Appendix A
 Reversionary Lease Information

Survey Response – Notes on Reversionary Leases

Airport	Extension Mechanism Note	General Remarks
South Valley Regional	1- 15 Yr for initial lease term with an investment up to \$111,500, an additional year for every \$65,000	First Right of Refusal once lease is up at new rate
	2- 50% of tenant investment is recognized in the first half of lease, 25% in the last half for improvement of \$65,000 or more	
Provo	1Yr extension with for every \$9000 of improvements.	At the end of the lease the lease can continue to lease the building at the same rate, but the ownership cannot change and it cannot be subleased.
Aspen-Pitkin County		Option to buy back or it reverts to airport
Grand Junction Regional		Tenant can remove the hangar or it reverts to airport

Source: Jviation Inc., 2013

Heber City Corporation
City Council Meeting

July 19, 2012

6:00 p.m.

WORK MEETING

The Council of Heber City, Wasatch County, Utah, met in **Work Meeting** on July 19, 2012, in the City Council Chambers in Heber City, Utah.

Present:	Mayor	David R. Phillips
	Council Members	Robert Patterson Alan McDonald Benny Mergist Jeffery Bradshaw Erik Rowland
Also Present:	City Manager	Mark K. Anderson
	City Recorder	Michelle Kellogg
	City Engineer	Bart Mumford
	Planning Director	Tony Kohler
	Police Chief	Ed Rhoades

Others Present: Weslie Durtschi, Nadim Abuhaidar, and others whose names were illegible.

Mayor Phillips opened the meeting and welcomed all in attendance.

Review Draft Franchise Agreement with Comcast of Utah: Anderson explained he sent this draft agreement out in the packet before receiving a response from Comcast. Comcast emailed a response today which was included in the extra materials. Comcast had some concerns with the draft agreement. Council Member McDonald asked if the City would receive 5% of the gross revenues. Anderson indicated that the 5% payment was received quarterly. Council Member McDonald asked if Comcast provided an educational channel that could be used to view City Council meetings. Anderson responded that meetings could be viewed if the City acquired the equipment to record the meetings. Council Member McDonald asked how long the contract would be in effect. Anderson stated the last agreement was for 15 years, but the City was now proposing a 13 year contract. It was noted that the City reviewed Comcast's contract with Park City and incorporated portions of that agreement into the proposed agreement in order to strengthen the City's position. Anderson suggested asking Scott Dansie from Comcast to come to the next City Council meeting and discuss the unfavorable issues in the proposed contract. One of the issues was with the underground burial of cables requirement located in Paragraph 3.7(d). Anderson stated Comcast thought putting cables underground throughout the whole City would be cost prohibitive.

Review Utility Fees for Non-Residential Properties Larger Than One Acre: Mayor Phillips explained Anderson broke down the large parcel customers by acreage in ascending order.

Anderson pointed out there were a few parcels that didn't have water accounts. Council Member McDonald suggested blocking the fee by acreage, 1-5 acres one fee, 6-10 acres one fee, 10+ one fee. Council Member Rowland wanted to take the median amount of each block and charge the entire block that fee. It was decided to cap the fee at \$40 for these larger parcels and not to charge a fee on undeveloped parcels. Anderson stated capping the fee at \$40 would net an \$8,200 loss from the estimated \$225,000 revenue from the utility fee. He stated he would instruct Mindy Kohler to adjust the bills, but would bring this item to the next Regular Meeting for ratification.

Discuss Ordinance 2012-09 – Plat Amendment and Abandonment of Parcel B of the Valley Station Subdivision: Anderson stated the abandonment of this parcel would allow the City to transfer a portion of the land to Redmond Investment Properties. This item was moved to the next Regular Meeting agenda.

Discuss Transfer of City Property Located at 1000 South 400 West to Redmond Investment Properties: Anderson showed the proposed area to be deeded to Redmond Investment Properties on an overhead. This item was moved to the next Regular Meeting agenda.

Review Recommendation from the Airport Advisory Board Regarding AH Aero Services Request to Extend the Lease of Daniel Hangar #1: Anderson stated a letter from Abuhaidar was included in the packet tonight. Anderson had some concerns with this request. He explained he took some preliminary information from Grand Junction Airport since they were experiencing a similar situation. In speaking with officials at the Salt Lake Airport, as well as Grand Junction Airport, there was hesitancy to have reversionary hangars because the owners were less likely to maintain them, knowing that after a certain time period, they would revert ownership back to the city. Anderson stated that leases depreciate. Anderson called the Salt Lake City Airport and they indicated they had annual inspections and required the lessees to maintain the hangars. In Grand Junction, some hangars were so deteriorated that they needed to be removed. This airport also did not extend any leases. Hodges evaluated the Heber City Municipal Airport in 2007, and said the leases should be set up as straight line depreciation. Council Member McDonald asked why the City had reversionary leases. Anderson said when the hangars were built in 1989, the Airport was much different than today.

Another issue that Abuhaidar brought up in his letter was that people had a difficult time getting financing to buy hangars. Anderson indicated that was not the City's problem. Anderson also wanted the FAA to weigh in on granting one request and then not granting a future similar request. Anderson felt the City would need to treat all requests the same. Also, Anderson was nervous about committing this piece of land because the City didn't know about the future plans of the Airport.

Referring to Hodges' study, Anderson read about Hodges' concern about reversionary leases. Mayor Phillips stated this issue was about the future growth of the Airport. He wanted to make sure the City was taking care of its interests. Anderson indicated he would look at getting a new Airport Hangar Layout Terminal Area Plan this year.

Mayor Phillips asked Abuhaidar about the status of his building. Abuhaidar stated the building had a reversionary rate. He indicated he was making this request because he wanted to invest in the Airport. He had worked behind the scenes to get a better approach, remove the night landing limitation, and wanted to expand the Airport to a C2 Airport. He explained he definitely had a need for more hangar storage. He had committed to higher fuel flowage fees and he was

committed to making the Airport a success. According to the current plan, he couldn't build a large hangar.

Abuhaidar also explained if FBOs committed capital, they wanted assurances that they would be there for a while. He thought a reversionary lease would also benefit the City because there would be liquidity at the Airport. Anderson clarified that the City could have a terminal area plan, but the old snow removal building would have to be removed.

Council Member Rowland stated, as a member of the Airport Advisory Board, that Abuhaidar's request had a unanimous approval by the Board. They were aware that the lease would take the hangar out to 42 years, but they felt the age was okay. They also felt the extension of the FBO lease was a special case so other requests could be denied. Abuhaidar stated that within the lease, there was a provision that if the hangar was in bad condition, it could be condemned. Council Member Rowland stated the concerns were that the decision made would set a precedent, and that an extension would tie up the land for too long of a time. Council Member Rowland felt that Abuhaidar's request was a good balance of providing resources that the FBO needed so the City could look good to the patrons of the Airport.

Verbatim:

Council Member McDonald: My opinion would be that before I would get involved in the extension of leases, of which I am neither for nor against yet, I would sit down and get your FBO agreement worked out first before I would move on to this. There were some parts we had talked about before, about the fuel fees and other things, let's try to clean out the old document – I'd like to get that in place first before we move on to this one.

Abuhaidar: You mean the seven year extension that we did last year?

Council Member McDonald: Actually the agreement itself. I know there are parts in the old agreement that were done by the FBO, I know there were parts . . .

Anderson: about fuel flowage.

Abuhaidar: Mark loves that one.

Council Member McDonald: That would be in my best interest to clean that up and get that in place before I would tackle this one.

Abuhaidar: We had talked about the negotiation and it was the desire of the Council at the last Council meeting when we discussed the lease extension that we would certainly want to do that. But this is more of a near-term need of the FBO. It's in our interest to have control of that hangar.

Mayor Phillips: Let's poll the rest of the Council. I know Councilman Rowland, wearing his City Council hat, is in favor of extending this lease. Alan (McDonald) said he was neither for nor against it, he would need to think it over, but in the meantime let's crank out some verbage – which it doesn't have to take two months to do. What do the rest of you think?

Council Member Mergist: I'll support the recommendation of the Airport Board.

Council Member Bradshaw: Same here.

Council Member Patterson: I'm kind of half and half. I'm not in favor of extending it, but every time Abuhaidar comes in here, and then Eric speaks to us, and I . . . but it's more economics than anything.

Mayor Phillips: What I'm hearing is that three members are saying they are ready to put this on the regular agenda, and someone asked Alan's question and said do you want to do that and then work on the verbage with Abuhaidar on a couple of pending issues? Or, are you willing to hold on extending the lease until we get that worked out if we can get that worked out in the next four to six weeks?

Council Member Rowland: I would like to see a version of the FBO agreement the way we would like to see it, and perhaps it needs . . . changes as Alan's discussing.

Abuhaidar: Our commitment with the lenders is 90 days and if we can't get it in 90 days we lose the package. We could extend it by both sides but we're in escrow right now and have until the end of August to get the option ironed out.

Mayor Phillips: the things that Alan was talking about, were there any glitches Nadim, that you see? Anything that you're going to dig your heels in on, that we're going to reach an impasse?

Abuhaidar: No, I think in talking about cleaning up the leasehold area, I think it's pretty straight forward, the language would be a lawyer backed court release thing; I don't have an issue with tightening it up. The most important thing was that we were going to clean it up and negotiate an additional seven years. Last time, we got seven years extension with the understanding that we would negotiate an additional seven in good faith. I know it's in the best interest of the Council, to put it plainly, the more we make, the more we can make, whether its increase in FBO leases or increased fuel flowage, whatever's on paper, it works together. We've got to be able to function well in order to negotiate higher and higher rates.

Mayor Phillips: would you be able to submit some language to the Council in a couple of weeks from now on cleaning up that verbage?

Abuhaidar: Sure, I can if you'd like me to initiate that.

Council Member Rowland: (to Abuhaidar) How would you prefer?

Abuhaidar: I would prefer a draft, because there are some ideas coming from . . .

Council Member Rowland: I know Mark has some ideas on things to change.

Abuhaidar: If we had a draft, we could use that to start with.

Mayor Phillips: We could throw something your way and the Council could look at that. This could come together if that's the way the Council wants to go, it's their call. If they want to put this on the next agenda, then say it right now. If they want to work that out just say so right now.

Council Member Bradshaw: I think we need to get things ironed out and get it on the next agenda.

Mayor Phillips: So Mark, can you get them some information as soon as you can, and get it back and forth and to the Council, maybe even before the packet goes out. This is something we can get done, wasn't there just a seven year lease extension given in the last month or two?

Anderson: on the FBO lease

Mayor Phillips: (to Abuhaidar) I think they gave you a seven year extension with the understanding you would work these other things out.

Summarized:

This item was moved to the next Regular Meeting agenda on August 16.

Anderson stated he wanted the FAA to weigh in on the Board's recommendation. The Council agreed that it would be beneficial to hear from the FAA. Anderson stated the hangars didn't have fire protection. It would be fine for storage but for not for any other purpose. He stated if Abuhaidar had an interest in building a hangar, that potential would exist.

Recommendation from Airport Advisory Board Regarding an Increase in Hangar Lease Fees and Modifications to the Lease Currently Offered:

Anderson stated the Airport Advisory Board recommended a rate increase on the City owned hangars and felt if the lease rates were raised, it would be an incentive for the renters to buy the hangars. Council Member Mergist thought the renters might leave if the rates were raised. Anderson also indicated the two hangars being rented on Hangar Row were recommended to be raised from \$400 to \$450 per month. It was suggested that the proposed rate increase equal a monthly payment of a hangar loan. It was also discussed that the current renters would not be potential buyers, since the price was out of the range of most small aircraft owners. Anderson stated that to recoup the cost of the hangars, the City would have to sell for them for \$206,000 each. The City currently owed a total of \$980,000 for the unsold hangars, and Anderson felt the City should reevaluate the sales price. If the sales price was reduced to \$250,000, the corresponding rental rate would be \$1,667 per month. He thought that a rate increase to anything over \$1,200 per month would probably lose tenants.

Council Member Rowland suggested that if the City continued renting the hangars then it would no longer be selling "new" hangars. He was in favor of raising the rent and lowering the sales price. Council Member McDonald was in favor of not waiting to make a profit but just breaking even to get the hangars sold.

Anderson suggested raising the lease to \$1,600 as of September 1st and listing the hangars for \$275,000. The Council agreed to the new sales price and moved the lease rates to the next regular meeting agenda.

New hires: Anderson reviewed that the City hired Ramona Pace as the Code Compliance Official. He stated she currently worked 30 hours per week, but in the winter she would work 10 hours per week. She lived in Coalville and was doing a good job.

Terry Loboschefskey was hired as the part-time Airport Manager. Anderson remarked that he had built his own airplane, and was a meticulous person who also worked for Dave Hansen. As a profession, Loboschefskey oversaw engineers, but he retired because he was tired of traveling. Council Member McDonald asked if he could run equipment. Anderson stated he could use some equipment, but was quick learner. Anderson felt he would take good care of the equipment.

Linda Bliss began working as Public Works Secretary on Monday. Previously, she worked at Walmart and the Fourth District Court. Anderson also mentioned that Tozier interviewed 11 people for the two Maintenance Worker positions that were open.

The Council agreed to cancel the City Council meeting scheduled for August 2 because of Fair Days.

Anderson asked for the Council's input about the 300 West irrigation line. The County wanted to put in the line and requested that the City delay chip sealing the road until the County finished. It was decided the City would wait until spring to chip seal the road.

Council Member McDonald requested that an impact fee agreement with the County should be signed so there would be no misunderstanding on the matter.

Anderson also informed the Council that Mandy Anderson filled in as the Public Works Secretary for eight weeks until Bliss was hired. He stated the Personnel Policy allowed the City Manager to approve a one-time pay with the consent of the Council. The Council agreed to give Mandy Anderson an appropriate amount at the discretion of the City Manager.

Other Business:

Mayor Phillips stated he was grateful that the Veteran's Memorial plans were progressing. He indicated he wanted to meet with the County to move the proposed Police Building forward as well.

Mayor Phillips also discussed City Council wages, travel allowance, and car allowance and indicated he wanted to see the Council wages increased. Council Member Mergist thought the Council should restructure its pay and not mask it or break it down. Council Member Rowland thought if he got travel pay it should be justified, but not given as a mechanism to increase the pay. He was comfortable with having a public forum to discuss that. Council Member Bradshaw asked what the County Council, the School Board and the Midway Council made.

Mayor Phillips recommended raising the wage \$250 per month and travel and insurance \$150 per month. This item was moved to a public hearing on August 16. It was indicated that the public hearing would be advertised in the newspaper.

With no further business, the meeting was adjourned.

Michelle Kellogg, City Recorder

Heber City Corporation
City Council Meeting
August 16, 2012

7:00 p.m.

REGULAR MEETING

The Council of Heber City, Wasatch County, Utah, met in **Regular Meeting** on August 16, 2012, in the City Council Chambers in Heber City, Utah.

Present:	Mayor	David R. Phillips
	Council Members	Robert Patterson Alan McDonald Benny Mergist Jeffery Bradshaw Erik Rowland
Also Present:	City Manager	Mark K. Anderson
	City Recorder	Michelle Kellogg
	Planning Director	Anthony Kohler
	Police Department	Lt. Jason Bradley

Others Present: Tim Glenn, Tom Bonner, Dennis Roberts, Jim Morgan, Tracy Taylor, Sam Steed, Mattie Kirby, Lisa Wardell, Jeff Findarle, Mitch Iordachescu, Weslie Durtschi, Nadim AbuHaidar, and others whose names were illegible.

Mayor Phillips opened the meeting and welcomed those in attendance.

Pledge of Allegiance: Mayor David Phillips
Prayer: Council Member Erik Rowland

OPEN PERIOD FOR PUBLIC COMMENTS

Mayor Phillips asked for comments from members of the audience who wished to address the Council on topics that would not be addressed on the agenda. None were given.

CONSENT AGENDA

Approval of the UDOT Aeronautical Operations Division Project Application and Grant Agreement for State Aid for Development of Public Airports: Council Member McDonald hoped the City was aware that it would have to maintain this project for 10 years. With the currently written FBO lease, the grant, and others like it, could tie the City's hands when it received State money and it could override the lease with the FBO. Also, there was wording that would duplicate the FBO agreement. He suggested changing the FBO agreement to allow for the grant stipulations.

Anderson clarified that the grant in question would be issued by UDOT Aeronautics and not the FAA. He stated as the City entered into agreements with the State and the FAA, the FBO would have to agree to comply with the stipulations.

Local Consent – Temporary Special Event Beer Permit for Wasatch County Parks and Recreation Department - Wilderness Circuit Finals:

Local Consent – Single Event Permit to Serve Alcoholic Beverages – St. Lawrence Catholic Church Fall Festival:

Ordinance 2012-11- An Ordinance Amending the Consolidated Fee Schedule to Cap the Maximum Utility Fees for Multi-Family and Non-Residential Properties \$40.00 per month:

Council Member McDonald thought this cap should also cover residential as well as multifamily and nonresidential units. It was clarified that the most single family residences would pay would be \$4.83. Council Member McDonald also asked if people could combine parcels to get the fee break of the \$40 cap. Anderson stated both parcels would have to have buildings on them because raw ground would not have to pay the fee. Council Member McDonald suggested adding language that parcels could not be combined.

Council Member Patterson moved to approve the four items on the Consent Agenda with the change in Ordinance 2012-11; adding a footnote to the Consolidated Fee Schedule that would state, "Parcels shall not be combined." Council Member Rowland seconded the motion.

Voting Aye: Council Members Patterson, McDonald, Mergist, Bradshaw and Rowland.

PUBLIC HEARING

Public Hearing to Consider Increasing the Total Compensation of the Elected Officials of Heber City: Anderson stated this Public Hearing was advertised for the last two weeks in compliance with the law. An overhead was displayed with the Council's current pay and three options. Mayor Phillips opened the Public Hearing for comments from the audience.

Dennis Roberts, Valley Hills, asked if this compensation increase would require an amendment to the budget. Anderson affirmed that it would. Roberts stated there was interest when the budget was proposed, so why didn't the Council propose the increase during the budget process. Council Member McDonald stated he thought this proposed increase should be discussed, but any actual increase should wait until the next budget year.

Lisa Wardell, Heber, thanked the Council for doing a great job. She was not necessarily against an increase for the Council. She was concerned that if this increase was passed, then when people came to the Council with requests, they should take into account the millionaires as well as the refugees. She asked the Council members to do more research into the concerns placed before the Council. She felt the Council already did this more than other councils and boards that she had observed.

Mattie Kirby, Heber, stated the people elected the Council members and they knew at that time what the salary was. Recently it was proposed to raise taxes, but the Council listened to public and didn't raise them. Now, the Council wanted to use City money for raises. She felt the

residents didn't have confidence or trust in the Council, especially after the Heber Light and Power issue, which some on the Council hadn't paid back.

Tracy Taylor, Timp Meadows, asked for a copy of the salary increase options. She thought there wasn't a full representation from the public at this hearing because it was being held when many residents took vacations. She stated it was unseemly for the Council to vote for a raise for themselves. Some on the Council didn't return the Heber Light and Power money and then took a 30% raise from City. She was disappointed and stated they were doing this job for the money.

Mayor Phillips closed the public comment portion of the meeting. Council Member McDonald asked if General Funds would be used to support this wage increase. Anderson stated surplus funds would be used and the budget would need to be amended. Council Member McDonald apologized for not being at the previous meeting and asked for an explanation as to why the \$400 per month raise was suggested. Council Member Bradshaw explained he didn't know where the \$400 came from, but he said the City budget was over \$14 million and the \$400 increase was much less than 1 percent. The Council had not had a base wage increase in 10 years. Also, in comparing wages with other cities, Heber was on the low end of the scale, and some councils included health and retirement benefits along with their wages. He added that Taylor said it was unseemly for the Council to give themselves a raise but according to the Code, the Council was the only one that could give itself a raise.

Council Member McDonald suggested transferring the allowances to be part of the \$900 base pay.

Mayor Phillips thought the Council worked hard. He stated many more hours were now devoted to this job than were needed in the past. Mayor Phillips clarified that he didn't vote himself a pay raise nor did he plant the seed for his raise.

Council Member Rowland stated he didn't like having this discussion, but the State mandated that only the Council would be able to increase its wage. He hoped the Council would consider his options he sent in emails- raises based on formulas rather than arbitrary numbers. He agreed with Council Member McDonald that there should be no additional allowances given, just a base wage.

Council Member Mergist stated he was not opposed to a wage increase, but he didn't want an increase in allowances. He thought the raise proposed by Council Member McDonald for the Mayor was worth it and more considering the work he did.

Mayor Phillips reviewed what the Council pay went for as far as traveling, training, and workshops. He was proud of the Council, as well as the City Manager and staff. Council Member Patterson concurred that he would have given a larger raise to Mayor Phillips and the City employees. He stated they worked hard and deserved more than what they were making. He stated he supported this raise.

Council Member McDonald moved to increase the base wage by eliminating the car insurance and travel allowance to a total of \$10,800 per year. Motion died for lack of a second.

Council Member Rowland moved to approve Option Three (net increase of \$2,400 per year for the Council only), with it going into effect July, 2013, and have the insurance and travel allowances included in the base wage. Motion died for lack of a second.

Council Member Patterson moved to approve Option One (\$400 per month increase for the Council only), and increase Mayor Phillips wage \$150 per month. Council Member Bradshaw made the second. Voting Aye: Council Members Patterson and Bradshaw. Voting Nay: Council Members McDonald, Mergist, and Rowland. Motion failed.

Council Member Mergist moved to approve Option One (\$400 per month increase for the Council only). Council Member Patterson seconded the motion. Voting Aye: Council Members Patterson, Mergist, and Bradshaw. Voting Nay: Council Members McDonald and Rowland. Motion passed.

ACTION ITEMS

Review Recommendation from the Airport Advisory Board Regarding Increasing Hangar Lease Rates: Anderson reviewed that at the last work meeting, the Council reviewed the recommendation made by the Airport Advisory Board of increasing the hangar lease rates. The rationale behind the recommendation was to make the hangars more desirable to purchase, and there was concern expressed over the deterioration/wear and tear on the hangars that were for sale. Mayor Phillips opened the meeting for public comment.

Jim Morgan, Park City, stated it was his intention to move to Heber. He remarked that the 75x75 hangars were built for big business jets. Then the prices and the market declined. He thought the lease fee should not matter to the hangar sale because a buyer for that size would not be renting it. He was also concerned that the FBO owner was on the Airport Advisory Board. Morgan felt AbuHaidar wanted to increase the rent so the tenants would leave the City hangars in order to rent his space. He thought a 60% increase in rent was a lot, and quoted other airports' rates. He was interested in seeing the Board's research that would back up a 60% increase. He noted that by being a tenant, he also used the restaurants in town as well as other amenities. Finally, he stated the fuel at the Heber Airport was more expensive than nine other surrounding airports, and he sometimes flew to Evanston to fuel up.

Mayor Phillips stated the City had a good Airport Advisory Board. Council Member Mergist asked why Morgan went to Evanston to buy gas in order to save money. Morgan indicated he wouldn't go there specifically for that reason, but would stop there if he was flying in the area.

Tim Glenn, Heber, stated his group pushed for the ability to rent a partial hangar. He noted that if that arrangement hadn't been made, the hangar would have probably still been empty. He recently looked for other hangars and found cheaper ones. He stated the market did not support a 60% raise, and thought the City would end up with empty hangars.

Jeff Findarle, Midway, stated property values went down since 2008. If the hangar prices were reduced, they would sell. He knew the people renting these hangars for their small planes would not be buyers for these hangars. He also thought the City should adjust its income to include fuel as well.

Mayor Phillips stated the Airport was an asset to the City. Experts had been consulted regarding the Airport, and the City Council was trying its best to serve the City well. Findarle offered some suggestions on how the City could increase its revenue.

Sam Steed, Heber, indicated that AbuHaidar operated a top notch operation. He knew that smaller planes piggybacked off of the corporate jets. He loved to fly and loved Heber, but wouldn't be able to stay if the rates were raised.

Mitch Iordachescu, Heber, commented that he liked the community Airport. He requested that the City cater to the little guys too. He stated flying was a nice hobby, and asked the Council to please reconsider the rate increase. Council Member Mergist asked if six airplanes could fit in one hangar. Iordachescu indicated the planes would get scratched and dented if the renters moved them around to get them out of the hangar.

Council Member Rowland stated he was a member of the Airport Advisory Board. He did not have a plane so he had no interest in the decision. He explained that the Board struggled for quite some time over this issue. The intent of the City was to sell the hangars, and the hangars were now three years old. The Board felt the City was competing with itself. People would rather rent than buy because it was more cost effective. The Board tried to correct this situation by increasing the rent. Also under consideration was reducing the price of the hangars. The City didn't want to sell used hangars and it needed to create a rate that would no longer compete with itself. Council Member Rowland stated the Council needed to decide if it wanted to be a property management company. As a Board, the instruction was given to sell the hangars and this was what would accommodate that direction.

Steed didn't understand why he and the other renters couldn't stay until the hangars sold.

Council Member Mergist moved to leave the lease rates at they currently stood. Council Member McDonald seconded the motion. Council Member Rowland asked if the Council wanted to look into a situation where the City would have more rentals. He thought there was liability and overhead involved with that scenario. Council Member Bradshaw asked how many hangars there were for sale. Anderson indicated there were six hangars for sale. Council Member McDonald hoped to break even on the hangars and preferred keeping the tenants to help the Airport stay in the black. Council Member Rowland thought the rate should be increased, but maybe not by 60%.

Voting Aye: Council Members McDonald, Mergist and Bradshaw. Voting Nay: Council Members Patterson and Rowland.

Ordinance 2012-09 – Plat Amendment and Abandonment of Parcel B of the Valley Station

Subdivision: Council Member Patterson moved to approve Ordinance 2012-09, plat amendment and abandonment of Parcel B of the Valley Station Subdivision. Council Member Bradshaw made the second. Voting Aye: Council Members Patterson, McDonald, Mergist, Bradshaw and Rowland.

Approve Transfer of City Property Located at 1000 South 400 West to Redmond

Investment Properties: Council Member Patterson moved to approve the transfer of City property located at 1000 South 400 West to Redmond Investment Properties. Council Member

Rowland seconded the motion. Voting Aye: Council Members Patterson, McDonald, Mergist, Bradshaw and Rowland.

Approve Request from Wasatch Aero Services to Extend the Lease of Daniel Hangar #1:

Council Member McDonald stated he was concerned with the grant requirements because the Lease Agreement didn't allow for any grant stipulations. AbuHaidar stated there was nothing in the Agreement that would violate the grant stipulations. Council Member McDonald gave the example of an FAA grant for the City, but the City had to agree to certain requirements or suffer a penalty. He asked for language to be added to the Lease Agreement that would require the FBO to comply with grant stipulations, or in other words, the grant requirements would supersede the Lease Agreement. AbuHaidar stated exclusive rights and discrimination were the two items that should be in an FBO agreement.

Mayor Phillips remarked that the City had worked with AbuHaidar over the years, but how would the City protect its interests if the FBO was sold in three years. He asked what would happen to those extensions. Anderson said the Board considered the extension because it was for the FBO, not an individual hangar owner, and because the extension would benefit the Airport.

Council Member McDonald proposed that in five years the City could give the FBO first right of refusal. AbuHaidar indicated that in order to receive financing, the bank wanted to see a 20 year lease. He noted that minimum standards had been set regarding the amount of hangars and storage space needed by an FBO. He thought the City and FBO were tied together now more than ever. The new regulations would increase the demand for this Airport and the FBO needed to be prepared for this increased demand.

Mayor Phillips read from Anderson's staff report. Anderson stated Council Member McDonald preferred discussing amending the FBO lease extension as well as approving an amended FBO lease agreement. Council Member Rowland asked to remove the FBO Lease Agreement from consideration for this discussion. Mayor Phillips asked if AbuHaidar would consider paying for a lease extension. AbuHaidar indicated that at one time he had been asked about giving consideration for the extension, and stated there was a 1% transfer fee in the Agreement. Mayor Phillips thought for a 17 year lease extension, there should be some consideration. Council Member McDonald stated the City would have the value at the end of the lease, so what would make the City want to extend the lease. AbuHaidar replied that the reverse would be after 20 years, and another reason would be that the FBO wouldn't be able to maximize the Airport goals.

Mayor Phillips asked that in order to protect the interest of the City, should the Council grant the extension but reverse it in the case of the sale of the FBO.

Council Member McDonald suggested adding language to the original lease that after the five year option, the City would give the first right of refusal to AbuHaidar to renew the lease for the next 15 years. Anderson wanted to look at the map of the Airport and talk about future options.

Council Member Rowland moved to approve the lease extension of Daniel Hangar #1, leaving the lease as currently written and approving the 17 year request plus a five year extension option, making the total lease a 30 year non-reversionary lease with no further lease extensions and no reviews. Council Member Bradshaw made the second.

Council Member McDonald reviewed that this motion took the eight remaining years of the lease and moved it to 25 years, with the rate being adjusted by the Consumer Price Index (CPI). Anderson said he would use the same lease and replace the eight remaining years with 25 years plus one extension. Council Member McDonald asked if the owners on Hangar Row would get the same consideration. Council Member Rowland suggested that should be done on a case-by-case basis. Anderson indicated one hangar owner had already requested an extension.

Voting Aye: Council Members Patterson, McDonald, Mergist, Bradshaw and Rowland.

Council Member Mergist questioned the warrants because one invoice had not been paid for four or five months. Anderson explained that the invoice didn't get to Accounts Payable until recently.

With no further business, the meeting was adjourned.

Michelle Kellogg, City Recorder

HEBER CITY CORPORATION
75 North Main Street
Heber City, Utah
Airport Advisory Board Meeting
Wednesday, August 14, 2013

4:00 p.m.
Regular Meeting

Members Present:	Nadim AbuHaidar	Airport Advisory Board
	Dave Hansen	Airport Advisory Board
	Kari McFee	Airport Advisory Board
	Tom Melville	Airport Advisory Board
	Erik Rowland	Airport Advisory Board
Absent:	Jeff Mabbutt	Airport Advisory Board
	Mel McQuarrie	Airport Advisory Board
Others:	Mark Anderson	City Manager
	Terry Loboschefskey	Airport Manager
	Karen Tozier	Airport Advisory Board Secretary

Others: Kirk Nielsen, Cole Miller, Morgan Einspahr, and Paul Boyer.

Chairman Rowland convened the meeting at 4:00 p.m. with a quorum present. He welcomed guests present and the guests were introduced.

Approval of Minutes

June 12, 2013, Regular Minutes

Boardmember McFee motioned to approve the minutes of the last meeting. Boardmember AbuHaidar seconded the motion. Voting Aye: Boardmembers AbuHaidar, Rowland, Melville, Hansen, and McFee. Voting Nay: none. The motion passed.

Item 1 **Airport Manager Report**

Terry Loboschefskey reviewed information from his report. There was discussion of upcoming projects. Regarding the 2013 Airport Development Plan RW 4/22, Anderson indicated that Armstrong Consulting had prepared a grant application that the Council will be looking at tomorrow night to look at construction of the runway apron and rehab in the best case for spring of 2014. The design grant had been awarded and is in progress right now. Anderson related that Kristen Hartmann of the FAA has said there would probably be a 75 % chance of the project getting funded. The City has identified the source of the match money. It is looking promising that this will stay on target. The hope is that we can get this project done next spring versus next fall or the following spring. Loboschefskey mentioned coordinating this with OK3Air.

Loboschefskey indicated that there is Blackhawk refueling for the fire at Rockport; a NOTAM has been filed.

Item 2 **Kirk Nielsen, Aviation, Review of Draft Lease Rates and Policy Analysis Report**

Kirk Nielsen indicated that they had completed the survey portion of the study. There would be two different documents; the rates and charges document and then the leasing policy would follow after this. Morgan Einspahr of Aviation presented information from the surveyed airports and the data they had collected.

Einspahr indicated what they would go through in this presentation would be the airports they compared for the survey, the basic survey questions, how the survey was distributed, their results, the recommendations and then what the Board should expect from them coming up. She indicated that one of the things that had stood out was the number of sponsor owned hangars. Einspahr noted the reason this one is so high is that as you look back at the results, Provo and South Valley Regional Airports own a disproportionate number of hangars which boost the numbers; if you take those two airports out it is not quite as high. Taking those two out, Heber City is barely lower. She indicated that basically everything is in line except the number of sponsor owned hangars.

Kirk Nielsen stated that one of the things that they wanted to try to gauge, and he indicated he did not know how well they got this, was, are the hangar rates here in Heber stifling growth? He indicated he thought looking at that and comparing it to the airports in the study you would probably say, no, that the amounts you are charging are in line. If you look at the number of the hangars built, are you having the same growth as all the other airports? The answer is really yes. The reason why they average a five between 2009 and 2011 is because Provo built 16; they were the ones that were kind of the outliers. Most of the hangars that were built in 2009 and 2012 were really sponsor owned hangars.

In reviewing the results of surveyed reversionary leases, Morgan Einspahr indicated the information had not entirely been a comparison of apples-to-apples on the rent amounts either because of hangar size or the rent basis is different. She noted this still gives a good range of what others are charging.

Kirk Nielsen addressed the topic of offering extensions for leases. The majority of the airports have the initial term, if you take out Aspen which brought the average down to 19 years, then the Heber City Airport would probably be between 20 and 30 years for the initial term on the lease. Every airport offered at least one extension onto the lease. Doing that seems to be relevant in the industry. As for extensions, on top of that, what we gathered is that they would grant extensions if they were reversionary leases only based upon capital improvements. Nielsen pointed out the notes of South Valley and Provo. In South Valley they needed to invest \$65,000 to extend a lease one year. He summarized that you'd have to put quite a bit of investment to extend your lease at South Valley.

The Board asked if other airports had expressed concerns over their own policies. They were apprehensive to adopt policy from an airport that recognizes their policy is deficient. Nielsen summarized that from the results the City should stick with reversionary leases and the Board asked questions and discussed this topic further. Discussion that making sure that hangars are maintained is very important and that incentivizing hangar lessees to upgrade is a good idea.

Paul Boyer asked if he could add something as a hangar owner. He indicated that as he listened to this whole thing that all he was hearing was what is best for the City and you are not addressing intangibles like the goodwill of your owners. He spoke of the potential outcome at the end of the lease or lease extension being someone who strips everything out of the hangar

and knocks the heck out of it and the City will be stuck basically with a pile of rubble. He indicated he was talking about non-reversionaries and stated that, "If you want to create that atmosphere at the Airport, you continue down this way."

Kirk Nielsen stated that the second recommendation would be talking about the leasing policy, being able to say (this is) a capital investment; and this is where you get into the goodwill with the hangar owners. He indicated this is by recognizing the investment, (indicating) we recognize what you are doing here at the Airport.

Discussion continued on leasing extensions, standardization of hangar leases and policy. Boardmembers AbuHaidar, McFee, and Hansen thought that Jviation should flesh this out. The next step was to draft a lease policy and hold a tenant open house. Converting everything to a reversionary lease was mentioned. Reversionary, non-reversionary, and extensions were debated at length by all those present.

There was discussion of timing with regard to upcoming meetings. Discussion of reviewing Jviation's draft before the Board met again; there would be a draft at the next board meeting, and Nielsen indicated a tenant open house potentially in between board meetings. The Board was okay with having the policy be emailed to them so they could come prepared. The next meeting would be scheduled for Wednesday, September 18th.

Item 3 **Discuss Use of Pilot's Lounge**

Karen Tozier had forwarded an email received from Paul Boyer regarding access to the pilot's lounge for use, specifically of the restrooms, after hours when the FBO is closed. The City is working on getting a keyless entry. A lock has been ordered but has not been installed yet. Anderson wanted to know from those present what was expected in this space; what is typical.

Boardmember Hansen thought at least there should be some place to sit down and a small table. The Board was okay with budgeting for a couple of chairs and a table. Anderson asked Kirk Nielsen if he had ever seen vandalism of places like this. Nielsen indicated in Logan someone had stolen the computer out of the pilot's lounge. Discussion of having a wireless router in Loboschefskey's office with a password that could pilots could use. Chairman Rowland asked if the Board would be okay with budgeting \$1,500. The Board was okay with this and they also thought to keep access to the building on the airport side.

Item 4 **Discuss Airport Garbage**

Discussion on the City providing garbage bins at the Airport and where they would be placed. There was a decision to postpone this to next month and look for solutions. Boardmember Melville motioned to table this to the next meeting. Boardmember McFee seconded the motion. Voting Aye: Boardmembers AbuHaidar, Rowland, Melville, Hansen, and McFee. Voting Nay: none. The motion passed.

Item 5 **Update on Hangar Sales – Discuss Future Hangar Development**

As the allotted time for the meeting was running close, Chairman Rowland indicated there was a document provided in their packets for this item. He encouraged the Board, barring any complaints that they are not discussing this tonight, to make this the first agenda item at the next meeting. He noted this is connected to the following agenda item on Discussing the Airport Goals / Projects as well. There was a decision to postpone this item and the following item.

Item 6 **Discuss Airport Board Goals/Projects**

Other Items as Needed

Mark Anderson noted that regarding landing fees for July there had been 133 planes that were itinerate that weighed over 8000 lbs.

Boardmember AbuHaidar moved to adjourn the meeting. Boardmember McFee seconded the motion. Voting Aye: Boardmembers AbuHaidar, Rowland, Melville, Hansen, and McFee. Voting Nay: none. The motion passed. The meeting adjourned at 5:39 p.m.

Approved 9/18/2013

**The following materials were
provided to the Mayor and City
Council during the
February 6, 2014 Work Meeting.**

Airport Hangar Leases:

**Using Complete Information
To Find A Win-Win Solution**

by Barry Hancock and Paul Boyer

**Presented to the Heber City Council
February 6, 2014**

Includes Documents Referenced in Presentation

Airport Hangar Leases

Using Complete Information To Find a Win-Win Solution

by Barry Hancock and Paul Boyer

**Presented to the Heber City Council
February 6, 2014**

OVERVIEW

- 67 Privately Owned Hangars

Built on land leased from the City

- A Collage of Agreements

31 Hangar Row Reversionary

5 Commercial Apron Reversionary

22 Daniel Non-reversionary

8 Daniel Reversionary

1 CAF Museum

There are at least five different types of ground leases, all with end-of-lease uncertainties that affect hangar sales, re-sales and assessed tax values.

THE PROBLEM

End-of-Lease Issues

History

- Without a comprehensive and equitable policy that gives the city guidance as to how to deal with end of lease issues, change in hangar ownership, capital improvements, etc., leases have been dealt with on an individual and arbitrary basis.
- The City and hangar owners have wrestled with these issues since at least 2007, despite hiring two different consulting companies that each produced their own ground lease analysis:
 - Airport Business Solutions
 - Feb 9, 2007 *Lease Analysis*
 - *No Policy adopted*
 - Aviation Inc.
 - Aug 8, 2013 *Lease Rates and Policy Analysis*
 - *Problematic from the start*

Hangar Owners' Concerns

- During the City's engagement with Jviation over the past 10 months, there has been misunderstanding about Hangar Owners' concerns.
- We do not oppose:
 - Ground Lease market-rate fees that are updated for inflation.
 - The current (0.012%) real estate tax rate applied to hangar assessed values.
- We also support 36U being a vibrant, self-sustaining, successful airport.
- Where we disagree with Jviation, however, is how to best accomplish this.

Discussion Items

- We will discuss the following five issues that are problematic in Jviation's ground lease analysis:
 1. Airport stakeholders.
 2. Economics of reversionary vs. non-reversionary ground leases.
 3. Jviation's Aug 8, 2013 Lease Rates and Policy Analysis document.
 4. Comparable airports.
 5. A competing ground lease analysis that differs with Jviation's recommendations.

1. Airport Stakeholders

- The City has a fiduciary responsibility to protect the interests of all stakeholders: The City, it's Citizens, Airport Businesses, and Hangar Owners.
-
- For one stakeholder to win, another stakeholder does not have to lose.
 - We believe there are win-win scenarios for stakeholders that Jviation has not explored.
 - Question: What is the best policy to ensure a fair and equitable path for the Airport's Hangar and Business Owners, while maintaining the Airport's fiduciary responsibility to the City and its Citizens?

2. Economics of Reversionary versus Non-reversionary Ground Leases

Which does the City want going forward:

- A higher risk, higher liability, property ownership and real estate management strategy that might or might not provide larger returns sometime far in the future.
-

or

- A lower risk, long-term, immediately increasing revenue stream that is assured now and into the future without the above inherent liabilities?

City Benefits and Liabilities

During Lease:

Reversionary Lease

- End-of-Lease Value* - End-of-Lease values are zero (\$0.00)
- Assessed Value* - Depreciating values falling rapidly in the last 10 years
- Property Taxes* - Decreasing taxes as assessed values fall
- Ownership %* - Decreases yearly (i.e. 1/25th per year for 25-year lease)
- Legal Issue* - Pay 100% of taxes despite only partial ownership
- Demand/Resale* - Decreasing demand, difficult to sell in last 10 years

End-of-Lease:

- Ownership* - City owns hangar
- Unknowns preventing long-term rental projections*
 - Condition of hangar at end-of-lease
 - Currency of old design vs. future technology
 - Desirability/demand for older hangars
 - Projected occupancy rates for City-owned hangars
- Liabilities*
 - City pays for hangar repairs
 - City pays for hangar removal, whether due to hangar condition or land needed for other development
- City Income:*
 - Rental income, but City pays for landlord services
 - Lost property taxes - City exemption
 - Lost ground lease payments - City exemption
- City Expenses:*
 - Ownership/Landlord liabilities and insurance
 - Increased Property-Management City staff

Non-reversionary Lease

- Normal market forces determine value
- Increasing assessed values
- Increasing taxes as assessed values rise
- Private Ownership remains 100%
- No legal issues regarding tax payments
- Steady or increasing demand, easier to sell
- Private Ownership with lease extension
- Extend lease if hangar is in good condition and land not needed for other development
- Private owner pays for repairs
- Private owner pays for hangar removal
- Private owner pays for own services
- Private owner pays property taxes
- Private owner pays ground lease fees
- Private owner assumes liabilities
- No additional City staff required

40 Comparable Airports Selected For Grand Junction Regional Study

- | | |
|--|---|
| 1. Centennial, Englewood CO | 21. Gunnison Crested Butte, Gunnison CO |
| 2. *Aspen/Pitkin County, Aspen CO | 22. Helena Regional, Helena MT |
| 3. Boulder Municipal, Boulder CO | 23. Idaho Falls Intl, Idaho Falls ID |
| 4. Billings Logan, Billings MT | 24. Jackson Hole, Jackson Hole WY |
| 5. Rocky Mountain Metro, Broomfield CO | 25. Lewiston-Nez Perce Co., Lewiston ID |
| 6. Bellingham, Bellingham WA | 26. Vance Brand Muni, Longmont CO |
| 7. Galatin Field, Bozeman MT | 27. Nampa Muni, Nampa ID |
| 8. Cedar City Municipal, Cedar City UT | 28. Minden-Tahoe, Minden NV |
| 9. Cortez-Montezuma County, Cortez CO | 29. Missoula Intl, Missoula MT |
| 10. Coeur D'Alene, Coeur D'Alene ID | 30. Montrose Regional, Montrose CO |
| 11. Durango/La Plata County, Durango CO | 31. Juneau, Juneau AK |
| 12. Pangborn Municipal, Wenatchee WA | 32. Phoenix Mesa Gateway, Chandler AZ |
| 13. *Eagle County, Eagle, CO | 33. Pueblo Memorial, Pueblo CO |
| 14. Mahlon Sweet Field, Eugene OR | 34. *Provo Muni, Provo UT |
| 15. Ft. Collins/Loveland Muni, Loveland CO | 35. Rooks Co. Regional, Rooks Co. KS |
| 16. Front Range, Watkins, CO | 36. Roberts Field, Redmond OR |
| 17. Fort Worth Intl, Fort Worth TX | 37. Renton Municipal, Renton WA |
| 18. Grand Junction Reg., Grand Junction CO | 38. St. George, St. George UT |
| 19. Glacier Park Intl, Kalispell MT | 39. *South Valley, Salt Lake City UT |
| 20. Great Falls Intl, Great Falls MT | 40. Telluride Regional, Telluride CO |

10 Comparable Airports Selected For Heber Russ McDonald Field Study

1. *Aspen-Pitkin County, Aspen CO
2. Driggs-Reed Memorial, Driggs ID
3. *Eagle County Regional, Eagle CO
4. Friedman Memorial, Hailey ID --- **NO DATA**
5. Garfield County, Rifle CO
6. Grand Junction Regional, Grand Junction CO --- **INCORRECT DATA**
7. Montrose Regional, Montrose CO
8. *Provo Municipal, Provo UT
9. *South Valley Regional, Salt Lake City UT
10. Yampa Valley, Hayden CO

*indicates airports used by both Grand Junction and Aviation's Heber studies



3. Jviation’s Aug 8, 2013 Lease Rates and Policy Analysis document.

Heber City Airport/Russ McDonald Field

Lease Rates and Policy Analysis

August 8, 2013

Prepared by Jviation Inc.

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SECTION 2 – SURVEYED AIRPORTS

In order to collect and review lease rates for airports similar to Heber City Airport, criteria were developed to determine a list of comparable airports. The following criteria were used to develop the list of airports shown in Table 1:

- Similar airports located within 50 miles of Heber;
- Airports of similar size and scope in terms of ownership and use, type, and based aircraft;
- Airports in similar type of communities: aircraft operations and resort towns.

Table 1
Airports Considered for Comparison

Airport	Distance	Ownership /Use	Airport Type	# of Based A/C	Operations	Comparable Criteria
Heber City Municipal		City	GA	73	19,468 (2011)	Resort Town
South Valley Regional	50 miles	City	GA	165	75,000 (2011)	Competitor
Provo Municipal	30 miles	City	CS	104	172,014 (2011)	Competitor
Driggs-Reed Memorial	285 miles	City	GA	81	7,600 (2006)	Resort Town
Aspen-Pitkin County	340 miles	County	CS	77	36,900 (2013)	Resort Town
Grand Junction Regional	270 miles	City	CS	99	50,987 (2013)	Similar Size
Friedman Memorial (Hailey)	320 miles	City	CS	147	44,237 (2012)	Resort Town
Garfield County Regional (Rifle)	280 miles	County	GA	52	8,129 (2011)	Resort Town
Montrose Regional	330 miles	County	CS	81	26,460 (2012)	Resort Town
Yampa Valley (Hayden)	270 miles	County	CS	4	9,677 (2011)	Resort Town
Eagle County Regional	330 miles	County	CS	78	36,401 (2012)	Resort Town

Source: U.S. Department of Transportation Federal Aviation Administration, Airport Master Record, Accessed 2013

Surveys were sent to each airport requesting relevant lease information not provided on their public airport master record. If a response was not received, the airport was contacted and information was gathered over the phone.

The airports were provided with a matrix designed to gather information in five areas of interest with respect to leases, fees, investments, lease clauses, inflators, and any additional information that the airport could provide that would assist with the analysis. The survey results are provided in Table 2.

Table 2
Survey Results

Airport	Hangar Information				Lease Information				Lease Terms			Escalation Clauses			Reversionary Lease
	No. Hangars	No. Sponsor owned Hangars	Hangar Built in 2012	Hangars Built 2009-2011	Waiting List	Ground Lease Type	Lease Amount per sqft/yr	% Gross Revenue	Initial Term- Yrs	Extensions available	Y/N	Basis	Freq.		
Heber City Municipal	67	3	0	9	No	Improved Non-improved	\$0.10 \$0.15		20 20	two 5yr two 5yr	Yes	CPI	Annual	Yes	
South Valley Regional	140	0	0	0	Yes	Commercial/Improved	\$0.18		15	Yes	Yes	Chart	5 yrs	Yes	
Provo Municipal	97	3	3	18	Yes	Improved	\$0.28	55%	10	two 5yr	Yes	CPI	2 yrs	Yes	
Driggs-Reed Memorial	71	1	0	6	No	Improved	\$0.22		20	infinite 5 yr	Yes	CPI	Annual	No	
Aspen-Holten County						Improved	\$0.47		3-5					Yes	
Grand Junction Regional						Improved	\$0.18		20	one 10yr		CPI		Yes	
Friedman Memorial (Hayden)															
Garfield County Regional (Rifle)						Improved	\$0.21							Yes	
Montrose Regional	33	5	0	1	No	Private Hangar Commercial Aeronautical	\$0.19 \$0.10		20	10 years Negotiable	Yes	CPI	Annual	No	
Yampa Valley (Hayden)	7	1	0	0	Yes	Private Hangar Commercial Aeronautical Other Aeronautical	\$0.15 \$0.26 \$0.26	5% 5% 5%	15 35 5	5 years 5 years No	Yes	CPI	Annual	Negotiable	
						Commercial Non-Aeronautical	\$0.26	10%	5	No	Yes	CPI	Annual	Yes	
						Industrial	\$0.26	10%	5	No	Yes	CPI	Annual	Yes	
Eagle County Regional	15	9	0	1		Private Hangar	\$0.35		25	yes	Yes	CPI	Annual	Yes	

Source: Aviation Inc., 2013

PRESS RELEASE
FOR IMMEDIATE RELEASE



Contact:

Denny Granum
Chairman, Grand Junction Regional Airport Authority
Phone: 970-623-8688

**LEASING GUIDELINES ADOPTED FOR
GRAND JUNCTION REGIONAL AIRPORT**

February 14, 2013, Grand Junction, CO:

The Board of the Grand Junction Regional Airport Authority adopted aeronautical use lease guidelines at its monthly board meeting on February 12, 2013. The meeting was held at the University Center building in Room 221 at Colorado Mesa University.

→ The Airport's former aeronautical lease provided a term of 30 years, consistent with those at most other airports. The newly adopted aeronautical use guidelines allow for leases of up to 50 years, the maximum allowed by FAA.

→ "With our primary commitment to the strength and efficiency of Grand Junction's aviation community, I believe the adopted aeronautical use lease guidelines promote fairness and opportunity for Airport ground lessees," says Denny Granum, Chairman of the Authority Board.

→ The Guidelines would be applicable to all new leases at the Airport. In addition, once the Authority Board has approved a new standard form of lease which is consistent with the Guidelines, tenants will have the opportunity to review that new form and determine if they would like to replace their existing lease with the new lease form. "Existing tenants will have until August 12, 2013 to deliver a letter to the Authority requesting a new lease. If converted to the new form of lease, existing tenants could have the advantage of up to four additional 5-year options to renew, which would take their potential lease terms out to 50-years" said Granum..

"Extending the potential lease terms should help attract new businesses to Grand Junction's aviation community," said Granum. "Under the new guidelines, at the end of the potential 50-year lease term the improvements will revert to the Airport or be removed. This is consistent with ground leasing practices at the vast majority of other airports surveyed." said Granum, "This should not hurt our competitiveness, since at Grand Junction the reversion would not be likely to occur until 20-years later than at most other airports."

→ In September 2011, the Grand Junction Regional Airport Users and Tenants Association (GJRAUTA) requested that the Airport Authority Board adopt formal guidelines concerning airport ground leases, in particular, lease duration and what happens to improvements at the end of the lease term. In January 2012, the process began with a 30-day public comment period. Upon completion of the public comment period and prior to the first draft of the guidelines, comparative research of leasing practices at 40 similarly sized airports was conducted, as well as Federal Aviation Administration (FAA) grant assurance requirements. After changes to the first draft were made, a 60-day comment period was opened, and a public hearing was held on August 21, 2012. An additional two-week comment period was opened following the release of the final draft of the guidelines in January 2013. After review and incorporation of many of the public and user's recommendations, the final lease guidelines were ready for review and adoption.

The new lease agreement and background information is available on the Grand Junction Regional Airport's website at www.gjairport.com.

##END##

Grand Junction 50-year Ground Lease

- The correct ground lease data for KGJT is a 50-year lease comprised of:
 - An initial term of 20-years,
 - One 10-year extension,
-
- And four 5-year extensions.
-
- Grand Junction has also given the option to all existing Hangar Owners to replace their old lease with the new 50-year lease using the start date from their old lease.
 - Additionally, Grand Junction selected 40 comparable airports for their analysis that are listed at the bottom of the first two pages of their Feb 12, 2013 *Aeronautical Use Lease Guidelines*.
 - Contrast that to Aviation's selection of 10 comparable airports, one with no data and another with bad data.

4. Additional Comparable Airports

- Our Hangar Owners have compiled a list of 10 additional comparable airports to balance Aviation's selections.
 - Of our 10 comparable airports:
 - 3 had recent ground lease revisions in past 3 years
-
- 4 are reversionary and 6 are non-reversionary
 - 1 has a 50-year lease, another has a 45-year term, 3 have 40-years, and two more exceed 30-years
 - 2 have changed their leases in the last two years from reversionary to non-reversionary.
- The trend in these more recent leases is towards:
 - 40-50 year terms
 - Non-reversionary

ADDITIONAL COMPARABLE AIRPORTS TO RUSS McDONALD FIELD

*Of particular note as comparable airports are those with the most recently updated leases over the past three years:
Grand Junction Regional Airport (approved Feb 12, 2013), Billings Logan Airport, and St. George Municipal Airport

1. *Grand Junction Regional Airport, CO
Reversionary
20-year initial term + one 10-year extension + four 5-year extensions (50 years)
**Existing lessees > Can keep current lease OR Convert to 50-year lease using original start date for current lease
Contact: Director of Finance & Business Gary Schroen 970-244-9100
2. *St. George Municipal Airport, UT
Non-reversionary
30-year initial term + may negotiate new lease agreement after that (> 30+ years)
Contact: Airport Operations Supervisor Brad Kitchen 435-627-4080 X24
**Note: See Mr. Kitchen's email explaining their conversion from reversionary to non-reversionary leases
3. *Billings Logan Airport, MT*
Non-reversionary
20-year initial term + first right of refusal for new lease offered to any other person or entity (> 20+ years)
Contact: Airport Business Manager Marita Herold 406-237-6284
**Note: See Ms. Herold's email explaining their conversion from reversionary to non-reversionary leases
4. Cedar City Regional Airport, UT
Reversionary
20-year initial term + five 5-year extensions (45 years)
Contact: Airport Manager Russ Volk 435-867-9408
5. Fort Collins-Loveland Airport, CO
Non-reversionary
25-year initial term + three 5-year extensions + may negotiate new lease agreement after that (> 40+ years)
Contact: Operations Manager Larry Mack 970-962-2850
6. Page Municipal Airport, AZ
Non-reversionary
15-year initial term + two 5-year extensions + may negotiate new lease agreement after that (> 25+ years)
Contact: Airport Administrator Lona Shugart 928-645-4240
7. Spanish Fork-Springfield Airport, UT
Non-reversionary
Initial term thru Dec 2015 + first right of refusal for multiple 15-year renewals after that (> 32+ years)
Contact: Airport Manager Chris Child 801-420-8888
8. Steamboat Springs Airport, CO
Reversionary
35-year initial term + one 5-year extension (40 years)
Contact: Contracts/Risk Analyst Shelly St. Pierre 970-871-8269
9. Gunnison - Crested Butte Airport, CO
Reversionary
20-year initial term + one 20-year extension (40 years)
Contact: Airport Manager Rick Lampert 970-641-2304
10. Ogden Hinkley Regional Airport, UT
Non-reversionary
15-year initial term + renewable every 5 years (> 20+ years)
Contact: Senior Office Assistant to the Airport Manager Vasati Ulii 801-629-8251 #1

From: Bradley Kitchen <brad.kitchen@sgcity.org>
To: Paul Boyer <pebo@boyaire.us>
Sent: Thursday, January 16, 2014 9:44 AM
Subject: RE: Our conversation regarding non-reversionary leases

Good morning Paul,

As your aware, the City of St. George has been operating out of a new airport facility for the past 3 years. We spent several years planning the new facility which included drafting and approving new documents such as; land/hangar leases, the ACM, AEP, ASP, Minimum Aeronautical Standards, Rules and Regulations, and other plans that are required to operate a commercial Part 139 airport. In regards to SGU's land and hangar leases, the City never supported a reversionary clause in any of the leases at the old airport. For the past 15 years, the City planned and new they were going to build a new airport facility so as these old leases started to expire, the city decided to renew these old leases but to have an expiration date of January 11, 2011, as this was the date to move into the new airport facility and close down the old airport. At this time, a hangar owner had to remove their hangar from the old airport property and was given the opportunity to move it over to the new airport under the new regulations and lease agreements. Up until this time, SGU never supported the reversionary clause.

One year prior to moving into the new airport, the city started working on a new lease agreement to implement for the new airport. At this time the reversionary clause was added to the new lease with a 30 year term. After 30 years, the building or hangar would revert back to the city for ownership. This did not go over well with the people who wanted to invest in the new airport or move their hangars from the old facility to the new. After two years working and planning with the airport users, the city decided to remove the reversionary clause from the new lease. It's my opinion if the reversionary clause was implemented into the new lease agreement, over half of our airport tenants at the old airport would not have made the move to the new airport. With this being said, 95 % of the hangar owners who held a lease on the old airport made the move and signed the new lease agreement at the new airport.

So as of this date, there is no airport lease that has the reversionary clause.

I hope this helps you in your decisions. Feel free to call with any other questions you might have.

Sincerely,

Brad Kitchen, C.M.
Airport Operations Supervisor/ASC
4508 S. Airport Parkway, Suite 1
St. George, Utah 84790
435-705-0748
Brad40@sgcity.org

From: "Herold, Marita" <HeroldM@ci.billings.mt.us>
To: 'Paul Boyer' <pebo@boyaire.us>
Sent: Friday, January 10, 2014 4:38 PM
Subject: RE: Hangar information

Hi Paul:

In regard to the hangar lease reversion matter that we discussed on the phone, please note that these are perhaps the key reasons that our airport decided to stop writing leases with a reversionary clause:

- The clause was very unpopular with our tenants. Tenants often spoke of the difficulty getting financing for construction of hangars if the lease had a reversionary clause, and many opted not to build here because they could not get the financing for the construction.
- The Airport is municipally owned so all the land is zoned public, and is therefore tax exempt from county real estate taxes. The hangars constructed by tenants were considered "improvements" and were taxed separately to the tenant as a non-exempt entity. When the hangar ownership reverted to the Airport, it took a few years of working with the County to get the change made in all of the County's property records. This took a lot of administrative staff time to complete.
- The reversionary clause often resulted in delayed maintenance to the hangars as the deadline for the ownership reversion neared. This meant that by the time the Airport took ownership of the hangars, expensive items like overhead doors needed replacement and roofs often needed work, not to mention other deferred maintenance on the ramps, etc.

I hope this information is of assistance to you. If you have any questions, please give me a call.

Marita Herold
Aviation & Transit Business Manager
City of Billings Logan International Airport
1901 Terminal Circle, Room 216
Billings, MT 59105
Phone: (406) 237-6284
FAX: (406) 657-8438
Email: heroldm@ci.billings.mt.us

5. Competing Ground Lease Analysis that Differs with Aviation Recommendations

- Heber City previously paid the consulting firm Airport Business Solutions for a nearly identical study of Russ McDonald Field, dated Feb 9, 2007.
-



**Airport
Business
Solutions**

Airport Business Solutions

"Valuation and Consulting Services to the Aviation Industry"

10014 N. Dale Mabry Highway, Suite 101, Tampa, Florida 33618-4426

Phone (813) 269-2525

Fax (813) 269-8022

SLIDE # 20

February 9, 2007

Mr. Mark K. Anderson
Heber City Manager
75 North Main Street
Heber City, Utah 84032

RE: Airport Lease Analysis
Heber City Municipal Airport - Russ McDonald Field
Heber City, Utah

Dear Mr. Anderson:

Per the request by Heber City, we are pleased to present this document, which represents an Airport Lease Analysis for the Heber City Municipal Airport - Russ McDonald Field in Heber City, Utah. The following report provides our assessment and analysis of various and potential lease issues and policies for ground leases at the Airport, as well as our recommendations for consideration.

In the development of this document, *Airport Business Solutions* researched many sectors of the local, regional and national airport market, expanding as necessary to gain sufficient and comprehensive data to yield adequate and supportable conclusions. Moreover, we reviewed the hangar row agreements, hangar leases, and the FBO lease and hangar agreements. We met with the tenants and the FBO owner/manager and interviewed City Officials and Airport Staff. In addition, *ABS* has provided Heber City with a sample RFP document and a sample lease agreement.

We appreciate the opportunity to provide our professional services to Heber City. If you should have any further questions, please advise.

Sincerely,

Randy D. Bisgard
Senior Vice President

Solutions as Unique as the Problems . . .

*Office Locations: Tampa, FL * Fort Myers, FL * Denver, CO * Boston, MA * Jacksonville, FL*

Comparison of Airport Business Solutions and Aviation Analysis Recommendations

- Daniel 25-year Non-reversionary leases at end-of-lease:
 - Aviation Report (Page 9): At expiration of the 25-year lease, a 5-year reversionary lease with hangar ownership reverting to the City after that. Owners that don't accept the reversionary extension will be required to remove the hangar at the end of the original 25-year lease.

- ABS Report (Section IV Page 3): Original 25-year lease plus an additional 20-year new lease (total of 45-year lease) unless the City exercises its first right of refusal to purchase the hangar at the prevailing fair market value. The additional 20 years, coupled with the remaining term on the current leases, should provide the hangar owners with sufficient time to amortize their investment.

- Hangar Row Reversionary leases at end-of-lease:
 - Aviation Report (Page 8): None of these leases should be extended. Depending on the economic conditions at the time of reversion, the City can either, remove the hangars or rent them month-to-month.
 - ABS Report (Section IV Pages 2-3): Multiple 1-year extensions with the Owners' first right of refusal on any new hangar constructed by the City. Increase rental rates to prevailing market rents for land.

Conclusions

1. City needs to treat all airport stakeholders fairly without discrimination.
 2. Reversionary leases are higher risk with uncertain rewards not realized until far into the future. Non-reversionary leases are lower risk with immediate, long term, increasing revenue streams that reversionary leases don't have.
-
3. Jviation's Aug 8, 2013 *Lease Rates and Policy Analysis* is problematic at best with missing and inaccurate data and only 2 of the remaining 8 comparable airports having Non-reversionary leases.
 4. Additional comparable airports are needed to balance the Jviation's selectiveness and mistakes. Their list is too narrow and skewed to airports with shorter terms and reversionary leases, even though there are many comparable airports available with longer terms and non-reversionary leases.
 5. The City paid for 2 competing analyses that have significantly different recommendations. The data and recommendation discrepancies need to be reconciled.

Conclusions & Recommendations

- Quotes from the July 19, 2012 City Council Work Meeting Minutes:

“Anderson ... explained he took some preliminary information from Grand Junction Airport since they were experiencing a similar situation [as Heber]. In speaking with officials at the Salt Lake Airport, as well as Grand Junction Airport, there was hesitancy to have reversionary hangars because the owners were less likely to maintain them, knowing that after a certain time period, they would revert ownership back to the city.” “In Grand Junction, some hangars were so deteriorated that they needed to be removed.”

-
1. Ground Lease discussions need to start anew in consideration of the new information that has come to light. This includes reconsidering Aviation’s new policy recommendations for future leases that the Airport Advisory Board is close to recommending to the City Council.
 - *As Grand Junction has shown, it is possible to establish a new lease for all current and future Hangar Owners alike.*
 2. Considering the City Manager’s statements about Grand Junction, it is logical to use the new Grand Junction Regional Airport *Leasing Guidelines* as a starting point, along with the recently new Non-reversionary leases that replaced previous Reversionary leases at St. George Regional Airport and Billings Logan Airport.
 3. Consider Airport Board Chairman Rowland’s proposal to establish a Working Group if the appointment of members can be agreed upon. The positions require stakeholders with an understanding of the issues prior to being appointed so the Group doesn’t waste time getting them up to speed. Selections from Hangar Owners and Airport Advisory Board members are preferable.

We believe that a better course for all parties involved is for the council to authorize a path to policy that utilizes the wisdom, experience, and precedents set by other similar airports and communities in the region to come up with our own solution that provides an equitable outcome and guiding light for the growth of the airport that best suits the particular circumstances of all stakeholders.

We firmly believe that it is in best interest all the stakeholders to not have a cycle of degeneration and repair, but rather a continually well maintained, attractive asset to the community that invites community members and businesses alike.

About the 36U Hangar Owners Group: Over the past few years owners have become increasingly concerned about the direction of the airport, hangar leases, and representation of the various groups of leaseholders. This is an informal group that is interested in promoting the voices of hangar and business owners at the airport with local officials and in the community to promote fairness and transparency in policy making.

About Barry Hancock: Barry is an experienced business owner, pilot, and hangar owner at 36U. He owns a hangar with a commercial apron reversionary lease. His involvement in the Owners Group rises out of his experience in trying to negotiate a new lease with the purchase of the hangar for the purposes of operating two businesses at 36U. Barry is passionate about preserving aviation history, promoting aviation in the community, and desires to be at 36U for the long haul.

About Paul Boyer: Paul is longtime pilot with more than 17,000 flying hours and owner of 36U Daniels hangar #19. He is retired from dual careers, one as an Air Force Lt. Colonel and Phantom pilot and the other as a Captain flying 30 years for American Airlines. Paul's concerns currently involve preserving affordable General Aviation for younger generations, particularly at Russ McDonald Field where so many Heber Valley residents learned to fly over the years, with Hangar Row as the heart and soul of the airport.

<p>1</p>	<p>Jviation's Aug 8, 2013 <i>Lease Rates and Policy Analysis</i></p>
<p>2</p>	<p>Reversionary - Non-reversionary City Benefits and Liabilities</p>
<p>3</p>	<p>Comparable Airports Grand Junction vs. Jviation</p>
<p>4</p>	<p>Hangar Owners' List of Additional Comparable Airports to Russ McDonald Field</p>
<p>5</p>	<p>St. George Regional Airport Jan 16, 2014 Email Change from Reversionary to Non-reversionary Leases</p>
<p>6</p>	<p>Billings Logan Airport Jan 10, 2014 Email Change from Reversionary to Non-reversionary Leases</p>
<p>7</p>	<p>Grand Junction Regional Airport Feb 14, 2013 News Release Feb 12, 2013 <i>Lease Guidelines</i> Feb 12, 2013 <i>Ground Lease</i></p>
<p>8</p>	<p>Airport Business Solutions Feb 9, 2007 <i>Heber Airport Lease Analysis</i></p>



Heber City Airport/Russ McDonald Field
Lease Rates and Policy Analysis

August 8, 2013

Prepared by Jviation Inc.

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INTRODUCTION

It is essential for airports to charge fees that are both fair and reasonable for users and tenants, as well as assist in covering the operating costs of the airport. The purpose of the Lease Rates and Policy Analysis (Study) is to provide guidance and recommendations in achieving these two goals. The data collected as part of this study will help Heber City/Russ McDonald Field's (Heber) establish fair lease rates and policies for the future.

The Lease Rates and Policy Analysis is a companion document and the basis for the "Leasing Policy". The Study reviews existing airport lease rates and compares lease rates of similar airports to Heber City Airport. It identifies Heber City Airport's overall market position, ascertains the adequacy of the airport's leasing structure and policy, and recommends where improvements should be considered.

The foundation of this Study is the airport survey. The survey gathers leasing information from airports that are in similar markets, size and direct competitors.

The data gathered is a gauge to compare Heber City Airport's lease rates and provide assistance with the establishment of future rates within the context of the airport's market environment. It should be stated that a lease rates analysis does not supplement a property appraisal for specific lease negotiations.

The key objective of this Study is to analyze lease rates at comparable airports. This was accomplished by:

1. Obtaining and reviewing the existing leases and lease rates at the airport.
2. Identifying current lease issues and concerns.
3. Working with the Airport Board to develop a list of similar airports or airports that compete in the same market.
4. Survey airports on their lease rates and practices.

SECTION 1 – AIRPORT MARKET PROFILE

Heber is a general aviation airport in Wasatch County, located approximately 1 mile south of Heber City's central business district. The airport serves Wasatch County and the most populated area of Summit County. The airport is owned and operated by Heber City.

The airport serves the general aviation needs for the area, including Heber City, Midway and Park City. Four of Utah's Ski Resorts are in close proximity to the airport, including three of the largest ski resorts in the state; Deer Valley, Park City and the Canyons.

OK3 Air is the only Fixed Based Operator (FBO) at the airport and services the 73 single engine, four twin engine, four helicopters and four jets based at the airport. It is a full-service FBO that offers line services, aircraft maintenance, flight training, aircraft sales, private charter planes, and scenic flight tours.

SECTION 2 – SURVEYED AIRPORTS

In order to collect and review lease rates for airports similar to Heber City Airport, criteria were developed to determine a list of comparable airports. The following criteria were used to develop the list of airports shown in Table 1:

- Similar airports located within 50 miles of Heber;
- Airports of similar size and scope in terms of ownership and use, type, and based aircraft;
- Airports in similar type of communities: aircraft operations and resort towns.

**Table 1
Airports Considered for Comparison**

Airport	Distance	Ownership /Use	Airport Type	# of Based A/C	Operations	Comparable Criteria
Heber City Municipal		City	GA	73	19,468 (2011)	Resort Town
South Valley Regional	50 miles	City	GA	165	75,000 (2011)	Competitor
Provo Municipal	30 miles	City	CS	104	172,014 (2011)	Competitor
Driggs-Reed Memorial	285 miles	City	GA	81	7,600 (2006)	Resort Town
Aspen-Pitkin County	340 miles	County	CS	77	36,900 (2013)	Resort Town
Grand Junction Regional	270 miles	City	CS	99	50,987 (2013)	Similar Size
Friedman Memorial (Hailey)	320 miles	City	CS	147	44,237 (2012)	Resort Town
Garfield County Regional (Rifle)	280 miles	County	GA	52	8,129 (2011)	Resort Town
Montrose Regional	330 miles	County	CS	81	26,460 (2012)	Resort Town
Yampa Valley (Hayden)	270 miles	County	CS	4	9,677 (2011)	Resort Town
Eagle County Regional	330 miles	County	CS	78	36,401 (2012)	Resort Town

Source: U.S. Department of Transportation Federal Aviation Administration, Airport Master Record, Accessed 2013

Surveys were sent to each airport requesting relevant lease information not provided on their public airport master record. If a response was not received, the airport was contacted and information was gathered over the phone.

The airports were provided with a matrix designed to gather information in five areas of interest with respect to leases, fees, investments, lease clauses, inflators, and any additional information that the airport could provide that would assist with the analysis. The survey results are provided in Table 2.

Table 2
Survey Results

Airport	Hangar Information				Waiting List	Ground Lease Type	Lease Information			Lease Terms			Escalation Clauses			Reversionary Lease
	No. Hangars	No. Sponsored Hangars	Hangar Built In 2012	Hangars Built 2009-2011			Lease Amount per sqft/yr	% Gross Revenue	Initial Term- Yrs	Extensions available	Y/N	Rate	Freq.			
Heber City Municipal	67	3	0	9	No	Improved	\$0.10	20	Two 5yr	Yes	CPI	Annual	Yes			
South Valley Regional	140	140	0	0	Yes	Commercial/Improved	\$0.18	15-	Yes	Yes	Chart	5 yrs	Yes			
Provo Municipal	97	47	3	18	Yes	Improved	\$0.28	55%	30	Two 5yr	Yes	CPI	2 yrs	Yes		
Driggs-Reed Memorial	71	1	0	0	No	Improved	\$0.22	20	Infinite 5 yr	Yes	CPI	Annual	No			
Appon-Healin County						Improved	\$0.47	3-5					Yes			
Grand Junction Regional						Improved	\$0.18	30	one 10yr				Yes			
Frederman Memorial (Hailey)																
Garfield County Regional (Rt16)						Improved	\$0.21						Yes			
Montrose Regional	13	5	0	1	No	Private Hangar	\$0.19	20	10 years	Yes	CPI	Annual	No			
Yampa Valley (Hayden)	7	1	0	0	Yes	Commercial Aeronautical	\$0.10	Negotiable	Negotiable	Yes	CPI	Annual	Negotiable			
						Private Hangar	\$0.15	5%	15	5 years	Yes	CPI	Annual	Yes		
						Commercial Aeronautical	\$0.26	5%	35	5 years	Yes	CPI	Annual	Yes		
						Other Aeronautical	\$0.26	5%	5	No	Yes	CPI	Annual	Yes		
						Commercial Non-Aeronautical	\$0.26	10%	5	No	Yes	CPI	Annual	Yes		
						Industrial	\$0.26	10%	5	No	Yes	CPI	Annual	Yes		
Eagle County Regional	15	9	0	1		Private Hangar	\$0.35	25	Yes	Yes	CPI	Annual	Yes			

Source: Aviation Inc., 2013

SECTION 3 – SUMMARY OF KEY FINDINGS

After reviewing the data collected, several observations were made from the averages of the data and most common answers, as depicted in Table 3.

- The average lease amount per square foot was \$0.24.
- The initial lease terms ranged from 5 years to 30 years, with 19 years being the average.
- Nearly every airport offer some sort of extension, after the initial lease term. The extensions are primarily used to update the lease agreements. A five year extension is the most common.
- Every airport’s lease included an escalation clauses based on CPI, with most of the escalations occurring annually.
- All but one airport have reversionary leases; however, the terms of the reversionary clause varied by airport.
- The most common extensions, beyond the initial lease terms, were based on the amount (in dollars) of improvements.

Table 3
Summary of Key Findings

	Survey Question	Average/Most Common	Heber City
Hangar Information	No. Hangars	61	67
	No. Sponsor owned Hangars	29	3
	Hangar Built in 2012	1	0
	Hangar Built 2009-2011	5	9
	Waiting list	Varies	No
Lease Information	Ground Lease Type	Varies	Improved and Unimproved
	Lease Amount per sqft/yr	\$0.24	\$0.30/\$0.15
Lease Terms	Initial Term	19 years	20 years
	Extensions available	Yes – 5 years	Yes – 2, 5 year extensions
Escalation Clauses	Y/N	Yes	Yes
	Basis	CPI	CPI
	Frequency	Annual	Annual
	Reversionary Lease (Y/N)	Yes	Yes

Source: Jviation Inc., 2013

SECTION 4 – OBSERVATIONS AND RECOMMENDATIONS

Heber City Airport has leasing policies in place that have worked efficiently in the past; however, the policies may not account for the change in operations and demand for hangars that the airport is starting to experience. In order to determine how the existing policies and rates compare to similar airports, the existing rates and policies at Heber City Airport were compared to the surveyed airports and overall averages from the survey data.

Observations

A collective look at the data gathered through the surveys gives a general idea of what the market trends are for airports similar to Heber City Airport. Table 4 depicts how Heber City Airport compares to market trends. Observations gathered from the survey are:

- **Rates:** The rates at Heber City Airport are slightly higher than many of the airports surveyed; however, airports with similar demographics (Aspen and Eagle) charged more than Heber City Airport. It should also be noted that Heber City Airport charges \$0.30 per square foot of the hangar footprint and then \$0.15 for an additional 15 feet around the hangar. Many airports charge the same rate for the building footprint and the 15 foot perimeter. As such, the total rate charged at Heber is less than \$0.30 per square foot which brings the rate in line with the market trends.
- **Commercial Lease Value:** It is likely that a commercial appraisal of the hangar pads would show the rates of return, for the current economic conditions, as being undervalued.
- **Growth:** Hangar construction is in line with market trends as Heber City Airport experienced roughly a 13% growth with the construction of nine hangars between 2009 and 2011. The majority of the hangars built during this time period were by the airport sponsors.

**Table 4
Leasing Observations and Recommendations**

	Survey Question	Average/Most Common	Heber City	Observation
Hangar Information	No. Hangars	61	67	In-line with Market
	Sponsor owned Hangars	29	3	Lower than Market
	Hangar Built in 2012	1	0	In-line with Market
	Hangar Built 2009-2011	5	9	In-line with Market
Lease Information	Ground Lease Type	Varies	Improved and Unimproved	NA
	Initial Lease Amount per sqft/yr	\$0.24	\$0.30/\$0.15	In-line with Market
	% Gross Revenue	15%	NA	NA
Lease Terms	Initial Term	19 years	20 years	In-line with Market
	Extensions available	Yes, 5 years	2, 5 year extensions	In-line with Market
Escalation Clauses	Y/N	Yes	Yes	In-line with Market
	Basis	CPI	CPI	In-line with Market
	Frequency	Annual	Annual	In-line with Market
	Reversionary Lease (Y/N)	Yes	Yes	In-line with Market

Source: Aviation Inc., 2013

Recommendations

From the observations and data collected, recommendations for the Airport’s future lease and rates were developed. In general, Heber City Airport is very comparable to the airports surveyed and the market trends. However, for the Airport to capitalize on the emerging market demand at Heber City Airport, the following recommendations are given:

- **Hangar Ownership:** The number of hangars owned by Heber City Airport is much less than most of the airports surveyed. This hinders the amount of control the airport has on the hangars and ultimately land use. As demand increases for hangar space and development, it will become critical for the airport to have more control over each hangar. As such, it is recommended that the practice of using reversionary clauses in the leases be continued. Table 5 provides a summary of the rental rates from hangars that are owned by the airport.
- **Lease extension:** If the land is not needed by the airport for current or future development many airports with reversionary leases offer lease extensions for capital improvements to the hangars. The duration of the extension is based upon the cost of the capital improvement. At the surveyed airports, a fixed dollar amount was used to determine the length of the extension. The amount needed to qualify for the extension was adjusted periodically. The size or value of the hangar was not taken into account. At one airport the age of the hangar was a factor. Capital improvements on older hangars could only use a fraction of the investment to qualify for an extension.

An extension based upon a set dollar amount was not found to be practical as it would need to be updated over time. It is recommended that extensions be offered for improvements worth 1/30 of the value of a new hangar of similar size.

For example a lessee has 10 years left on the lease and installs a new hangar door. The new hangar door costs \$5,000. A new hangar of similar size currently sells at the airport for \$150,000. The number of years the lease would be extended would be 1 year for every \$5,000 of verifiable and airport approved improvements (\$150,000 divided by 30). In this example the hangar owner would qualify for 1 additional year on their lease.

- **Future Rates:** The demand for new hangars will eventually exceed the existing buildable hangar space and new hangars will need to be constructed. It is recommended that when the airport reaches maximum capacity for new hangars, appraisal values be used to establish lease rates.
- **Future Commercial Rates:** To ensure market value is maintained, at the end of the current life of the commercial hangar leases, the lease should go through a competitive process to establish an updated rate.

Table 5
Summary of Reversionary Lease Data

Survey Question	Average/Most Common
Rent Base on (sq. ft., flat)	Flat Fee
Approx size of Hangars	1552 sq. ft.
Monthly Rent Amount	>10,000 sq. ft. (Flat Fee) - \$3,764.27
	<2500 sq. ft. (Flat Fee) - \$242.33
	<2500 sq. ft. (Sq. Ft.) - \$0.25

Source: Jviation Inc., 2013

- It is recommended that non-commercial hangar leases be standardized. The Commercial leases currently utilized at the airport have been tailored to meet the business models at the airport. Some degree of flexibility should be maintained when dealing with current and future businesses at the airport. Recommendations for the leases are as follows:

a. Hangar Row

The hangars comprising "Hangar Row" were built between 1989 and 1993. The hangar leases are reversionary lease for a term of 30 years. The leases are non-escalating and are for a flat fee for \$50 per year. The first leases granted will come due in 2019. The area where these hangars sit will be needed for future development if the airport decides to expand to meet the demands of aircraft that are already operating at the airport. It is suggested that none of the leases in this area be extended. Depending on the economic conditions at the time of reversion, the City can either, remove the hangars or rent them on a month to month basis. The FAA currently has funding place holders for the airport upgrade in 2021.

It is likely that relocation or condemnation will be necessary if the airport upgrade comes to fruition in or before 2021. The City should provide airport land and/or improvements that are comparable to the improvements currently being occupied by these lessees. If comparable airport land or improvements are not available, the City should buyout the leasehold interest held by the lessee at the market value determined by an appraiser.

b. Daniel Hangars 2 - 22

The Daniel Hangars 2-22 were built between 1995 and 2008. These hangar leases are non-reversionary leases with terms of 20 years and one 5-year extension. The leases have an escalation clause and were initially set at \$0.25 per sq. ft. per year for improved and \$0.125 per sq. ft. per year for unimproved. No provision has been made to deal with the lessees or improvements at the end of the lease. One hangar owner (hanger 5) has opted for a 30 year (20 yr plus two 5 years extensions) reversionary lease instead of a non-reversionary lease.

The land in which the hangars are currently located on has not been identified as being needed for future development. It is recommended that a 5-year reversionary lease be offered at the end of the 25 years (the initial term and the 5 year extension), but only if the hangar is in good condition.

If the hangar is in poor condition, then the hangar owner will retain the improvements (the hangar structure) and be required to remove it from airport property. Heber City will at all times will maintain ownership of the property.

If the hangar is in good condition at the end of the reversionary lease, the City can do what is economically best for the City. The options include, but are not limited to:

- Month to month leases, giving the prior lease holder the first right of refusal to rent the hangar
- Resell the hangar and issue a new lease (giving the prior lease holder the first right of refusal to purchase the hangar)
- Remove the hangar

It would be advantageous to implement a means for extending the leases on these 20 hangars beyond 30 years. Following the recommendation previously laid out in this study, extensions could be offered to the lessees for improvements worth 1/30 of the value, of a new hangar of similar size.

→ **c. Daniel Hangars 23 – 30** ←

The Daniel Hangars 23 -30 are comprised of 8 hangars the City built in 2009. These hangar leases are reversionary leases with terms of 20 years and two, 5-year extensions. The leases have an escalation clause. The hangars are 75'x75' on 95'x95' pads. The 75'x75' area under the hangar is initially leased at \$0.30 per sq. ft. The additional 15' around the hangar is leases at a different rate; \$0.15 per sq. ft. per year. No provision has been made to deal with the lessees or improvements at the end of the lease. It is anticipated that the structure and the land will revert to the City at 30 years. If the hangar is in good condition at the end of the reversionary lease, the City can do what is best economically for the City. The options include, but are not limited to:

- Month to month leases, giving the prior lease holder the first right of refusal to rent the hangar
- Resell the hangar and issue a new lease (giving the prior lease holder the first right of refusal purchase the hangar)
- Remove the hangar

It would be advantageous to implement a means for extending the leases in this area. It is recommended that extensions be offered for capital improvements to the hangar or leased pad.

→ **d. Commercial Apron Area** ←

Accommodations have been made to commercial operators at the airport. Geographically these buildings surround the main apron. Their lease terms and rates differ slightly from the reversionary hangar leases. Commercial leases have been extended to the commercial operators that meet the "Minimum Standards" adopted by the airport. The lease terms have been negotiated with the Airport Board and approved by the City Council. The terms are based upon the business model and economic benefits that the business will bring the airport and community.

Additional discussions on the commercial leasing practices are needed before specific recommendations can be given.

Appendix A
Reversionary Lease Information

Survey Response – Reversionary Leases

Reversionary Leases										
Airport	Extension Mechanism	Length of Extension	Hangar Ownership	Age of Hangars (yrs)	Condition of Hangar Group	Rent Amount	Approx Size of Hangars	Rent Amount	Utilities Included	
South Valley Regional	Yes	Varies	Private							
			Private							
			Airport	10	Good	Flat Fee	1,554 Sq. Ft	\$310.00/mth	Yes	
			Airport	30	Fair	Flat Fee	1,400 Sq. Ft	\$233.00/mth	Yes	
			Airport	30	Fair	Flat Fee	1,702 Sq. Ft	\$310.00/mth	Yes	
Provo Municipal	Yes	Varies (See Note)	Airport	30	Fair	Flat Fee	<2500 Sq. Ft	\$225.00/mth	Yes	
			Airport	10	Good	Flat Fee	<2500 Sq. Ft	\$300.00/mth	Yes	
			Private	30+	Poor to Fair	sqft	<2500 Sq. Ft	\$0.15/sqft/yr		
			Private	10-	Good	sqft	<2500 Sq. Ft	\$0.28/sqft/yr		
			Private	10-20	Good	sqft	<2500 Sq. Ft	\$0.28/sqft/yr		
			Private	20-30	Good	sqft	<2500 Sq. Ft	\$0.28/sqft/yr		
			Private	30+	Fair	sqft	<2500 Sq. Ft	\$0.28/sqft/yr		
Grand Junction Regional			Both					\$0.42/ sq ft/yr	No	
Yampa Valley (Hayden)	Improved	5 years								
	Improved	5 years								
			Private	<10	Good	Flat Fee	>10,000 Sq. Ft	\$2,041.32/mth	No	
			Private	<10	Good	Flat Fee	>10,000 Sq. Ft	\$3,090.52/mth	No	
			Private	<10	Good	Flat Fee	>10,000 Sq. Ft	\$6,160.96/mth	No	
Eagle County Regional	NA	2, 5 year extensions								

Source: Aviation Inc., 2013

Appendix A
Reversionary Lease Information

Survey Response – Notes on Reversionary Leases

Airport	Extension Mechanism Note	General Remarks
South Valley Regional	1- 15 Yr for initial lease term with an investment up to \$111,500, an additional year for every \$65,000	First Right of Refusal once lease is up at new rate
	2- 50% of tenant investment is recognized in the first half of lease, 25% in the last half for improvement of \$65,000 or more	
Provo	1Yr extension with for every \$9000 of improvements.	At the end of the lease the lease can continue to lease the building at the same rate, but the ownership cannot change and it cannot be subleased.
Aspen-Pitkin County		Option to buy back or it reverts to airport
Grand Junction Regional		Tenant can remove the hangar or it reverts to airport

Source: Jviation Inc., 2013

City Benefits and Liabilities

During Lease:

Reversionary Lease

Non-reversionary Lease

- | | | |
|---------------------------|---|---|
| <i>End-of-Lease Value</i> | - End-of-Lease values are zero (\$0.00) | - Normal market forces determine value |
| <i>Assessed Value</i> | - Depreciating values falling rapidly in the last 10 years | - Increasing assessed values |
| <i>Property Taxes</i> | - Decreasing taxes as assessed values fall | - Increasing taxes as assessed values rise |
| <i>Ownership %</i> | - Decreases yearly (i.e. 1/25 th per year for 25-year lease) | - Private Ownership remains 100% |
| <i>Legal Issue</i> | - Pay 100% of taxes despite only partial ownership | - No legal issues regarding tax payments |
| <i>Demand/Resale</i> | - Decreasing demand, difficult to sell in last 10 years | - Steady or increasing demand, easier to sell |

End-of-Lease:

- | | | |
|---|--|--|
| <i>Ownership</i> | - City owns hangar | - Private Ownership with lease extension |
| <i>Unknowns preventing long-term rental projections</i> | - Condition of hangar at end-of-lease
- Currency of old design vs. future technology
- Desirability/demand for older hangars
- Projected occupancy rates for City-owned hangars | - Extend lease if hangar is in good condition and land not needed for other development |
| <i>Liabilities</i> | - City pays for hangar repairs
- City pays for hangar removal, whether due to hangar condition or land needed for other development | - Private owner pays for repairs
- Private owner pays for hangar removal |
| <i>City Income:</i> | - Rental income, but City pays for landlord services
- Lost property taxes - City exemption
- Lost ground lease payments - City exemption | - Private owner pays for own services
- Private owner pays property taxes
- Private owner pays ground lease fees |
| <i>City Expenses:</i> | - Ownership/Landlord liabilities and insurance
- Increased Property-Management City staff | - Private owner assumes liabilities
- No additional City staff required |

40 Comparable Airports Selected For Grand Junction Regional Study

#13

- (1) Centennial, Englewood CO, (2) *Aspen/Pitkin County, Aspen CO, (3) Boulder Municipal, Boulder CO, (4) Billings Logan, Billings MT, (5) Rocky Mountain Metro, Broomfield CO, (6) Bellingham, Bellingham WA, (8) Galatin Field, Bozeman MT, (9) Cedar City Municipal, Cedar City UT, (9) Cortez-Montezuma County, Cortez CO, (10) Coeur D'Alene, Coeur D'Alene ID, (11) Durango/La Plata County, Durango CO, (12) Pangborn Municipal, Wenatchee WA, (13) *Eagle County, Eagle, CO, (14) Mahlon Sweet Field, Eugene OR, (15) Ft. Collins/Loveland Muni, Loveland CO, (16) Front Range, Watkins, CO, (17) Fort Worth Intl, Fort Worth TX, (18) Grand Junction Reg., Grand Junction CO, (19) Glacier Park Intl, Kalispell MT, (20) Great Falls Intl, Great Falls MT,
- (21) Gunnison Crested Butte, Gunnison CO, (22) Helena Regional, Helena MT, (23) Idaho Falls Intl, Idaho Falls ID, (24) Jackson Hole, Jackson Hole WY, (25) Lewiston-Nez Perce Co., Lewiston ID, (26) Vance Brand Muni, Longmont CO, (27) Nampa Muni, Nampa ID, (28) Minden-Tahoe, Minden NV, (29) Missoula Intl, Missoula MT, (30) Montrose Regional, Montrose CO, (31) Juneau, Juneau AK, (32) Phoenix Mesa Gateway, Chandler AZ, (33) Pueblo Memorial, Pueblo CO, (34) *Provo Muni, Provo UT, (35) Rooks Co. Regional, Rooks Co. KS, (36) Roberts Field, Redmond OR, (37) Renton Municipal, Renton WA, (38) St. George, St. George UT, (39) *South Valley, Salt Lake City UT, (40) Telluride Regional, Telluride CO

10 Comparable Airports Selected by Jviation For Russ McDonald Field Study

- (1) *Aspin-Pitkin County, Aspin CO
(2) Driggs-Reed Memorial, Driggs ID
(3) *Eagle County Regional, Eagle CO
(4) Friedman Memorial, Hailey ID – **NO DATA**
(5) Garfield County, Rifle CO
- (6) Grand Junction Regional, CO – **INCORRECT DATA**
(7) Montrose Regional, Montrose CO
(8) *Provo Municipal, Provo UT
(9) *South Valley Regional, Salt Lake City UT
(10) Yampa Valley, Hayden CO

*indicates airports used by both Grand Junction and Jviation's Heber analyses

LANGAR OWNERS' ADDITIONAL COMPARABLE AIRPORTS TO RUSS McDONALD FIELD

*Of particular note as comparable airports are those with the most recently updated leases over the past three years:
Grand Junction Regional Airport (approved Feb 12, 2013), Billings Logan Airport, and St. George Municipal Airport

1. *Grand Junction Regional Airport, CO
Reversionary
20-year initial term + one 10-year extension + four 5-year extensions (50 years)
**Existing lessees > Can keep current lease OR Convert to 50-year lease using original start date for current lease
Contact: Director of Finance & Business Gary Schroen 970-244-9100
2. *St. George Municipal Airport, UT
Non-reversionary
30-year initial term + may negotiate new lease agreement after that (> 30+ years)
Contact: Airport Operations Supervisor Brad Kitchen 435-627-4080 X24
**Note: See Mr. Kitchen's email explaining their conversion from reversionary to non-reversionary leases
3. *Billings Logan Airport, MT*
Non-reversionary
20-year initial term + first right of refusal for new lease offered to any other person or entity (> 20+ years)
Contact: Airport Business Manager Marita Herold 406-237-6284
**Note: See Ms. Herold's email explaining their conversion from reversionary to non-reversionary leases
4. Cedar City Regional Airport, UT
Reversionary
20-year initial term + five 5-year extensions (45 years)
Contact: Airport Manager Russ Volk 435-867-9408
5. Fort Collins-Loveland Airport, CO
Non-reversionary
25-year initial term + three 5-year extensions + may negotiate new lease agreement after that (> 40+ years)
Contact: Operations Manager Larry Mack 970-962-2850
6. Page Municipal Airport, AZ
Non-reversionary
15-year initial term + two 5-year extensions + may negotiate new lease agreement after that (> 25+ years)
Contact: Airport Administrator Lona Shugart 928-645-4240
7. Spanish Fork-Springfield Airport, UT
Non-reversionary
Initial term thru Dec 2015 + first right of refusal for multiple 15-year renewals after that (> 32+ years)
Contact: Airport Manager Chris Child 801-420-8888
8. Steamboat Springs Airport, CO
Reversionary
35-year initial term + one 5-year extension (40 years)
Contact: Contracts/Risk Analyst Shelly St. Pierre 970-871-8269
9. Gunnison - Crested Butte Airport, CO
Reversionary
20-year initial term + one 20-year extension (40 years)
Contact: Airport Manager Rick Lampert 970-641-2304
10. Ogdon Hinkley Regional Airport, UT
Non-reversionary
15-year initial term + renewable every 5 years (> 20+ years)
Contact: Senior Office Assistant to the Airport Manager Vasati Ullii 801-629-8251 #1

From: Bradley Kitchen <brad.kitchen@sgcity.org>
To: Paul Boyer <pebo@boyaire.us>
Sent: Thursday, January 16, 2014 9:44 AM
Subject: RE: Our conversation regarding non-reversionary leases

Good morning Paul,

As your aware, the City of St. George has been operating out of a new airport facility for the past 3 years. We spent several years planning the new facility which included drafting and approving new documents such as; land/hangar leases, the ACM, AEP, ASP, Minimum Aeronautical Standards, Rules and Regulations, and other plans that are required to operate a commercial Part 139 airport. In regards to SGU's land and hangar leases, the City never supported a reversionary clause in any of the leases at the old airport. For the past 15 years, the City planned and new they were going to build a new airport facility so as these old leases started to expire, the city decided to renew these old leases but to have an expiration date of January 11, 2011, as this was the date to move into the new airport facility and close down the old airport. At this time, a hangar owner had to remove their hangar from the old airport property and was given the opportunity to move it over to the new airport under the new regulations and lease agreements. Up until this time, SGU never supported the reversionary clause.

One year prior to moving into the new airport, the city started working on a new lease agreement to implement for the new airport. At this time the reversionary clause was added to the new lease with a 30 year term. After 30 years, the building or hangar would revert back to the city for ownership. This did not go over well with the people who wanted to invest in the new airport or move their hangars from the old facility to the new. After two years working and planning with the airport users, the city decided to remove the reversionary clause from the new lease. It's my opinion if the reversionary clause was implemented into the new lease agreement, over half of our airport tenants at the old airport would not have made the move to the new airport. With this being said, 95 % of the hangar owners who held a lease on the old airport made the move and signed the new lease agreement at the new airport.

So as of this date, there is no airport lease that has the reversionary clause.

I hope this helps you in your decisions. Feel free to call with any other questions you might have.

Sincerely,

Brad Kitchen, C.M.
Airport Operations Supervisor/ASC
4508 S. Airport Parkway, Suite 1
St. George, Utah 84790
435-705-0748
Brad40@sgcity.org

From: "Herold, Marita" <HeroldM@ci.billings.mt.us>
To: 'Paul Boyer' <pebo@boyaire.us>
Sent: Friday, January 10, 2014 4:38 PM
Subject: RE: Hangar information

Hi Paul:

In regard to the hangar lease reversion matter that we discussed on the phone, please note that these are perhaps the key reasons that our airport decided to stop writing leases with a reversionary clause:

- The clause was very unpopular with our tenants. Tenants often spoke of the difficulty getting financing for construction of hangars if the lease had a reversionary clause, and many opted not to build here because they could not get the financing for the construction.
- The Airport is municipally owned so all the land is zoned public, and is therefore tax exempt from county real estate taxes. The hangars constructed by tenants were considered "improvements" and were taxed separately to the tenant as a non-exempt entity. When the hangar ownership reverted to the Airport, it took a few years of working with the County to get the change made in all of the County's property records. This took a lot of administrative staff time to complete.
- The reversionary clause often resulted in delayed maintenance to the hangars as the deadline for the ownership reversion neared. This meant that by the time the Airport took ownership of the hangars, expensive items like overhead doors needed replacement and roofs often needed work, not to mention other deferred maintenance on the ramps, etc.

I hope this information is of assistance to you. If you have any questions, please give me a call.

Marita Herold
Aviation & Transit Business Manager
City of Billings Logan International Airport
1901 Terminal Circle, Room 216
Billings, MT 59105
Phone: (406) 237-6284
FAX: (406) 657-8438
Email: heroldm@ci.billings.mt.us

PRESS RELEASE
FOR IMMEDIATE RELEASE



Contact:
Denny Granum
Chairman, Grand Junction Regional Airport Authority
Phone: 970-623-8688

LEASING GUIDELINES ADOPTED FOR GRAND JUNCTION REGIONAL AIRPORT

February 14, 2013, Grand Junction, CO:

The Board of the Grand Junction Regional Airport Authority adopted aeronautical use lease guidelines at its monthly board meeting on February 12, 2013. The meeting was held at the University Center building in Room 221 at Colorado Mesa University.

→ The Airport's former aeronautical lease provided a term of 30 years, consistent with those at most other airports. The newly adopted aeronautical use guidelines allow for leases of up to 50 years, the maximum allowed by FAA.

→ "With our primary commitment to the strength and efficiency of Grand Junction's aviation community, I believe the adopted aeronautical use lease guidelines promote fairness and opportunity for Airport ground lessees," says Denny Granum, Chairman of the Authority Board.

→ The Guidelines would be applicable to all new leases at the Airport. In addition, once the Authority Board has approved a new standard form of lease which is consistent with the Guidelines, tenants will have the opportunity to review that new form and determine if they would like to replace their existing lease with the new lease form. "Existing tenants will have until August 12, 2013 to deliver a letter to the Authority requesting a new lease. If converted to the new form of lease, existing tenants could have the advantage of up to four additional 5-year options to renew, which would take their potential lease terms out to 50-years" said Granum..

"Extending the potential lease terms should help attract new businesses to Grand Junction's aviation community," said Granum. "Under the new guidelines, at the end of the potential 50-year lease term the improvements will revert to the Airport or be removed. This is consistent with ground leasing practices at the vast majority of other airports surveyed." said Granum, "This should not hurt our competitiveness, since at Grand Junction the reversion would not be likely to occur until 20-years later than at most other airports."

→ In September 2011, the Grand Junction Regional Airport Users and Tenants Association (GJRAUTA) requested that the Airport Authority Board adopt formal guidelines concerning airport ground leases, in particular, lease duration and what happens to improvements at the end of the lease term. In January 2012, the process began with a 30-day public comment period. Upon completion of the public comment period and prior to the first draft of the guidelines, comparative research of leasing practices at 40 similarly sized airports was conducted, as well as Federal Aviation Administration (FAA) grant assurance requirements. After changes to the first draft were made, a 60-day comment period was opened, and a public hearing was held on August 21, 2012. An additional two-week comment period was opened following the release of the final draft of the guidelines in January 2013. After review and incorporation of many of the public and user's recommendations, the final lease guidelines were ready for review and adoption.

The new lease agreement and background information is available on the Grand Junction Regional Airport's website at www.gjairport.com.

##END##

AERONAUTICAL USE LEASE GUIDELINES GRAND JUNCTION REGIONAL AIRPORT

Adopted February 12, 2013

BACKGROUND, SUMMARY, RESPONSE TO COMMENTS AND TEXT

The Grand Junction Regional Airport Authority (the "Authority") owns and operates the Grand Junction Regional Airport (the "Airport"). The Authority was created by the City of Grand Junction and County of Mesa to own and operate the Airport pursuant to the Colorado Public Airport Authority Act, C.R.S. §41-3-101, *et seq.* Under that Act the Authority has the power to lease Airport property.

I. BACKGROUND

Since its creation in 1971 the Authority has entered into numerous ground leases with persons desiring to construct hangars and other general aviation facilities on the "air-side" of the Airport. Consistent with common airport industry practice, most of these leases provide for an initial 20-year term, with a 10-year renewal option, for a total term of 30-years. Most of these ground leases establish an initial rental rate, provide for annual CPI adjustments, and also permit a rent adjustment each 5-years based on local market rent studies and/or other factors. Upon expiration of the lease term, the tenant has the option to remove improvements from the leased premises. Improvements which are not removed become the property of the Authority.

In a few cases between 1995 and 2004, the Authority entered into new leases with leasehold assignees for an additional term of 20 years, plus a 10-year tenant option. This was not required by the terms of the ground leases and was not common in the airport industry. The Authority has found no instances in which such a new lease was granted to a non-commercial tenant. After 2006, lease assignments at the Airport have consistently been approved only for the remaining term of the ground lease to be assigned. This is consistent with generally accepted airport industry practice.

In 2011 certain Airport hangar tenants expressed concerns that no written policy existed for aeronautical use ground leases at the Airport, and the maximum 30-year lease terms were not adequate if title to the improvements was to transfer to the Authority. In response to these concerns the Authority began developing formal Aeronautical Use Leasing Guidelines (the "Guidelines") in January 2012. The Authority worked with the Grand Junction Regional Airport Users and Tenants Association (the "GJAUTA") to prepare draft Guidelines for public comment. It also obtained copies of aeronautical use ground lease forms being used at 40 other public airports in the western United States¹, and of leasing policies in effect at 14 of such airports.

¹ The airports from which form leases were obtained were APA – Centennial , Englewood, CO; ASE – Aspen/Pitkin County, Aspen, CO; BDU – Boulder Municipal, Boulder, CO; BIL - Billings Logan International, Billings, MT; BJC – Rocky Mountain Metropolitan, Broomfield, CO; BLI – Bellingham International, Bellingham, WA; BZN – Gallatin Field, Bozeman, MT; CDC – Cedar City Municipal, Cedar City, UT; CEZ – Cortez-Montezuma County, Cortez, CO; COE – Coeur D’Alene, Coeur D’Alene, ID; DRO – Durango/La Plata County, Durango, CO; EAT – Pangborn Municipal, Wenatchee, WA; EGE – Eagle County, Eagle, CO; EUG – Mahlon Sweet Field, Eugene, OR; FNL – Ft. Collins/Loveland Municipal, Loveland, CO; FTG – Front Range, Watkins, CO; FTW – Fort Worth

Like Grand Junction, of the other airports from which leases were reviewed, 26 did not have formal leasing policies in place.

On July 31, 2012, the Authority released a draft of the Guidelines for 30-days of public comment. On August 21, 2012, the Authority Board (the "Board") held a public comment forum to solicit input on the draft Guidelines. At that public forum the GJRAUTA requested and the Board granted a 30-day extension of the comment period, through September 30, 2012. The Board reviewed the airport ground leases and guidelines collected from other airports, considered public comments, and incorporated many such comments into its Guidelines. This document (a) provides background on the Guideline development process, (b) summarizes significant portions of the Guidelines, (c) summarizes and responds to public comments received during the first comment period, and (d) sets forth the text of the Guidelines which were proposed for adoption by the Board as of January 7, 2013.

At its meeting on January 7, 2013, the Board extended the public comment period through January 25, 2013. A summary of comments received and a revised version of the Guidelines were released to the public on February 4, 2013. At its meeting on February 12, 2013, the Authority Board adopted the guidelines.

II. OUTLINE OF GUIDELINES

The Guidelines clarify that Airport land and/or general aviation facilities will generally be leased on a first come-first served basis. The Authority may also use a public competitive proposal process to grant a lease for a particular parcel or facility where multiple parties are interested. The Authority will develop a standard aeronautical use ground lease, the initial form of which will be developed within 30-days of adoption of these Guidelines. Unless circumstances involve the use of a non-standard form, the Authority will attempt to promptly respond to a complete leasing request within 30-days of receipt. The Director of Aviation will be authorized to enter into standard form leases at rates pre-approved by the Authority Board, but decisions on any lease denial or non-standard lease request will be made by the Authority Board in open meeting.

Under the Guidelines the initial ground lease term will continue to be 20 years with a 10 year lessee option to renew. Longer initial or option terms may be available for extraordinarily large investments in facilities. Aeronautical use ground tenants will also be granted up to four (4) additional five (5) year options to extend the lease term, if (a) the improvements have been maintained and are expected to be serviceable for the additional option term, (b) the Authority

International, Fort Worth, TX; GJT – Grand Junction Regional, Grand Junction, CO; GPI – Glacier Park International, Kalispell, MT; GTF – Great Falls International, Great Falls, MT; GUC – Gunnison Crested Butte, Gunnison, CO; GXY – Greeley/Weld County, Greeley, CO; HLN – Helena Regional, Helena, MT; IDA – Idaho Falls Regional, Idaho Falls, ID; JAC – Jackson Hole, Jackson Hole, WY; LEW – Lewiston-Nez Perce County, Lewiston, ID; LMO – Vance Brand Municipal, Longmont, CO; MAN – Nampa Municipal, Nampa, ID; MEV – Minden-Tahoe, Minden, NV; MSO – Missoula International, Missoula, MT; MTJ – Montrose Regional, Montrose, CO; PAJN – Juneau, Juneau, AK; PMG – Phoenix Mesa Gateway, Chandler, AZ; PUB – Pueblo Memorial, Pueblo, CO; PVU – Provo Municipal, Provo, UT; RCAC – Rooks County Regional, Rook County, KS; RDM – Roberts Field, Redmond, OR; RNT – Renton Municipal, Renton, WA; SGU – St George, St George, UT; TEX – Telluride Regional, Telluride, CO; and U42 – South Valley, Salt Lake City, UT

does not require the ground for other Airport purposes, (c) the extension would not violate FAA grant assurances then in effect, and (d) the lessee is not in material default under the lease or in other financial obligations to the Authority (a "Disqualifying Factor"). This will extend the opportunity of all lessees to own and occupy their hangars, so long as the above conditions continue to be met, for a combined term of up to 50-years. If the Authority Board determines that a facility has not been maintained or is not serviceable, then the lessee will be given a "punch list" and an opportunity to bring the facility into compliance, and thereby be eligible for an additional 5-year option.

Where the Authority owns the facility to be leased, and the lessee will not be making a significant capital investment, the maximum facilities lease term shall be 5-years. The Authority currently owns no general aviation facilities which would be affected by this provision. Exempted from this 5-year facilities lease limitation are circumstances in which the Authority may choose to construct a facility and lease it back to a tenant for such longer term as may be necessary to recoup the Authority's investment. Any such transaction would be approved by the Authority Board in a public meeting.

Rent will continue to be set at an initial reasonable level, and reset at market rates at the beginning of each additional 5-year option term. Instead of being adjusted annually by any increase in the CPI, under the final Guidelines rent will be adjusted every two-years in the same percentage as any increase or decrease in the CPI. The Authority will not make any other periodic market rate adjustments, which are authorized in many existing leases.

Within the 50-year limitation, the ground lease term will expire only if a lessee chooses not to exercise its option to renew, or if the Authority Board determines that one or more Disqualifying Factors exist. Upon lease expiration, at the Authority's option the improvements will either become the property of the Authority, or the lessee will be required to remove them and restore the ground to its pre-lease condition.

The Guidelines will be applicable to all aeronautical ground and facilities leases entered into by the Authority after the effective date. Within 180-days after the effective date of the Guidelines, any existing tenant may also request a standard form lease to incorporate the provisions of the Guidelines. The term of any such standard form lease would commence to run at the commencement date of the original lease.

III. DISCUSSION OF PUBLIC COMMENTS BY ISSUE

Prior to release of the draft Guidelines the Authority worked with and received comments from the Grand Junction Regional Airport Users and Tenants Association. Many of the GJAUTA's comments were incorporated into the initial draft which was released for public comment on July 31, 2012.

On July 31, 2012, a draft of the lease Guidelines was released and posted on the Authority's website, and a notice of availability and solicitation of comments was sent to all tenants and other persons known to be interested. The original deadline for public comments on the draft

was August 31, 2012, and this deadline was extended until September 30, 2012. On August 21, 2012, the Authority Board held a public comment forum to solicit input on the draft Guidelines.

A summary of comments received, the Authority's response to those comments and the manner in which many of those comments have been incorporated into the final Guidelines are set forth below.

A. Basis of Periodic Rent Escalation.

Under most existing ground leases at the Airport, and the original draft Guideline, the lease rate would be adjusted annually by the increase in the CPI-U. The Authority could also adjust the lease rate no more frequently than every 5-five years to better match current market rents.

Comments. One commenter suggested the CPI-U adjustment alone was adequate, and should not be cumulative or discretionary. A later comment suggested the CPI-U should not be used, and rent should instead be adjusted by another standard such as LIBOR (London Inter Bank Offered Rate), the Federal Discount Rate, or some other unspecified inflation index. A commenter also suggested the adjustment should be every 5-years rather than annually, and should decrease as well as increase with the CPI-U.

Final Guidelines. Of the other airport aeronautical ground leases reviewed by the Authority, 65% provided for rent escalation based on CPI-U, 26% provided for either periodic market adjustments or a fixed increase in rent, and only 9% failed to provide for a rent adjustment. Of the reviewed leases which used a CPI-U adjustment, 64% provided for the CPI adjustment to be made annually, with the remainder providing for adjustments to be made at three to five year intervals. None of the leases reviewed provided for use of an inflation factor other than the CPI-U.

Under the final Guidelines, the only adjustment to be made during the first 30 years of the lease term will be the bi-annual CPI-U adjustment. No additional rent adjustment will be utilized. The CPI-U adjustment will be made every two-years (rather than annually) and rent could either increase or decrease based on changes in the CPI-U. After 30 years, if lessee exercises any 5-year option to renew, rent will be reset at market rates then prevailing and thereafter adjusted every two years by the CPI-U. The Authority made changes to the draft's definition of CPI-U to make it consistent with current airport ground leases, so that adjustments based on CPI-U in old and new ground leases would be made at the same time of year.

The Authority decided against using LIBOR or the Federal Discount Rate as the adjusting factor. These are borrowing rates which have little relationship to inflation and there are several such rates to choose from (*e.g.*, one month, one year). If the one year LIBOR or the Federal Discount Rate had been used over the past 6-year period, they would have actually resulted in a larger rental rate increase than actually resulted from use of the CPI-U.

B. Potential Length of Lease Term.

Most existing ground leases at the Airport, and the initial draft Guidelines, provided for a term of 20-years plus one (1) 10-year option, with no distinction in term length based on a commercial or non-commercial classification. The draft Guidelines provided two (2) additional 10-year options for commercial lessees, and four (4) 5-year rights of first refusal for non-commercial ground leases, taking potential terms out to 50 years. The draft Guidelines also provided for a 5-year term for aeronautical facilities leased by the Authority.

Comments. One commenter suggested the Guidelines should encourage aviation-related businesses to locate at the Airport, and the categories of leases should be created based on business use. In this way the term of leases could be tailored to achieve different Airport objectives and attract an assortment of lessees. When the draft Guidelines were amended to incorporate this principal, a comment suggested all ground lessees should instead be treated equally, and there should be no distinction between commercial and non-commercial hangar lessees.

Several comments also suggested that all ground lessees should have a priority renewal right so long as the facility constructed on the ground leasehold was serviceable. Under this proposal, so long as the facility remains serviceable the ground lease would be renewed for a period which is at least theoretically unlimited.

The Authority considered not limiting the total of all terms, so they could be extended beyond a total of 50-years, and it sought comments from FAA on such a provision. FAA does not pre-approve airport leases or lease guidelines as being in compliance with all FAA grant assurances. However, it will advise airport operators if it believes proposed airport leases or lease guidelines run a significant risk of violating FAA grant assurances. The Compliance Officer for FAA's Denver Airports District Office advised that FAA has taken the clear position that absent extraordinary circumstances in a particular case (such as a large investment and demonstrated need for a longer amortization period), total lease terms in excess of 50-years would be considered a disposal of airport land in violation of grant assurances. FAA cited its Advisory Circular 5190.6B which on page 12-3 states, "Leases that exceed 50 years may be considered a disposal of property in that the term of the lease will likely exceed the useful life of the structures erected on the property. FAA should not consent to proposed lease terms that exceed 50-years." In addition, airport airside ground is limited, and the perpetual extension of leases may limit competition for access to the airport. It would favor incumbents over new entrants who may desire to use the airport in the future.

If the FAA or any interested party were to challenge a lease having a total lease terms in excess of 50-years, in the absence of extraordinary circumstances it is likely the Authority would be found to be in violation of grant assurances. Such a finding could result in loss of future FAA grant funds and even an order to re-pay funds previously granted to the Authority.

Final Guidelines. Of the other airport ground leases reviewed by the Authority, a majority provided potential lease terms (primary term and options) of 30-years or less. The minority of reviewed leases provided for options or rights of first refusal which could take the

terms beyond 30-years. However, only two of the 40 leases reviewed provided for renewals which could potentially go beyond a total duration of 50-years.²

Under the final Guidelines, the standard ground lease term remains at 20 years plus one 10-year tenant option to renew. However, all ground Lessees will be offered up to four (4) additional options to extend their ground lease terms for 5 years each. These options will be available if the facilities have been maintained and are expected to be serviceable for the additional term, the Authority does not require the ground for other Airport purposes, an extension would not violate FAA grant assurances then existing, and the tenant is not in default under its lease or in other financial obligations to the Authority. For both commercial and non-commercial lessees the total term, including base term and all options will be up to a total term of 50-years.

C. End of Term Options.

Under most aeronautical use ground leases in effect at the Airport, at the end of the term the tenant has the option to remove the improvements, including its hangar building, and to restore the premises to a flat, level and good condition. If the tenant fails to exercise this option within 30-days, title to the improvements, including the hangar building, will automatically pass to the Authority. Under the draft Guidelines, upon lease expiration the improvements would either become the property of the Authority, or the tenant would be required to remove them and restore the ground to its pre-lease condition, at the Authority's option

Comments. Several comments suggested that existing leases should be amended to provide for Authority payment of compensation for hangars and other improvements at the end of the lease term. Several comments stated that they were given oral assurances that ground leases would likely be renewed indefinitely. Other comments stated that existing lease requirements should be disregarded, and the Authority should instead exercise its power of condemnation and thereby pay fair market value to the tenant for any improvements at the end of the lease term.

Final Guidelines. Of the other airport aeronautical leases reviewed by the Authority, approximately 45% contained a provision similar to the existing practice at the Airport, giving the lessee the option at the end of the term to remove the improvements or they would become the property of the airport operator. Another 45% of the leases reviewed contained a provision granting the airport operator the option at the end of the term to either take title to the improvements (presumably if they are serviceable) or require the tenant to remove the improvements and restore the premises (presumably if they are not serviceable). The remaining 10% contained variations on these approaches. Under none of the 40 aeronautical use ground leases reviewed, was the airport operator required to pay the lessee for the improvements at the end of the lease term, though in a few cases, the airport operator was given the option to make that purchase.

² All the airports leases reviewed had lease terms of 50 years or less, except for BLI, which did not specify a lease term. The lease term at BLI is driven by investment, with a minimum of 30 years. HLN has a term of 20 years, with unlimited 5 year extensions. U42 also has terms dependent upon investment, with no term limit called out.



Under the final Guidelines, up to the total term of 50-years, ground leases will expire only when a lessee chooses not to exercise its option to renew, or if the Authority Board determines that one or more Disqualifying Factors exists. By offering potential lease extensions of 20-years, the final Guidelines significantly alter the bargain in favor of the lessee. Upon expiration of the lease term, improvements will either become the property of the Authority or the lessee will be required to remove them and restore the grounds to its approximate pre-lease condition at the Authority's option. This provision is similar to lease terms prevailing at most other airports for which leases were reviewed.

Under typical airport ground leases, the lessee is permitted to lease airport land, which has runway access (and is therefore valuable and in short supply), for less than ground lease rates prevailing off-airport. In exchange, the airport operator has the option to take title to the improvements at the end of the lease term.

Some comments suggested that the ground rental rate at the Airport is not in fact below market. However, the standard rental rates currently charged at Grand Junction are below, and in many cases substantially below, the rental rates prevailing at 71% of the other airports for which leases were reviewed, which disclosed their standard rental rates. Current ground lease rates at the Grand Junction Airport are \$0.1349 per square foot in the runway 11/29 area, and \$0.1732 per square foot in the runway 4/22 area. This is equal to between \$5,876 and \$7,545 per year per acre of land leased. This land is adjacent to expensive airport infrastructures such as taxiways, runways and navigational aides.

Another problem arises if existing leases were changed to abandon the Authority's rights at the end of the lease term. With respect to these existing leases the Authority has a reversionary property right to the improvements. Under Colorado Constitution, Article XI, Section 2, the Authority is prohibited from making a "donation or grant" of public funds or property to a private company. If the Authority were to give or donate its right of reversion to individual lessees, at the expense of the public, the Authority believes it would risk violating both the letter and spirit of this constitutional provision.

D. Applicability to Existing Leases.

Existing ground leases at the Airport contain no right for a lessee to enter into a new and substitute lease if Authority leasing policy subsequently changes in their favor. Most provisions of the draft Guidelines would have been applicable only to future leases entered into by the Authority. As to existing leases, the draft Guidelines would have simply set forth the Authority's intention to grant additional lease options to commercial tenants and additional rights of first refusal to non-commercial tenants, and not to apply additional rent adjustments (in addition to CPI increases) as authorized by most existing leases.

Comments. Several comments suggested that the Lease Guidelines should apply to both existing and future aeronautical use ground leases at the Airport. Because the draft Guidelines contained several provisions which were more beneficial to lessees, it was suggested that granting of more liberal lease terms to existing lessees would enhance Airport business and thus

contribute to the public good. A late comment suggested that the Authority should not limit this provision to leases which expire more than three-years from the effective date of the Guidelines, and failure to do so could be discriminatory.

→ ***Final Guidelines.*** Under the final Guidelines, any current aeronautical use ground lessee may request and be granted a new standard form ground lease to incorporate all material terms of the Guidelines, to replace and supersede their existing ground lease. New ground leases would contain the initial term (duration) and commencement date contained in lessee's old ground lease, but with the additional option terms out to 50-years, rather than the current 30-years. The initial rental rate on any new lease will be the market rate as set forth in the Authority's fee resolution. Any such request for a new lease must be received within 180-days after the effective date of the Guidelines. The new standard form of ground lease, consistent with the Guidelines, will be prepared within 30-days after adoption of the Guidelines. If current lessees do not request a new lease, then with respect to existing leases, these Guidelines set forth the current Authority Board's intention to grant additional lease options out to a total of 50-years, as described above, and not to apply rent adjustments in addition to CPI increases. However, the current Authority Board cannot guarantee that future Boards will maintain this Guideline provision in the future. The draft provided that any current Aeronautical Use Ground Lessee "whose lease including options does not expire within three (3) years of the date of these Guidelines," may request and be granted a new standard form ground lease. The Authority has removed this restriction so the right to obtain a new lease is applicable to all current aeronautical use ground lessees.

E. Time For Removal.

Most existing aeronautical use ground leases at the Airport, and the draft Guidelines, provide that at the end of the lease term, if the lessee removes the improvements it would have only 30-days in which to do so.

Comments. One commenter suggested that 30-days was not an adequate time in which to remove improvements, and 90-days would be more appropriate.

Final Guidelines. The final Guidelines incorporate this suggestion and provide that if at the end of the lease term the improvements are to be removed, the lessee shall have 90-days in which to take that action.

F. Definitions.

The draft Guidelines did not contain a section defining various terms used in the document.

Comments. Several persons suggested the Guidelines would be clearer if they contained a definition section.

Final Guidelines. The final Guidelines have been amended to incorporate a definition section. These definitions include Minimum Standards, Lessor, Person, CPI-U, and Aeronautical Use. In response to comments, the Authority further amended the definition of Aeronautical Use

to include the non-commercial construction of aircraft, and to defined "Development and Architectural Covenants."

G. Form Leases.

Under current practice, and by annual resolution of the Authority Board, the Director of Aviation is authorized to enter into standard form ground leases and consents to lease assignment or financing, with lease rental rates established in the Authority's annual rate resolution. In the past six years, only one request for a new aeronautical ground lease has been received. That lease was awarded by the Board after a public bidding process, and at the direction of the Authority Board was executed by the Director of Aviation.

Comments. One commenter suggested the draft Guidelines were not clear as to the Director's authority to enter into only pre-approved forms of ground leases, with negotiated leases to be approved by the Authority Board. The commenter suggested the Guidelines should clearly provide that for non-standard leases, the Authority Board must approve the lease terms in an open meeting.

Final Guidelines. The Authority agrees with this comment. A clear explanation of this process has been added to the final Guidelines which incorporates the suggestion of the commenter. If any lease, consent to assignment or financing approval is to be denied, that decision shall be made by the Authority Board in an open meeting. The Authority modified the draft to clarify that standard form lease may contain blanks to describe the premises, dates, rental rates, permitted uses and other reasonable variables and such the filling in of such blanks shall not render the leases non-standard. The draft was also clarified to expressly state that individual Aeronautical Use Leases may define, limit and/or condition the types of Aeronautical Uses which may be conducted in a hangar. Finally, Section 6.5 of the Guidelines was amended to provide that the new form lease will be attached to the Guidelines after approval of the Authority Board, and within 45-days of adoption of the Guidelines (rather than 30) to accommodate approval by the Authority Board.

H. Leases as Public Records.

The draft Guidelines were silent on whether all aeronautical leases entered into by the Authority were public record. This is because the Authority is subject to the Colorado Public Records Act, and unless an exception is provided in that Act, all documents in the Authority's possession have been and are generally considered to be open for public inspection upon request. The Authority does not believe that any such request has ever been denied.

Comments: Though airport leases are already subject to the Colorado Public Records Act, one comment suggested the Guidelines specifically provide that such leases are public records subject to inspection upon request.

Final Guidelines: The Final Guidelines add a new Section 14 which states that "(a)ll Aeronautical Use Leases shall be available for public inspection to the maximum extent

permitted by the Colorado Public Records Act, and pursuant to the terms of the Authority's public records policy then in effect."

IV. AERONAUTICAL USE LEASE GUIDELINES (Adopted by the Authority Board on February 12, 2013)

The following is the text of the Aeronautical Use Lease Guidelines which were adopted by the Board of the Grand Junction Regional Airport Authority on February 12, 2013:

1. DEFINITIONS. The following definitions shall apply to these Guidelines:

1.1 "Aeronautical Use" shall mean any aeronautical activity, including, but not limited to, parking, storing, repairing, sale, fueling and maintaining aircraft owned or leased by a Lessee or third parties, and other activities associated with aircraft ownership and/or operation, and non-commercial construction of aircraft, including all activities covered by the Minimum Standards then existing. Individual Aeronautical Use Leases may define, limit and/or condition the types of Aeronautical Uses which may be conducted in a particular hangar. For purposes of these Guidelines, Aeronautical Use shall not include operations conducted by scheduled air carriers.

1.2 "Airport" shall mean the Grand Junction Regional Airport located in Grand Junction, Colorado.

1.3 "Authority" shall mean the Grand Junction Regional Airport Authority, a body corporate and politic, which was created by the City of Grand Junction and County of Mesa to operate the Airport.

1.4 "Commercial Lessee" shall mean a Lessee which (a) regularly engages in fixed base operations, ground handling and servicing of air carrier and commuter airline operations, aircraft charter operations, flight training, aircraft rental, aerial photography, crop dusting, aerial advertising, aerial surveying, aircraft sales and services, sale of aviation petroleum products, aircraft repair and maintenance, sale of aircraft parts, and/or other commercial aeronautical services to the public, (b) has entered into or will enter into a lease with the Authority, and (c) meets, and in the case of an existing Lessee has met for a period of not less than six continuous months, the Authority's Minimum Standards then in effect for the type of aeronautical business operated by the Lessee.

1.5 "CPI" shall mean the Consumer Price Index using the US City Average for all urban consumers ("CPI-U"), all items index, set forth in the October to October report published by the US Department of Labor, Bureau of Labor Statistics, for the twelve-month period ending in the calendar year immediately preceding the calendar year in which the annual cost-of-living adjustment is to be made, 1982-84 base = 100. In the event the base year is changed the CPI shall be converted to the equivalent of the base year 1982-84 = 100. In the event the Bureau of labor Statistics ceases to use the CPI or this index, an equivalent or comparable economic index will be used.

1.6 "Development and Architectural Covenants" shall mean the then-current version of the Walker Field Colorado Public Airport Authority Development and Architectural Covenants. The version of that document in effect as of the date of the Guidelines is that adopted by the Board on November 20, 2001, as renewed by Resolution 2005-2009 on June 21, 2005.

1.7 "Guidelines" shall mean these Aeronautical Use Lease Guidelines.

1.8 "Improvements" means all structures and installations placed or constructed on the leased premises, including, but not limited to, hangars, fuel tanks and associated equipment, foundation and paving.

1.9 "Lessee" means any Commercial Lessee or Storage Lessee.

1.10 "Minimum Standards" shall mean the then current version of the Requirements and Minimum Standards for Commercial Aeronautical Services and Activities for Walker Field Airport, Grand Junction, Colorado. The version of the Minimum Standards in effect on the date of these Guidelines, were those adopted by the Airport Authority Board on December 19, 2000 and last revised on July 19, 2005.

1.11 "Person" shall mean any individual, partnership, corporation, trust or other entity of whatever type or nature.

1.12 "Storage Lessee" shall mean any Aeronautical Use Lessee other than a Commercial Lessee as defined above.

2. OVERVIEW AND SCOPE.

2.1 These Guidelines set forth the parameters for leasing Airport land and/or improvements for Aeronautical Uses at the Airport. They outline the process which will be used by the Authority to enter into ground and facilities leases for non-air carrier aeronautical uses, and establish and adjust the rents, fees or other charges associated with leasing, occupying, and/or using Airport land and/or Improvements for such uses.

2.2 No Person shall occupy Airport land and/or Improvements unless such Person has entered into a lease with the Authority or has a sublease approved by the Authority.

2.3 No Person shall take possession of any structure on the air-side of the Airport unless the Person has first entered into an agreement or lease with the Authority or a sublease with an Airport Lessee, and in the case of a Commercial Lessee, is in full compliance with applicable provisions of the Minimum Standards.

2.4 The Authority reserves the right to designate specific Airport land areas in which airlines, Commercial Lessees and Storage Lessees, respectively, may or may not conduct business or construct Improvements. The Authority also reserves the right to establish classes

of aeronautical activity (including airlines, Storage Lessees and the classes of activity specified in the Minimum Standards), to establish land areas within which such classes may operate, and to treat such different classes differently with respect to the offering of leases or agreements.

2.5 The right to use the Airport and any Airport land and/or Improvements, other than lands or Improvements leased exclusively to any Person, shall be non-exclusive.

2.6 These Guidelines shall not apply to circumstances in which the Authority itself chooses to construct a hangar or other aeronautical use Improvement on its own initiative or at the request of and to the specifications of a Lessee for lease to such Lessee. Such a transaction would be subject to variables such as, but not limited to, the cost of construction, the type and cost of financing, and the lease term necessary to recoup the Authority's investment. It shall therefore be handled on a case-by-case basis pursuant to applicable laws and Authority policies then existing.

3. PURPOSES.

3.1 The Federal Aviation Administration (FAA), by way of its Grant Assurances, requires all airports developed with federal grant assistance to operate for the use and benefit of the public, and for such airports to be made available to all types, kinds, and classes of aeronautical activity on fair and reasonable terms and without unjust discrimination. These Grant Assurances also require airport sponsors to maintain a fee and rental structure for the facilities and services at their airports, which will make the airports as self-sustaining as possible under the circumstances existing at the particular airport, and will not dispose of or transfer title to airport property without FAA approval. Airport sponsors must also avoid unjust economic discrimination within classes of users, taking into account such factors as the volume of traffic and economy of collection. The Airport and the Authority are subject to these grant assurances.

3.2 It is therefore the policy of the Authority to:

3.2.1 operate the Airport for the use and benefit of the public, and to make it available for all types, kinds and classes of aeronautical activity;

3.2.2 make the opportunity to engage in commercial Aeronautical Uses available to any Person who meets the Minimum Standards established by the Authority;

3.2.3 limit or prohibit any type, kind or class of Aeronautical Use of the Airport, if such action is necessary for the safe operation of the Airport or is necessary to serve the civil aviation needs of the public;

3.2.4 impose terms and conditions on those offering aeronautical services and commodities to the public to ensure they are offered on fair and reasonable basis and without unjust discrimination;

3.2.5 impose only the same rates, fees, rental and other charges as are uniformly applicable to all other Aeronautical Use Lessees in the same class of aeronautical activity

(see e.g. Section 2.4 above), making the same or similar uses of the Airport, utilizing the same or similar facilities, and entering into leases or agreements at approximately the same time;

3.2.6 make aeronautical facilities at the Airport available to the public on fair and reasonable terms and without unjust discrimination;

3.2.7 make the Airport as financially self-sustaining as possible under the circumstances; and

3.2.8 not enter into leases or lease amendments which would constitute a transfer or disposal of Airport property, without prior FAA approval.

3.3 The leasing of Airport land is also regulated and influenced by local, State, and federal law including, but not limited to, the policies and rules of the Federal Aviation Administration (the "FAA") and Transportation Security Administration ("TSA"), and other policies, guidelines, rules and standards adopted by the Authority.

4. **LAND USES.** The Airport Master Plan and Airport Layout Plan (ALP) have been developed by the Authority and are periodically updated. The ALP is approved by the FAA, and the Master Plan is developed in accordance with FAA standards. These documents provide guidance to the Authority regarding which land areas of the Airport may be made available for leasing to various classes of Lessee (see e.g. Section 2.4 above). No lease shall be entered into by the Authority which, at its inception, is contrary to the Master Plan or the FAA-approved ALP. The Authority reserves the right to amend and revise the Master Plan and/or ALP from time-to-time, with FAA approval as may be necessary. Amendments and updates to the ALP and/or Master Plan may provide for changes in land use and/or reconfiguration of existing land use areas on the Airport, which shall be applicable to leases entered into or extended after the date of such ALP or Master Plan amendment or update.

5. **AUTHORITY TO LEASE.** The Authority filed Articles of Incorporation on March 24, 1971, and is a body corporate and politic, and a political subdivision of the State of Colorado. Power to enter into and administer leases of Airport property is granted to the Authority by Colorado Revised Statutes Section 41-3-106(f).

6. **LEASE FORMS AND REQUESTS.**

6.1 **Manner of Leasing.** Available Airport land and/or general aviation Improvements with runway access will generally be leased on a first come, first served basis, to Lessees wishing to use such land and/or Improvements for the aviation-related purposes described in the currently-approved ALP. Under certain circumstances (i.e. multiple Persons interested in a single piece of property or Improvement or few/no remaining parcels or Improvements available for a specific aviation-related use), the Authority may use a public and competitive proposal process prior to grant a lease for a particular parcel or facility. Interested Persons should contact the Authority to discuss leasing opportunities, lease requirements and information required for review by the Authority.

6.2 Review Standards. Requests to lease Airport land for Aeronautical Uses will be reviewed by the Authority based on parameters contained in these Guidelines including, but not limited to, whether:

6.2.1 The proposed use is appropriate and consistent with the ALP, Master Plan, and other relevant land use planning documents, including Authority's Development and Architectural Covenants, if any;

6.2.2 Approval would not constitute a violation of Grant Assurances; and

6.2.3 If a commercial Aeronautical Use is proposed, Lessee's proposed use of the property would comply with the requirements of the Minimum Standards for the commercial use proposed.

6.3 Leases More Restrictive. The Authority's Aeronautical Use leases shall be designed to protect the public interest and may contain more restrictive clauses than those typically found in private sector leases. They shall transfer to the Lessee the liabilities associated with possession and control of real property including, but not limited to, compliance with all federal, state and local laws and regulations pertaining to the use, storage and disposal of hazardous materials and storm water pollution prevention regulations.

6.4 Compliance with Law. Leases will require Lessees to comply with all applicable local, state and federal laws, ordinances, rules and regulations, including those of the TSA and FAA. Leases shall also require Lessees and sub-lessees on the Airport to comply with all applicable Airport regulations, policies and Minimum Standards. Such Authority regulations, policies and Minimum Standards may be updated and/or amended from time to time as appropriate, and Lessees shall be subject to the same as updated and/or amended, provided that no such updated regulations, policies or Minimum Standards shall override any material provision of an existing lease.

6.5 Standard Lease Forms and Procedures. The Authority may require that requests to lease be submitted on a standard form which it may develop and amend from time to time, but which shall conform to these Guidelines. Leasing requests may also be required to contain such additional information and documentation as the Authority deems reasonably necessary to evaluate the proposal. The Authority will also develop standard forms of ground and facilities lease which may be periodically updated to reflect changes in federal, state and local regulations and real estate law as well as necessary to meet a changing economic environment and other risks associated with leasing. The standard form of ground lease will be attached hereto as **Appendix A**, upon approval of the Authority Board and within forty-five (45) days after adoption of these Guidelines. The Director of Aviation will be authorized to execute the standard form lease at the rental rate fixed from time to time by the Authority Board in its rate resolution. Should the terms of a proposed lease differ from the standard form, or should a proposed rental rate differ from that established in the rate resolution, approval of the Authority Board in a public meeting will be required. The standard form lease may contain blanks to describe the lessee, premises, applicable dates, rental rates, permitted aeronautical uses and other

reasonable variables and the filling in of such blanks shall not render leases non-standard. Where a non-standard lease is requested or necessary under the circumstances, the Director of Aviation may negotiate with the Lessee or prospective Lessee and shall submit his/her recommendation to the Authority Board, which shall be considered by the Authority Board in a public meeting.

6.6 Prompt Response. In all cases, the Authority shall attempt to respond to leasing requests in a prompt manner under the circumstances. The Authority shall attempt to respond to requests involving a standard form lease within thirty (30) days of receiving a complete written lease request. Requests which will involve the use of a non-standard lease form, require engineering or other professional review, or otherwise require action by the Authority Board could take considerably longer. Any denial of a request for an Aeronautical Use lease shall be made by the Authority Board in public meeting and shall be accompanied by a written statement as to the basis of the denial.

6.7 Current Leases. Any current Aeronautical Use Ground Lessee may request and be granted a new standard form ground lease to incorporate all material terms of these Guidelines, which shall replace and supersede the Lessee's existing ground lease. Any such new ground lease will contain the initial term (duration) and commencement date contained in Lessee's old ground lease, with the additional option terms described in Section 7.5 below. The rental rate shall be the market rate established in the Authority's then current fee resolution. Any such request must be received within one-hundred eighty (180) days after the effective date of these Guidelines. If Lessees do not request a new lease within such period, then with respect to such existing leases these Guidelines nevertheless set forth the current Authority Board's intention to grant additional lease options to all Lessees as described below, and not to apply rent adjustments in addition to CPI increases. After the new standard form of ground lease is adopted by the Authority Board and attached to these Guidelines, the Authority shall promptly respond to requests for new leases, but shall not be bound by the time limit set forth in Section 6.6 above.

7. DURATION OF LEASE TERM.

7.1 Policy. All leases of Airport land shall have a fixed term of limited duration to ensure the Authority's ability to control future development of Airport land should it be needed for a different purpose, while at the same time being fair to Lessees.

7.2 Standard Ground Lease Terms. Except as provided below, the maximum initial Aeronautical Use ground lease term shall be twenty (20) years with one (1) Lessee option to extend for an additional ten (10) years.

7.3 Extended Term for Extraordinary Capital Investment. If a Lessee or prospective Lessee proposes to make an extraordinarily large investment in light of the square footage of land to be leased or which is being leased, the Board may in its discretion consider whether to amend these Guidelines to provide additional provisions under which the length of the extended ground lease primary and/or option terms may be determined.

7.4 Standard Facility Lease Term. Except as provided below, when the Authority owns the ground and the aeronautical Improvements to be leased the maximum facilities lease term shall be five (5) years.

7.5 Additional Option Terms for Ground Leases. In addition to the option term provided in Section 7.2 above, Lessees may be offered up to four (4) additional options to extend the ground lease term for five (5) years each (an "Additional Option"). The total of primary and all option terms of any lease shall not exceed 50-years unless individual and extraordinary circumstances are found to exist under Section 7.3 above. The Authority shall offer an Additional Option to a Lessee if, and only if:

7.5.1 such Lessee requests the same between twelve (12) and eighteen (18) months prior to the expiration of the then-current option or Additional Option term, and

7.5.2 the Authority Board has not found (within sixty (60) days after such request by the Lessee, or by the Authority' Board's next regular meeting, whichever is later in time) that

(a) the Improvements on the leasehold have not been properly maintained or are not in a condition expected to be serviceable in any respect for the additional five (5) year option term,

(b) the Authority intends to redevelop the area in which the leasehold is located and/or use all or a portion of the subject leasehold ground for purposes other than lease to a Commercial Lessee or Storage Lessee, as the case may be,

(c) Lessee is in material default under its ground lease with the Authority,

(d) Lessee is in default in any other financial obligation to the Authority, and/or

(e) the granting of the option would violate any Grant Assurances or other applicable law.

7.5.3 The factors referred to in Section 7.5.2 above shall each be referred to as a "Disqualifying Factor" and collectively as "Disqualifying Factors." The Authority's determination of any Disqualifying Factor shall be made in its reasonable discretion.

7.5.4 Lessees are encouraged to contact the Authority in advance of the option exercise window described in Section 7.5.1 above to discuss the condition of the Improvements on the leasehold, actions which may be necessary to bring the Improvements into the required condition of maintenance and/or serviceability and meet the other requirements of Section 7.5.2 above.

7.5.5 The Authority may condition the exercise of an Additional Option on amendment of the lease to incorporate such other standard, and non-discriminatory terms as are then being offered by the Authority to other Lessees under aeronautical use ground leases, and ground lease rates for each Additional Option term shall be set at reasonable rates existing at the time the Additional Option is exercised as set forth in the Authority's then current rate resolution, which rates shall be subject to the CPI adjustment set forth above.

7.6 Repair and Maintenance Punch-List.

7.6.1 If the Authority has not found that other Disqualifying Factors exist, but has found that the Improvements on the leasehold have not been properly maintained and/or are not in a condition expected to be serviceable for the additional five (5) year option term, pursuant to Section 7.5.2(a) above, and also finds that such Improvements can be made serviceable through reasonable repair or maintenance, it shall provide Lessee with a written "Punch List" of repair and maintenance items to be completed by Lessee, at its sole expense. The repair and maintenance required by the Authority shall be for the purpose of maintaining improvements in their original state, reasonable wear and tear excepted, and not for new construction.

7.6.2 The Punch List shall be provided to Lessee not more than thirty (30) days after the Authority's finding of such Disqualifying Factor, and Lessee shall have a 120-day period of time in which to complete repair and/or maintenance of such Punch List items to the reasonable satisfaction of the Authority. Provided that Lessee is proceeding with necessary diligence to complete the "Punch List" items, Lessee, upon written notice to the Authority given prior to the expiration of said 120-day period, may extend the time for completion for a period of time not to exceed an additional sixty (60) days. If such Punch List items are completed to the reasonable satisfaction of the Authority, the Lessee shall then be permitted to exercise the Additional Option.

8. **LEASE EXPIRATION/TERMINATION.** Within the limits of Section 7.5 above, under these Guidelines, and subject to the limitations of Section 7.5 above, ground leases which are subject to Additional Options will expire only when a Lessee chooses not to exercise its option to renew, or if the Authority Board determines that one or more Disqualifying Factor exists. Ground Leases may also terminate upon material default by the Lessee. Upon the expiration or sooner termination of the ground lease, each ground lease shall provide that:

8.1 Lessee shall peaceably surrender possession of the leasehold to the Authority.

8.2 At the Authority's option, which it may deliver to Lessee at least three months prior to expiration, the Lessee (a) shall immediately abandon the fixtures and Improvements to the Authority and the same will become the property of the Authority under Section 8.3 below, or (b) Lessee shall have ninety (90) days from date of expiration or termination to remove from the Airport and properly dispose of all personal property, fixtures and Improvements and restore the ground to approximately its pre-lease condition reasonably acceptable to the Authority, at Lessee's sole cost and expense.

8.3 In any event, after ninety (90) days from date of expiration or termination of the lease, title to all property, fixtures and Improvements not removed by Lessee in accordance and at the Authority's option under Section 8.2 above, shall be surrendered to the Authority without payment by the Authority to lessee of any compensation whatsoever, and said personal property, fixtures, and Improvements remaining on the premises shall thereafter be owned by the Authority free and clear of any claim of interest by Lessee or of any third party. If the Authority has exercised its option to have the Improvements removed and the premises restored at Lessee's expense but Lessee has failed to do so, such Lessee shall be liable to the Authority for the reasonable costs of removal and restoration.

9. RATES, FEES AND CHARGES.

9.1 Market Rates. The Authority recognizes its obligation to charge reasonable and not unjustly discriminatory rent for Aeronautical Use of Airport land and/or Improvements. Under the Grant Assurances the Authority is also required to maintain a rent and fee structure which makes the Airport as self-sustaining as possible under the circumstances.

9.1.1 Reasonable rent for Aeronautical Use land and/or Improvements at the Airport will be determined, at the discretion of the Authority, by rent study, comparison of rents for similar properties at this and other comparable public use airports, appraisal, negotiation, or a competitive process.

9.1.2 Current rates, fees and charges will be outlined in the Authority's approved Fees and Charges. All new, renegotiated, and adjusted lease rates, fees and charges will be set according to the rates found in the approved Fees and Charges, which are reviewed, updated and approved annually by the Authority Board.

9.2 Periodic Adjustments. Every two years, in even years beginning April 1, 2014 (the "Adjustment Date"), the Monthly Ground Lease Rent for the premises will be adjusted by any cumulative increase or decrease in the CPI over the prior two year period or since the effective date of the lease or Additional Option, whichever is closer in time to the Adjustment Date.

10. PERMITTED USES. Leases shall provide that Improvements constructed on the Airport Operations Area of the Airport are to be used for Aeronautical Uses only, including but not limited to parking, storing and maintaining aircraft owned or leased by tenant or third parties, other activities associated with aircraft ownership, commercial Aeronautical Uses covered by the Minimum Standards, and self-fueling in strict accordance with the Authority's Fuel Storage and Handling Procedures.

11. CONSTRUCTION OF LEASEHOLD IMPROVEMENTS.

11.1 Prior to the construction of any Improvements, alterations or additions to the leasehold, proposed plans must be submitted to the Authority for review and approval. The Authority shall determine if the Improvements are consistent with the Airport's Master Plan and

meet the Authority's Development and Architectural Covenants and, if applicable, the Minimum Standards. Improvements must also meet all federal, State and local codes, rules and regulations. Authority approval of plans shall not be an indication that any Improvement complies with such laws, codes or rules.

11.2 A period of time may be specified in the ground lease for the commencement and completion of any approved Improvements on any leasehold.

12. ASSIGNMENT, SUB-LEASING AND FINANCING.

12.1 Written consent from the Authority must be obtained prior to any assignment or subleasing of all or any portion of a lease, which assignment shall not be unreasonably withheld. Leases will provide that assigned and sublet leases will be subject to all the terms and conditions of the original lease, including the lease term.

12.2 The Authority shall make prompt and reasonable efforts to cooperate with Lessees and their lenders regarding the financing or refinancing of Airport businesses and Improvements, provided, however, that in doing so the Authority shall have no obligation to materially change any lease term or take any action which would be materially detrimental to the Authority or the public interest.

12.3 Potential Lessees, assignees and sub-lessees should carefully consider the remainder of the lease term when negotiating the purchase of any Airport business or facility.

13. SUBORDINATE DOCUMENT. This document (a) is intended to provide guidance to the Authority when issuing or renewing leases for Aeronautical Uses, (b) does not itself constitute a legally binding agreement or contract with any Person, and (c) does not contain all terms and conditions of leases. Except as expressly provided herein, if any conflict of terms or conditions exist with other legal documents, including but not limited to a ground lease or Facilities Lease, this document shall be subordinate.

14. PUBLIC RECORDS. All Aeronautical Use Leases shall be available for public inspection to the maximum extent permitted by the Colorado Public Records Act, and pursuant to the terms of the Authority's public records policy then in effect.

15. EFFECTIVE DATE. These Guidelines shall become effective upon adoption by the Authority and shall remain in effect, unless and until repealed or amended by the Authority.

AERONAUTICAL USE GROUND LEASE

**Grand Junction Regional Airport
Grand Junction, Colorado**

Between

**GRAND JUNCTION REGIONAL AIRPORT AUTHORITY
800 Eagle Drive
Grand Junction, CO 81506
("GJRAA")**

and

("Tenant")

Dated: _____

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AERONAUTICAL USE GROUND LEASE

This Aeronautical Use Ground Lease (the "Lease") is made and entered into on the date set forth in Paragraph 1.1, below, by and between the **GRAND JUNCTION REGIONAL AIRPORT AUTHORITY** ("GJRAA"), formerly known as the Walker Field Public Airport Authority, a body corporate and politic and constituting a subdivision of the State of Colorado, and the Tenant as that term is defined in Paragraph 1.2, below.

Recitals

A. The GJRAA is owner and operator of the Grand Junction Regional Airport and is authorized to enter into this Lease pursuant in part to Colorado Revised Statute § 41-3-101, et seq.

B. Tenant desires to lease a portion of the Airport for aeronautical uses, which may include the constructing and occupying, or if already constructed occupying, an aircraft hangar or other structures.

C. The GJRAA desires to lease ground on the Airport to Tenant and Tenant desires to lease ground and use the Airport under the terms and conditions of this Lease.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties incorporate by reference the recitals set forth above and agree as follows:

Article 1: Basic Lease Information

In addition to the terms defined elsewhere in this Lease, the following defined terms are used in this Lease. To the extent there is any conflict between the basic lease information contained in this Article 1, and more detailed information contained elsewhere in this Lease, the more detailed information contained elsewhere in this Lease shall prevail.

1.1 Date of Mutual Execution.

1.2 Tenant.

1.3 Tenant's Trade Name.

1.4 Tenant's Address and Phone.

1.5 GJRAA'S Address and Phone. 800 Eagle Drive, Grand Junction, Colorado 81506;
(970) 244-9100

1.6 Airport: Grand Junction Regional Airport, formerly known as Walker Field Airport, located in Grand Junction, Colorado.

1.7 Commencement Date. (START DATE OF THIS LEASE)

1.8 Expiration Date. (DATE SHOULD BE THE ORIGINAL EXPIRATION DATE OF THE ORIGINAL LEASE - USUALLY 20 YEARS)

1.9 Initial Minimum Insurance Coverage Amount. \$1,000,000 combined single limit (See paragraph 8.1.1 below).

1.10 Rent. Rent shall include both the Monthly Ground Rent, as altered from time to time pursuant to paragraph 4.1 of this Lease, and other fees described in paragraph 4.3 of this Lease.

1.11 Monthly Ground Rent. The Monthly Ground Rent shall initially be \$ (THIS SHALL BE AT THE MARKET RATE SET BY THE AUTHORITY) per year, paid monthly at \$ _____, based on the area of the Premises other than the Object Free Area ("OFA"). Tenant will not be obligated to pay rent for the OFA, but Tenant will be responsible for all maintenance and other improvements required for the OFA. For the remaining (non-OFA) area of _____ square feet of the Premises, (_____ - _____ = _____) the above rent will be calculated as follows: \$ _____ per square foot x _____ square feet = \$ _____ ÷ 12 months = \$ _____.

1.12 Permitted Uses. The permitted uses shall include the construction and/or occupation of a hangar and/or other structure subject to the provisions of this Lease which, together with the Premises themselves, shall used for aeronautical purposes only, including but not limited to the parking, storing and maintaining aircraft owned or leased by Tenant or other third parties, other activities associated with aircraft ownership, and aeronautical-related businesses, but not to provide fuel to aircraft.

1.13 Premises. The property shown on attached **Exhibits A** and **B** and any Improvements existing thereon when Tenant first takes possession, which is also known as (ADDRESS).

1.14 Premises Square Footage. The Premises consist of a total of _____ square feet, which includes _____ square feet of OFA and _____ square feet of other area

1.15 Date to Complete Improvements. (INSERT DATE IF APPLICABLE)

1.16 Additional Provisions. (INSERT IF APPLICABLE)

1.17 Improvements. Improvements shall include the aircraft hangar erected or to be erected on the Premises, all hangar flooring, lighting, paving, fencing, grating and surfacing, underground and overhead wires, doors, cables, pipes, tanks and drains; and all property of every kind and nature, which is attached to the Premises or which may not be removed without material injury to the Premises or any structure thereon.

1.18 Minimum Standards. "Minimum Standards" shall mean the then current version of the Requirements and Minimum Standards for Commercial Aeronautical Services and Activities for Walker Field Airport, Grand Junction, Colorado. The version of the Minimum Standards in effect on the date this Lease is that adopted by the GJRAA Board on December 19, 2000 and last revised on July 19, 2005.

1.19 Security Deposit. (THIS WILL BE AN AMOUNT EQUAL TO FOUR (4) TIMES THE MONTHLY RENTAL SET FORTH ABOVE)

Article 2: Lease of Premises & Airport; Quiet Enjoyment

2.1 Use of Premises. In consideration of the payment of the Rent and the keeping and performance of the covenants and agreements by Tenant hereinafter set forth, GJRAA does hereby lease unto Tenant the Premises, including any and all rights, privileges, easements, and appurtenances now or hereafter belonging to the Premises, subject, however, to all liens, easements, restrictions, and other encumbrances of record. Tenant leases the Premises in an "as is" condition, without warranties or representations from GJRAA that the Premises, or any portions thereof, are suitable for a particular purpose, or can accommodate any particular weight or size of aircraft.

2.2 Use of Airport. Tenant is also granted the non-exclusive right to utilize such Airport runways, taxiways, taxi lanes, and public use aprons ("airfield areas"), and such other rights of way and access across the Airport ("Airport rights of way") as necessary for ingress and egress to the Premises, and to the extent necessary to enable Tenant to provide the Permitted Uses from the Premises. Tenant's use of said airfield areas and other Airport rights of way shall be on a non-exclusive, non-preferential basis with other authorized users thereof. Tenant shall abide by all directives of GJRAA, the Federal Aviation Administration ("FAA"), the Transportation Security Administration ("TSA"), and any other governmental entity having jurisdiction over the Airport, governing Tenant's use of said airfield areas and other Airport rights of way, either alone or in conjunction with other authorized users thereof.

2.3 Quiet Enjoyment. Upon payment of fees when due and upon performance of all other conditions required herein, Tenant shall peaceably have, possess and enjoy the Premises and other rights herein granted, without hindrance or disturbance from GJRAA, subject to GJRAA's rights contained elsewhere in this Lease. Notwithstanding the provision set forth in the preceding sentence or any other provision of this Lease, GJRAA and any tenant of GJRAA shall have the right to traverse that portion of the Premises not occupied by a hangar or other structure, if GJRAA in its sole discretion believes that such traversing is necessary or desirable for the efficient operations of the Airport, GJRAA or another tenant.

2.4 Inspection by GJRAA. GJRAA, through its authorized agents, shall have the right at all reasonable times, and after notice to Tenant when practical, to enter upon the Premises to inspect, to observe the performance by Tenant of its obligations hereunder, and to do any act which the GJRAA may be obligated to do or have the right to do under this Lease and any other agreement to which the GJRAA is a party or applicable law. Without diminishing the GJRAA's rights to inspect

and perform under this paragraph, the acts of the GJRAA shall not unduly burden or interfere with Tenant=s operations on the Premises.

Article 3: Lease Term and Options

→ 3.1 Term. Subject to earlier termination as hereinafter provided, the primary term of this Lease shall be the period between the Commencement Date set forth in paragraph 1.7 above and the Expiration Date set forth in paragraph 1.8 above (the "Primary Term").

→ 3.2 Option to Renew. Subject to the provisions hereof, upon expiration of the Primary Term of this Lease, if and only if Tenant shall not then be in material default beyond applicable cure periods under this Lease, then Tenant shall have the option to renew this Lease for one (1) additional term of ten (10) years following expiration of the Primary Term. Tenant's option to renew may be exercised by delivering written notice to the GJRAA between twelve (12) and eighteen (18) months prior to end of the Primary Term of this Lease.

→ 3.3 Additional Option Terms. In addition to the option term provided in Section 3.2 above, Tenant shall have up to four (4) additional options to extend the term of this Lease for five (5) years each (an "Additional Option"). The total of the Primary Term and all option terms of this Lease shall not exceed 50-years. The GJRAA shall offer an Additional Option to a Tenant if, and only if:

3.3.1 such Tenant requests the same between twelve (12) and eighteen (18) months prior to the expiration of the then-current option or Additional Option term, and

3.3.2 the GJRAA Board of Commissioners has not previously found, or found within sixty (60) days after such request by the Tenant or by close of the GJRAA Board's next regular Board meeting, whichever is later in time, that:

(a) the Improvements on the Premises have not been properly maintained (including painting) or are not in a condition expected to be serviceable in any respect for the additional five (5) year Additional Option term,

(b) GJRAA intends to redevelop the area in which the Premises are located and/or use all or a portion of the Premises for purposes other than lease to a Commercial Tenant or Storage Tenant, as the case may be with respect to the Tenant,

(c) Tenant is in material default under this Lease,

(d) Tenant is in default in any other financial obligation to GJRAA, and/or

(e) the granting of any Additional Option would violate any FAA Grant Assurance or the provisions of any applicable law.

3.3.3 The factors referred to in paragraph 3.3.2 above shall each be referred to as a "Disqualifying Factor" and collectively as "Disqualifying Factors." A determination of the existence of any Disqualifying Factor shall be made in the reasonable discretion of GJRAA.

3.3.4 Tenants are encouraged to contact the GJRAA in advance of the option exercise windows described in paragraph 3.3.1 above to discuss the condition of the Improvements on the Premises, actions which may be necessary to bring the Improvements into the required condition of maintenance and/or serviceability and meet the other requirements of paragraph 3.3.2 above.

3.3.5 GJRAA may condition the exercise of an Additional Option on amendment of this Lease to incorporate such other standard and non-discriminatory terms as are then being offered by the GJRAA to other Commercial Tenants or Storage Tenants, as the case may be, under aeronautical use ground leases, and ground lease rates for each Additional Option term shall be set at reasonable rates existing at the time the Additional Option is exercised as set forth in the GJRAA's then current rates established by GJRAA's Fees and Charges, which rates shall thereafter be subject to the CPI adjustment set forth below.

3.3.6 For purposes of this paragraph 3.3, "Commercial Lessee" shall mean a Lessee which (a) regularly engages in fixed base operations, ground handling and servicing of air carrier and commuter airline operations, aircraft charter operations, flight training, aircraft rental, aerial photography, crop dusting, aerial advertising, aerial surveying, aircraft sales and services, sale of aviation petroleum products, aircraft repair and maintenance, sale of aircraft parts, and/or other commercial aeronautical services to the public, (b) has entered into or will enter into a lease with the Authority, and (c) meets, and in the case of an existing Lessee has met for a period of not less than six continuous months, the Authority's Minimum Standards then in effect for the type of aeronautical business operated by the Lessee. "Storage Lessee" shall mean any Aeronautical Use Lessee other than a Commercial Lessee as defined above.

3.4 Repair and Maintenance Punch-List.

3.4.1 If GJRAA has not found that other Disqualifying Factors exist, but has found that the Improvements on the Premises have not been properly maintained and/or are not in a condition expected to be serviceable for the additional five (5) year Additional Option term, pursuant to paragraph 3.3.2(a) above, and also finds that such Improvements can be made serviceable through reasonable repair or maintenance, it shall provide Tenant with a "Punch List" of repair and maintenance items to be completed by Tenant, at its sole expense. The repair and maintenance required by GJRAA shall be for the purpose of maintaining improvements in their original state, reasonable wear and tear excepted, and not for new construction.

3.4.2 The Punch List shall be provided to Tenant not more than thirty (30) days after GJRAA's finding of such Disqualifying Factor, and Tenant shall have a 120-day period of time in which to complete repair and/or maintenance of such Punch List items to the

reasonable satisfaction of GJRAA. Provided that Tenant is proceeding with necessary diligence to complete the "Punch List" items, Tenant, upon written notice to GJRAA given prior to the expiration of said 120-day period, may extend the time for completion for a period of time not to exceed an additional sixty (60) days. If such Punch List items are completed to the reasonable satisfaction of GJRAA, Tenant shall then be permitted to exercise the Additional Option.

→ 3.5 Surrender and Holding Over. If Tenant holds over or remains in possession or occupancy of the Premises after the expiration of this Lease without any written renewal thereof, such holding over or continued possession or occupancy shall not be deemed as a renewal or extension of this Lease but shall create only a tenancy from month to month which may be terminated at any time by GJRAA upon thirty (30) days written notice. Such holding over shall be at 150% of the Monthly Ground Rental that was payable in the month prior to such expiration, (or in recognition that the Improvements shall then be the property of the Authority) the hangar rental rate established in the GJRAA's then-current Fees and Charges, whichever is greater, and shall otherwise be upon the same terms and conditions as set forth in this Lease.

Article 4: Rent, Security Deposit & Other Fees

4.1 Monthly Ground Rent. The Monthly Ground Rent for the Premises is initially the amount set forth in paragraph 1.11 above. Within thirty (30) days of Tenant's completion of any Improvements on the Premises, Tenant will provide GJRAA with a survey acceptable to GJRAA (as determined by GJRAA in its sole discretion) which shall be attached to this Lease as **Exhibit B**. Should the actual square footage of the Premises or the Improvements thereon (as determined by the Survey of the Premises to be attached as **Exhibit B**) differ from the parties' initial estimate of the Premises or improvements' square footage (as shown by the Description of the Premises, attached as **Exhibit A**), then the Monthly Ground Rent shall be adjusted to accommodate for such difference according to standard GJRAA procedure.

4.2 CPI Adjustment. The Monthly Ground Rent for the Premises shall be adjusted by the increase or decrease in the Consumer Price Index, using the US City Average for all urban consumers ("CPI-U"), all items index, set forth in the October to October report published by the US Department of Labor, Bureau of Labor Statistics, for the twenty-four (24) month period ending in the calendar year immediately preceding the calendar year in which the annual cost-of-living adjustment is to be made, or the period since the Commencement Date of this Lease, whichever is less. The initial CPI adjustment under this Lease shall be made on April 1st of the first even calendar year after the calendar year in which the Commencement Date falls, and every even year thereafter. If the CPI-U index is no longer published by the US Department of Labor, the parties shall use the US Department of Labor index or report most closely approximating the CPI-U.

4.3 Other Fees and Charges. In addition to the Monthly Ground Rent described above:

4.3.1 Tenant shall pay GJRAA such fees as set forth in GJRAA's then current Fees and Charges, adopted by resolution of the GJRAA Board in open meeting (the "Fees and Charges"),

as the same may be amended from time to time, for the usage of the Airport's disposal station, by Tenant, or by Tenant's assigns and subtenants.

4.3.2 Tenant shall pay GJRAA the amount established by GJRAA from time to time for stand-by services provided by GJRAA employees to Tenant, or to Tenant's assigns and subtenants, including but not limited to the following stand-by services: Aircraft Rescue & Fire Fighting (ARFF); emergency first aid; custodial, maintenance and security services; special events on Airport property.

4.3.3 Tenant shall pay GJRAA landing fees for all aircraft owned or leased by Tenant that utilize its hangar or tie-down facilities, in the amount of the landing fees required by GJRAA's Fees and Charges for aircraft using the Airport, as said amount may be amended from time to time.

4.3.4 Tenant shall pay fuel flow fees for fuel purchased by Tenant, or its assigns or subtenants, from authorized fuel vendors on the Airport, as required by GJRAA's Fees and Charges, as said amount may be amended from time to time. Said fuel flow fee is in addition to any gasoline taxes or fuel flow fees Tenant may be required to pay, under the State of Colorado's Aviation Fuel Tax Program or otherwise.

4.3.5 Tenant shall pay GJRAA for all identification badges required for use by it, or its assigns or subtenant, at a rate established by GJRAA from time to time. Tenant shall also pay such fee as established by GJRAA from time to time for the replacement of said badges.

4.3.6 Tenant shall pay GJRAA such other amounts as may be imposed by GJRAA in its Fees and Charges in the future, for services and facilities provided by GJRAA to Tenant, or its assigns and subtenants, on a pro rata, non-discriminatory basis with the other users of said services or facilities.

4.4 Manner of Payment. Payment of Tenant's monthly ground rent shall be made in advance, on or before the first day of each and every month during the term of this Lease. Payment of all other fees, if any, shall be made in accordance with procedures adopted by GJRAA from time to time. All rental payments shall be made to GJRAA at its address listed in paragraph 1.5, or at such other address as may be specified by GJRAA.

4.5 Late Charges. All amounts payable under the Lease may collectively be referred to herein as "Rent." Any payment of Rent, including Monthly Ground Rent, which is not received on the due date will be subject to a late charge equal to five percent (5%) of the unpaid payment, or \$100.00, whichever is greater. This amount is in consideration of GJRAA's additional cost of processing late payments. In addition, any Rent which is not paid when due, including Monthly Ground Rent, will accrue interest at a default rate of three percent (3%) per month (but in no event in an amount in excess of the maximum rate allowed by applicable law) from the date on which it was due until the date on which it is paid in full with accrued interest. Any payments received shall be applied first to accrued interest, and then to the reduction of principal.

4.6 Security Deposit. Tenant shall deposit with GJRAA a security deposit in the amount set forth in paragraph 1.19 above. This deposit is to be held by GJRAA as security during the entire term of the Lease for all of Tenant's obligations hereunder. The security deposit shall be made at the time the Lease is signed by the Tenant, unless the same has been previously paid in the full amount set forth above.

4.7 No Set Off. Except as may be expressly set forth herein, Tenant shall not have the right to set-off against any amounts owed to the GJRAA for any claims it may have against GJRAA unless and until said amounts are agreed to by GJRAA or reduced to final judgment.

4.8 New Federal Regulation. In the event GJRAA is required to make additional direct expenditures in connection with the implementation of any future federal or state regulation imposed upon GJRAA as a result, in whole or in part, of Tenant's operation, GJRAA may call a conference for the purpose of discussing and determining methods of compliance and recovery from Tenant and others similarly situated, if any, of costs so incurred, and Tenant agrees to attend and negotiate in good faith regarding its participation in recovery of such costs.

Article 5: Improvements

5.1 Construction of Improvements. During the term of this Lease, Tenant shall have the right to construct, at its own expense, Improvements, alterations, or additions to the Premises, or to any Improvements presently located thereon, in furtherance of Tenant's authorized use of the Premises, provided that:

5.1.1 the Improvements, alterations, and additions are performed by qualified and licensed contractors or subcontractors; and

5.1.2 prior to the construction of any Improvements, alterations or additions to the Premises including, but not limited to, new buildings, major exterior changes to any buildings, changes in pavement, fences and utility lines, interior renovations that affect the structural integrity, or office and hangar configuration, of any Improvements Tenant presently owns or may hereafter construct upon the Premises:

(a) Tenant submits the proposed plans to GJRAA for its review; and

(b) GJRAA determines, in its sole discretion, that the proposed improvements, alterations, or additions are consistent with the Airport's master and land use plans, GJRAA's Development and Architectural Covenants, and if applicable, the Minimum Standards, as the same may be amended from time to time.

5.2 Cost of Improvements; Bond. Tenant shall construct all Improvements, alterations, and additions to the Premises at its own expense. If Tenant constructs improvements, alterations and/or additions, the same shall be constructed at Tenant's sole initiative and behest, and nothing

herein shall be construed as an agreement by GJRAA to be responsible for paying for them, and neither the Premises, nor GJRAA's interest in said Premises or any Improvements, alterations or additions constructed thereon, shall be subjected to a mechanic's lien for any Improvements or alterations constructed by Tenant hereunder. GJRAA may require Tenant to post a bond, or such other security as GJRAA deems appropriate, guaranteeing payment for construction of the Improvements alterations and additions involved, as a condition precedent to the commencement of construction of the Improvements and/or alterations. Tenant shall be responsible for assuring that all of said Improvements, alterations and additions to the Premises are constructed in accordance with applicable local, state and federal law. Tenant shall reimburse GJRAA for all costs and expenses, including surveying and attorney's fees, GJRAA incurs (a) as a result of the fact that the Improvements, additions, or alterations do not comply with local, state and federal law, (b) in defending against, settling or satisfying any claim that GJRAA is responsible for paying in relation to Improvements on the Premises, or (c) in defending against, settling or satisfying any mechanic's lien and/or other claims, asserted as a result of non-payment for Improvements on the Premises.

5.3 Timing of Construction. The parties hereby agree that Tenant shall have eighteen (18) months from the Commencement Date to obtain a Certificate of Occupancy or to otherwise fully develop the Premises. If such development is not timely commenced or completed, or if due diligence pursuing such development is not demonstrated to the satisfaction of GJRAA, then GJRAA, at its sole discretion, shall have the right to terminate this Agreement, and all of Tenant's interest in the Premises shall revert to GJRAA. If, however, the Tenant has commenced development and is diligently pursuing completion of development, yet such development will not be completed within the 18 month period allowed, then the Tenant may petition, in writing, GJRAA for an extension of time to complete development. An extension of time to complete development is not automatic upon application, but may be granted at the sole discretion of GJRAA. If such extension is not granted, then GJRAA shall have the right to declare the Agreement void, and all of Tenant's interest in the Premises shall revert to GJRAA. GJRAA makes no representations or warranties with regard to the above contingencies, and Tenant undertakes such efforts solely at its own risk.

5.4 Signs. No exterior signs, logos or advertising displays identifying Tenant or its assigns, subtenants or customers shall be painted on or erected in any manner upon the Premises, or in or on any Improvements or additions upon the Premises, without the prior written approval of GJRAA, which approval shall not unreasonably be withheld. Any such signs, logos or advertising shall conform to reasonable standards to be established by GJRAA, with respect to type, size, design, materials and location. All signs shall comply with all applicable city, county and state regulations.

Article 6: Maintenance, Utilities, Damage and Storage

6.1 Maintenance of Premise. During the term of this Lease, Tenant shall, at its own expense, maintain and keep all portions of the Premises, any Improvements, fixtures, and equipment thereon, any utility lines thereon or thereunder used by Tenant or its assigns or subtenants, and any of Tenant's Improvements, fixtures, or equipment located elsewhere on the Airport, in good operating and physical condition and repair. Tenant shall repair any utility lines located on or under its Premises which are utilized by it or other third parties, if the damage to said utility lines was caused

by Tenant, or by Tenant's board members, officers, agents, employees, contractors, subcontractors, assigns, subtenants, customers, guests, invitees, or anyone acting under Tenant's direction and control. During the term of this Lease, Tenant shall maintain, at its expense, all portions of the Premises, any Improvements, fixtures, and equipment thereon, and all of its improvements, fixtures, and equipment located elsewhere on the Airport, in a safe and clean condition, and to not permit any unsightly accumulation of wreckage, debris, or trash where visible to the general public visiting or using the Airport. The determination of whether any accumulation is unsightly will be made in the sole but reasonable discretion of GJRAA.

6.2 Utilities. During the term of this Lease, Tenant shall also be responsible for providing, at its own expense, all utilities and services, including but not limited to lighting, heating, air conditioning, water, gas, trash removal and electricity, required for the Premises and any improvements, alterations, or additions thereon. Tenant shall not permit any liens for utilities to be levied against the Premises and, in the event that any liens are so levied, agrees to indemnify GJRAA and hold it harmless for the same.

6.3 Storage on Premises. Tenant may not store items unrelated to its aeronautical uses at the Airport (including, but not limited to, boats, recreational vehicles, motorcycles, campers, and personal motor vehicles) on the Premises for more than two (2) weeks without the prior written consent of the GJRAA.

6.4 Damage to Airport. Tenant shall be liable for any damage to the Airport and to any Improvements thereon caused by Tenant, or by Tenant's board members, officers, agents, employees, contractors, subcontractors, assigns, subtenants, guests, invitees, or anyone acting under its direction and control, ordinary wear and tear excepted. All repairs for which Tenant is liable shall be made, at GJRAA's option, (a) by Tenant at its own expense, provided that said repairs are made timely and to GJRAA's satisfaction as to the quality of repair or, if not timely or satisfactorily made by Tenant, then by GJRAA at Tenant's expense or (b) by GJRAA at Tenant's expense.

6.5 Waste Prohibited. Tenant may not conduct mining or drilling operations, remove sand, gravel, or kindred substances from the ground, commit waste of the Premises of any kind, nor in any manner substantially change the contour or condition of the Premises without prior written permission of GJRAA.

Article 7: Taxes and Assessments

Tenant shall timely pay all real and personal property taxes related to its possession and operations hereunder or elsewhere; all local, state and federal income, payroll, aviation fuel and other taxes related to its operations hereunder or elsewhere; all sales and other taxes measured by or related to its sales and service revenues hereunder or elsewhere; all license fees; and any and all other taxes, charges, exactions or levies of any nature, whether general or special, which may at any time be imposed by any local, state or federal authorities having jurisdiction over Tenant, or that become a lien upon Tenant, GJRAA, the Premises, or any Improvements thereon, by reason of Tenant's possession or activities under this Lease or elsewhere.

Article 8: Insurance and Indemnification

8.1 **Minimum Insurance Requirements.** At all times during the term of this Lease,

8.1.1 Tenant shall maintain automobile, general liability, bodily injury and property damage insurance naming GJRAA as an additional insured covering all of the services, operations, and activities of Tenant, and Tenant's subtenants at the Airport. The initial amount of coverage provided to GJRAA shall be at least the Initial Minimum Insurance Coverage Amount, as that term is defined in paragraph 1.9, above. GJRAA may from time to time, in its sole discretion (which shall be reasonably exercised), increase the amount of required insurance due hereunder by amending GJRAA's Fees and Charges.

8.1.2 Tenant shall maintain such hazard insurance as necessary to cover the full replacement cost of each of the Improvements it, its assigns or subtenants, or GJRAA own or have constructed upon the Premises, and the proceeds of said insurance shall be used to repair or replace the Improvements involved, as necessary.

8.1.3 Tenant and its subcontractors shall maintain worker's compensation insurance or a self-insurance plan in accordance with the laws of the State of Colorado for all employees or subcontractors' employees who perform any work for Tenant in connection with the rights granted Tenant hereunder.

8.2 **Certificate of Insurance.** Tenant shall provide a certificate of insurance to GJRAA of the kinds and amounts of said insurance coverage and shall acquire policies that shall not be subject to cancellation without at least thirty (30) days advance written notice to GJRAA. Such policies shall provide that they may not be materially changed or altered by the insurer during its term without first giving at least ten (10) days written notice to GJRAA.

8.3 **Indemnification.** Tenant shall and hereby agrees to indemnify and forever save GJRAA, its successors, assigns, or legal representatives, board members and employees of GJRAA and the Premises free and harmless from and against:

8.3.1 Any and all liability, penalties, losses, damages, costs and expenses, causes of action, claims, or judgments arising from or growing out of any injury or injuries to any person or persons or any damage or damages to any property as a result of any accident or other occurrence during the term of this Lease occasioned by any act or acts, omission or omissions of the Tenant, its officers, employees, agents, servants, subtenants, concessionaires, licensees, contractors, invitees, or permittees, or arising from or growing out of the use, maintenance, occupation, or operation of the Premises during the term of this Lease.

8.3.2 All legal costs and charges, including reasonable attorneys' fees, incurred in and about such matters and the defense of any action arising out of the same or in discharging the

Premises or any part thereof from any and all liens, charges, or judgments which may accrue or be placed thereon by reason of any act or omission of the Tenant.

8.3.3 Any liability on account of or in respect of any mechanic's lien or liens in the nature thereof for work and labor done or materials furnished at the instance and request of the Tenant in, on, or about the Premises and, accordingly, Tenant will either satisfy any such lien or, if Tenant disputes the validity thereof, will defend any action for the enforcement thereof (and if Tenant loses any action, will cause such lien to be satisfied and released).

Article 9: Assignment and Subleasing

9.1 Assignment by Tenant. Tenant shall not assign its interest herein without the written consent of GJRAA, which consent shall not be unreasonably withheld. If an assignment is made, Tenant shall continue to be liable, jointly and severally with the assignee, for the fulfillment of all terms and conditions arising under this Lease subsequent to the assignment, unless GJRAA specifically releases Tenant, in writing, for such liability for future obligations. All subsequent assignors and assignees shall be subject to this Lease as if they were the original Tenant/assignor.

9.2 Subletting. Tenant may not sublease all or any portion of the Premises, or all or any portion of the improvements thereon, without first obtaining written consent of GJRAA for the sublease, which consent shall not be unreasonably withheld. Any such sublease must be in writing and in a form and for a rental amount and other consideration acceptable to GJRAA, pursuant to the requirements of the Minimum Standards, by which such subtenant is authorized to do business on the Airport. Any sublease shall be in the form required by GJRAA for all subleases, as the same may be amended from time to time, or in a form specifically approved by GJRAA. The existence of any sub-lease or sub-leases shall not in any way relieve Tenant from its responsibilities as to the entire Premises under this Lease. Any default by a subtenant of its obligations to GJRAA under any sublease shall constitute a default by Tenant of its obligations under this Agreement. Tenant shall not allow any subtenant to enter onto the Premises until the subtenant has signed a sublease.

9.3 No Consent or Waiver. Consent by GJRAA to one sublease or assignment shall not be construed as consent or waiver of its right to object to any subsequent sublease or assignment. Acceptance by GJRAA of rent from any subtenant or assignee shall not be construed to be a waiver of the right of GJRAA to void any sublease or assignment.

9.4 Assignment by GJRAA. GJRAA may assign its interest herein, without the consent of Tenant, to any successor operator or proprietor of the Airport. GJRAA shall give prior written notice to Tenant of any such assignment of its rights and obligations hereunder.

Article 10: Compliance with Applicable Law; Environmental Covenants

10.1 Compliance with Law and GJRAA Documents. Tenant shall observe and obey all statutes, rules, regulations, and directives promulgated by GJRAA and other appropriate local, State, and Federal entities having jurisdiction over the Airport, including the FAA, the TSA, and the

Environmental Protection Agency. To the maximum extent applicable, Tenant further agrees to perform all of its operations authorized hereunder in accordance with all of the terms and conditions of GJRAA's Minimum Standards, Development and Architectural Covenants ("Architectural Standards"), Fees and Charges ("Fees and Charges"), the AOA Safety Procedures ("Safety Procedures"), Fuel Handling and Storage Procedures ("Fuel Procedures"), and Noise Compatibility Procedures, copies of which are on file in the offices of GJRAA, as the same may be amended from time to time. Tenant acknowledges that it has reviewed the above documents or has knowingly waived its rights to review such documents. If any inconsistency exists between the terms of this Agreement, and the terms of the Minimum Standards, Architectural Standards, GJRAA's Fees and Charges, Safety Procedures, Fuel Procedures, and Noise Compatibility Procedures, the terms of this Agreement shall control. Tenant further agrees to comply with all verbal and written directives of the Director of Aviation regarding Tenant's use of the Premises, the Airport's airfield areas, and other common areas elsewhere on the Airport.

10.2 Reimbursement for Violations. Should Tenant, or Tenant's board members, officers, agents, employees, customers, guests, invitees, subtenants, assigns, contractors, or subcontractors violate any local, State, or Federal law, rule, or regulation applicable to the Airport, and should said violation result in a damage award, citation, or fine against GJRAA, then Tenant shall fully reimburse GJRAA for said damage award, citation, or fine and for all costs and expenses, including reasonable attorney's fees, incurred by GJRAA in defending against or satisfying the award, citation or fine.

10.3 Subordination. This Lease shall also be subject and subordinate to the requirements of any existing or future contracts or agreements between GJRAA and Federal, State, or local governments, or any agencies thereof, and to the requirements of any Federal, State, or local statutes, regulations, or directives governing the operation of the Airport, and GJRAA shall not owe any damages to Tenant, such as lost profits or revenues, as a result of its compliance with said contracts, statutes, rules, or directives. GJRAA shall also be excused from its obligations to pay Tenant eminent domain compensation under Article 12, below, or to provide substitute leasehold premises pursuant to Article 13, below, unless the payment of said proceeds or provision of substitute premises is specifically directed by the contract, statute, regulation or directive involved.

10.4 Deicing Limitations. Tenant shall use only propylene glycol as a deicing agent unless Tenant receives written authorization from GJRAA to use a different deicing agent. All deicing operations shall be conducted on the Airport deicing pad, and Tenant shall pay its proportion share of glycol disposal costs in accordance with the Authority's then current Fees and Charges.

10.5 Security. Tenant is wholly and completely responsible for, and shall comply with all requirements of the Transportation Security Administration of the United States Department of Homeland Security with respect to security of the gates, doors or other entryways leading to the Airport's air operations area from the Premises.

10.6 Hazardous Materials.

10.6.1 Tenant shall not cause or permit any Hazardous Material to be brought upon, kept or used in or about the Premises by Tenant, its agents, employees, contractors or invitees, without the prior written consent of GJRAA. If Tenant breaches the obligations stated in the preceding sentence, or if the presence of Hazardous Material on the Premises caused or permitted by Tenant results in contamination of the Premises, then Tenant shall indemnify, defend and hold GJRAA harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses (including, without limitation, diminution in value of the Premises, damages for the loss or restriction on use of rentable or usable space or of any amenity of the Premises, damages, arising from any adverse impact on marketing of space, and sums paid in settlement of claims, attorney fees, consultant fees and expert fees) which arise during or after the lease term as a result of such contamination. This indemnification of GJRAA by Tenant includes, without limitation, costs incurred in connection with any investigation of site conditions or any cleanup, remedial, removal, or restoration work required by any federal, state, or local government agency or political subdivision because of Hazardous Material present in the soil or ground water on or under the Premises. Without limiting the foregoing, if the presence of any Hazardous Material on the Premises caused or permitted by Tenant results in any contamination of the Premises, Tenant shall promptly take all actions at its sole expense as are necessary to return the Premises to the condition existing prior to the introduction of any such Hazardous Material to the Premises, provided that GJRAA's approval of such actions shall first be obtained. Tenant's obligations set forth in this paragraph 10.6 shall survive the termination of this Lease.

10.6.2 As used in paragraph 10.6.1, above, the term "Hazardous Material" means any hazardous or toxic substance, material or waste which is or becomes regulated by any local governmental GJRAA, the State of Colorado or the United States Government. The term "Hazardous Material" includes, without limitation, any material or substance that is (i) defined as a "hazardous substance" under appropriate state law provisions; (ii) petroleum; (iii) asbestos; (iv) designated as a "hazardous substance" pursuant to Section 311 of the Federal Water Pollution Control Act (33 U.S.C. § 1321); (v) defined as a "hazardous waste" pursuant to Section 1004 of the Federal Resource Conservation and Recovery Act (42 U.S.C. § 6903); (vi) defined as a "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. § 9601); (vii) defined as a "regulated substance" pursuant to Subchapter IX, Solid Waste Disposal Act (Regulation of Underground Storage Tanks) (42 U.S.C. § 6991); or, (viii) lavatory waste.

10.6.3 Upon GJRAA's request, Tenant shall provide GJRAA with written certification from a licensed environmental consulting or engineering firm that the Premises are not contaminated with any Hazardous Material.

Article 11: Nondiscrimination

11.1 Tenant, for itself, its personal representatives, successors in interest, and assigns, as part of the consideration hereof, warrants that (1) no person shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination in the use of the Premises and any improvements thereon on the grounds of race, color, religion, sex, age, disability, or national origin;

(2) no person on the grounds of race, color, religion, sex, age, disability, or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination in the construction of any improvements on, over, or under the Premises and the furnishing of services therein; and (3) Tenant shall use the premises in compliance with all other requirements imposed by or pursuant to Title 49, Code of Federal Regulations, Department of Transportation, Subtitle A, Office of the Secretary, Part 21, Non-discrimination in Federally Assisted Programs of the Department of Transportation, Effectuation of Title VI of the Civil Rights Act of 1964, and as said regulations may be amended.

11.2 Tenant shall make and/or furnish its accommodations and/or services on a fair, equal, and not unjustly discriminatory basis to all users thereof and it shall charge fair, reasonable, and not unjustly discriminatory prices for each unit or service; provided that Tenant may be allowed to make reasonable and nondiscriminatory discounts, rebates, or other similar type of price reductions to volume purchasers.

11.3 This Lease is subject to the requirements of the US Department of Transportation's regulations governing nondiscrimination. Tenant agrees that it will not discriminate against any business owner because of the owner's race, color, national origin, age, religion, sex, or disability, in connection with the award or performance of any operating agreement relating to this Lease. Tenant further agrees to include the preceding statements in any subsequent sub-operating agreements at the Airport that it enters into and to cause those businesses to similarly include the statements in further agreements, as required by FAA Rules, Regulations and Directives.

11.4 Non-compliance with subparagraphs 11.1, 11.2, and 11.3, above, after written finding, shall constitute a material breach thereof and, in the event of such non-compliance, GJRAA shall have the right to terminate this Lease and the estate hereby created without liability therefor or at the election of GJRAA or the United States either or both said Governments shall have the right to judicially enforce said subparagraphs 11.1, 11.2, and 11.3.

11.5 Tenant assures that it shall undertake an affirmative action program if so required by 14 CFR Part 152, Subpart E, to insure that no person shall be excluded from participating in any employment activities covered in 14 CFR Part 152, Subpart E on the grounds of race, creed, color, religion, national origin, age, disability, or sex. Tenant assures that no person shall be excluded on these grounds from participating in or receiving the services or benefits of any program or activity covered by this subpart. Tenant assures that it shall require that its covered sub-organizations, sub-tenants and assignees provide assurances to Tenant that they similarly shall undertake affirmative action programs and that they shall require assurances from their sub-organizations, if so required by 14 CFR Part 152, Subpart E, to the same effect.

Article 12: Eminent Domain

12.1 In the event that all or any portion of the Premises is taken for any public or quasi-public purpose by any lawful condemning authority, including GJRAA, exercising its powers of eminent domain (or in the event that all or any portion of the Premises is conveyed to such a

condemning authority in settlement and acceptance of such condemning authority's offer to purchase all or any portion of the Premises in connection with its threat to take said areas under power of condemnation or eminent domain), the proceeds, if any, from such taking or conveyance shall be allocated between GJRAA and Tenant according to the applicable Colorado law of eminent domain.

If a portion of the Premises is so taken or sold, and as a result thereof, the remaining part cannot be used reasonably to continue the authorized purposes contemplated by this Lease in an economically viable manner, then this Lease shall be deemed terminated at the end of a period of sixty (60) days following said taking or conveyance. In that event and at that time, Tenant shall surrender the Premises, Improvements (and GJRAA's fixtures and personal property thereon, if any) to GJRAA, and Tenant may remove its fixtures and personal property located upon the Premises, in accordance with the provisions of this Lease. No severance damages shall be paid by GJRAA to Tenant as the result of the condemnation nor shall any damages be paid to Tenant as the result of the termination of this Lease.

12.2 GJRAA may grant or take easements or rights-of-way across the Premises if GJRAA determines it is in its best interests and in accordance with applicable Colorado law of eminent domain. If GJRAA grants or takes such an easement or right-of-way across any of the Premises, Tenant shall be entitled to compensation in accordance with applicable Colorado law of eminent domain.

Article 13: Substitution of Premises

13.1 In addition to GJRAA's other rights set forth in this Lease, GJRAA has the right (but not the obligation) to substitute Comparable Areas for all or any portion of the Premises, and any additions, alterations or improvements thereon, should GJRAA, in its sole discretion, determine that taking of the Premises, any portion thereof or any Improvement thereon, is required for other Airport purposes. In the event that GJRAA elects to exercise its right to substitute, all title, right and interest to the portion of Premises taken shall immediately vest in GJRAA. Furthermore, GJRAA may require Tenant to vacate the portion of the Premises taken. For the purposes of this Article 13, the term "Comparable Areas" is defined to mean a parcel of land within the Airport, or any additions or extensions thereof, similar in size to the Premises and brought to the same level of improvement as the Premises. GJRAA shall bear all expenses of bringing the substituted area to the same level of improvement as the Premises, and of moving Tenant's improvements, equipment, furniture, and fixtures to the substituted area. If any of Tenant's improvements, equipment, furniture, or fixtures cannot be relocated, GJRAA shall replace, at GJRAA's expense, such non-relocatable improvements and other property with comparable property in the Premises, and GJRAA shall be deemed the owner of the non-relocated improvements and other property, free and clear of all claims of any interest or title therein by Tenant, or any other third party whomsoever. It is the specific intent of this subparagraph that Tenant be placed, to the extent possible, in the same position it would have been, had GJRAA not substituted new premises for the Premises; provided, however, that GJRAA shall not be obligated to reimburse Tenant for any damages, including lost profits or revenues, due to such substitution.

13.2 Nothing in subparagraph 13.1, above, shall be construed to adversely affect GJRAA's rights to condemn Tenant's leasehold rights and interests in the Premises, and improvements thereon, should GJRAA, in its sole discretion, determine that it requires all or any portion of the Premises, and improvements thereon, for other Airport purposes. GJRAA may, at its sole discretion, exercise its leasehold condemnation rights under Article 12, above, in lieu of GJRAA's substitution rights set forth in subparagraph 13.1, above. Nothing in this Article 13 shall be construed as a promise by GJRAA to substitute Comparable Areas for the Premises. In the event GJRAA proceeds by way of condemnation, subparagraph 13.1 shall not apply, and Tenant shall be entitled to compensation for its leasehold interests in that portion of the Premises, and improvements thereon, so taken, in accordance with applicable Colorado condemnation law.

Article 14: Airport Development Rights; Emergency Use of Premises

14.1 In addition to GJRAA's other rights set forth in this Lease, GJRAA reserves the right to further develop or improve all areas within the Airport, including landing areas, as GJRAA may determine, in its sole discretion, to be in the best interests of the Airport, regardless of the desires or views of Tenant, and without further interference or hindrance from Tenant. GJRAA may from time to time increase or decrease the size or capacity of any airfield areas and Airport rights of way/facilities (other than the Premises), make alterations thereto, reconstruct or relocate them, modify the design and type of construction thereof, or close them, or any portion or portions of them, either temporarily or permanently, without being liable for any damages, including lost profits or revenues, that may be caused Tenant thereby, and without being deemed to have terminated this Lease as a result thereto.

14.2 Tenant hereby permits GJRAA to utilize all, or a portion of, the Premises, as well as the public airfield areas and any other parts of the Airport, should an emergency or other unforeseen circumstance arise at the Airport, and should GJRAA determine, in its sole discretion, that GJRAA needs to utilize all or a portion of the Premises, or other areas of the Airport, for business, media, first aid, or other purposes, during the pendency of said emergency or other unforeseen circumstance. GJRAA shall use best efforts to attempt to locate alternative space on the Airport from which Tenant may conduct his business, while GJRAA is utilizing all or a portion of the Premises during the pendency of the emergency or unforeseen circumstances. If GJRAA is not able to find alternate space on the Airport from which Tenant may conduct his business during said emergency or unforeseen circumstances, then Tenant shall be entitled to an abatement of ground rent, allocable to that portion of the Premises utilized by GJRAA, for the length of time GJRAA utilizes said portion of the Premises. Finally, regardless of whether GJRAA is able to locate alternate premises on the Airport for Tenant to conduct its business, Tenant shall not be entitled to any damages, including lost profits or revenues from GJRAA, as a result of GJRAA's utilization of the Premises or other areas of the Airport during the emergency or unforeseen circumstances involved, and Tenant shall continue to owe GJRAA all landing fees and other fees and charges that accrue during said period.

14.3 GJRAA reserves, for the use and benefit of the public, the right of flight for the passage of aircraft in the air space above the surface of the Premises, together with the right to cause in said air space such noise as may be inherent in the operation of aircraft utilizing the Airport.

14.4 GJRAA reserves the right to protect the aerial approaches of the Airport against obstruction, including the right to prohibit Tenant from erecting, or permitting to be erected, any building or other structure on the Premises which would, in the judgment of the GJRAA, limit the usefulness of the Airport or constitute a hazard to aviation. In the event the aforesaid covenant is breached, GJRAA reserves the right to enter upon the Premises and cause the abatement of such interference at the expense of Tenant.

14.5 GJRAA reserves the right to direct all activities of the Tenant at the Airport in the event of an on-site emergency or in the event that Tenant's activities are substantially interfering with the use by others of the Airport.

Article 15: Cooperation with GJRAA in Collecting Fees

15.1 Tenant acknowledges that commercial ground transportation operators who pick up their patrons at Tenant's Premises must pay access fees, as well as other fees and charges, to GJRAA, pursuant to GJRAA's Fees and Charges, as they may be amended from time to time. Accordingly, in order to assist GJRAA in determining the fees owed to GJRAA by said ground transportation operators, Tenant will, to the best of its ability, provide in writing to GJRAA on or before the fifth (5th) day of each month, the following information for each non-local taxicab, for-hire van, for-hire luxury limousine, for-hire people mover, for-hire bus, local hotel/motel courtesy vehicles, and off-Airport rental car operators (i.e., for each ground transportation vehicle operator other than local taxicab or on-Airport rental car operators) that picked up a ground transportation customer on Tenant's Premises during the preceding month:

15.1.1 the name, business address, and telephone number of each operator involved;
and

15.1.2 the date and time of each customer picked up by each such operator during the preceding month.

15.2 Tenant shall provide to GJRAA or third party governmental agency involved such additional information or clarifications as GJRAA or governmental agency may request, to (a) enable GJRAA to calculate the landing fees, access fees, and other fees owed by aircraft and ground transportation operators to GJRAA pursuant to GJRAA's Fees and Charges, as the same may be amended from time to time; (b) further GJRAA's ability to market, promote and manage the Airport; or (c) to comply with governmental monetary collections and reporting requirements. Any subsequent changes or corrections in the information provided by Tenant shall be reported to GJRAA and/or governmental agency involved within seven (7) days of Tenant's discovery of said changes or corrections.

15.3 Tenant shall not provide any storage or other services authorized hereunder to any aircraft operator, or permit a ground transportation operator to access its Premises to pick-up or drop off a ground transportation patron, if said aircraft or ground transportation operator is more than

ninety (90) days delinquent in any monies owed to GJRAA, and GJRAA has sent written notice to Tenant instructing Tenant to cease providing its services or access to said operator.

15.4 Tenant shall comply with such other statutes, regulations, and directives regarding the collection, payment, and reporting of such taxes, fees, and other charges applicable to or for the benefit of the Airport, in the future.

Article 16: Surrender Upon Termination

16.1 Upon the expiration or sooner termination of this Lease, Tenant shall peaceably surrender to GJRAA possession of the Premises, together with any Improvements, fixtures, or personal property of GJRAA thereon (such as GJRAA's security fencing and gating) in as good a condition as the Premises, and Improvements, fixtures, and personal property were initially provided to Tenant, ordinary wear and tear excepted, without any compensation whatsoever, and free and clear of any claims of interest of Tenant or any other third party whomsoever.

16.2 Subject to GJRAA's lien rights under applicable Colorado law, upon expiration or sooner termination of the Lease, Tenant shall have ninety (90) days from such date of expiration or termination to remove from the Premises all personal property and trade fixtures belonging to Tenant, its customers, or any third parties. Following its removal of any such trade fixtures or other personal property from the Premises or from any Improvement on the Premises, Tenant shall restore the Premises, and other Improvements from which the fixtures or property were taken, to good condition and repair. At the option of GJRAA, Tenant shall then either (a) leave the Improvements in place, or (b) demolish the Improvements and shall restore the Premises upon which such removed improvements were located to a flat and level condition, and if paved, then re-paved to the same depth and specifications as existing at the expiration or sooner termination of this Lease. Title to all such personal property and fixtures not removed by Tenant from the Premises within ninety (90) days of the expiration or sooner termination of this Lease and any building it has constructed thereon shall automatically vest in GJRAA, without payment by GJRAA to Tenant of any compensation whatsoever, and said personal property, fixtures, and Improvements shall thereafter be owned by GJRAA free and clear of any claim of interest by Tenant or of any third party whomsoever. GJRAA also shall receive the standard rental payment from Tenant for the use of the Premises for the personal property, fixtures, and Improvements thereon until such time as Tenant removes said personal property, fixtures, and Improvements from the Premises, or Tenant provides GJRAA with written notice of its decision not to remove said personal property and trade fixtures from the Premises.

Article 17: Default and Remedies

17.1 Tenant shall be in default of this Lease upon the happening of any of the following events or conditions ("Events of Default"):

17.1.1 default by Tenant, or any of its assignees or subtenants, in payment or performance of any obligation, covenant or liability contained or referred to in this Lease, or any GJRAA approved sublease;

17.1.2 the Tenant's death, legal incapacity, dissolution, or termination of existence, insolvency, business failure, appointment of a receiver for or the commencement of any proceedings under any bankruptcy or insolvency laws by or against the Tenant, or the general assignment of Tenant's rights, title and interest hereunder for the benefit of creditors;

17.1.3 the Premises being left vacant or unoccupied or apparently abandoned by Tenant for a period of thirty (30) days; or

17.1.4 the placement or assertion of any mechanics' lien or other lien on the Premises due to any act or omission by Tenant or those claiming under Tenant.

17.2 Upon an Event of Default as defined in paragraph 17.1, GJRAA shall have the right to, and at its option may, exercise any one or more of the following rights and remedies, each of which shall be cumulative and in addition to all other rights and remedies authorized by law or equity:

17.2.1 GJRAA may, with or without terminating this Lease, bring and maintain any action for any amount due and unpaid and/or specific performance. GJRAA's damages shall be the total of all rent and cost and expenses of performance of all other covenants of the Tenant as herein provided due or to become due for the remainder of the lease term together with GJRAA's costs, including reasonable attorneys' fees, incurred in retaking possession of the Premises, and bringing and pursuing the action. However, as a condition of any judgment rendered against Tenant for damages as herein provided, GJRAA shall be obligated to pay Tenant all amounts GJRAA may realize from reletting the Premises for the remainder of the lease term (not in excess of the rental specified herein) after deducting GJRAA's costs incurred in connection with reletting and redecorating, altering, etc., to prepare the Premises for reletting. GJRAA shall have the sole discretion to determine the terms and conditions of reletting the Premises.

17.2.2 GJRAA may reenter and take possession of the Premises, remove all persons and property therefrom, and declare this Lease and the leasehold estate hereby created to be, and thereupon the same shall be and become, terminated and ended.

17.2.3 GJRAA may, at its option, with or without declaring this Lease or the leasehold estate created hereby terminated or ended, occupy the Premises or cause the Premises to be redecorated, altered, divided, consolidated with other adjoining premises, or otherwise changed or prepared for reletting, and may relet the Premises or any part thereof in order to mitigate GJRAA's damages. The terms and conditions of such reletting shall be in the sole discretion of GJRAA. All rent received by GJRAA for the remainder of the lease term shall be applied first to the payment of expenses GJRAA may have incurred in connection with recovery of possession of the Premises and/or preparing it for reletting, and the reletting, including brokerage and reasonable attorneys' fees,

and then to the payment of amounts equal to the rent hereunder and the costs and expense of performance of the other covenants of Tenant as herein provided. Tenant shall, whether or not GJRAA has relet, pay GJRAA all rent and other sums herein agreed to be paid by Tenant, less the net proceeds of the reletting, if any, as ascertained from time to time, and the same shall be payable by Tenant upon demand. If GJRAA elects, pursuant hereto, actually to occupy and use the Premises or any part thereof during any part of the balance of the lease terms as originally fixed or since extended, there shall be allowed against Tenant's obligation for rent or other charges as herein defined, during the period of GJRAA's occupancy, the reasonable value of such occupancy, not to exceed in any event the rent herein reserved, and such occupancy shall not be construed as a release of Tenant's liability hereunder.

17.2.4 GJRAA may, on reasonable notice to Tenant (except that no notice need be given in case of emergency), cure any breach at the expense of Tenant and the cost of such cure, including attorneys' fees incurred by GJRAA in doing so, shall be deemed additional rent payable on demand.

17.3 In the event GJRAA relets the Premises as authorized above, any and all of Tenant's improvements, structures, furniture, furnishings, equipment, and trade fixtures that are in or on or about the Premises may be used by GJRAA or its new tenant until the expiration of the natural term without any liability for rent, compensation, or other charge therefor; however, in such case if, on the expiration of the natural term or on an earlier termination of this Lease, the total net amount so collected or received by GJRAA from and through any such reletting or operation has exceeded the total amount accrued and due and unpaid from the Tenant, then such excess shall be applied to the Tenant.

17.4 Whenever a right of reentry is given to GJRAA by the terms of this Lease, GJRAA may exercise the same by agent or attorney, and with or without legal process, such process and demand for possession of the Premises being expressly waived by Tenant, and GJRAA may use all force necessary to make such entry and/or hold the Premises after such entry and/or to remove Tenant and/or any other person and property from the Premises; and GJRAA shall be entitled, on application to a court of competent jurisdiction, to have a receiver appointed in aid of the enforcement of any remedy herein provided.

17.5 Tenant waives all right of redemption to which Tenant or any person claiming under Tenant may be entitled by any law now or hereafter enforced.

17.6 GJRAA's retaking of possession of the Premises shall not constitute acceptance of surrender, eviction, or forfeiture of the Lease. GJRAA and Tenant hereby expressly agree that if, after Tenant's default, GJRAA retakes possession of the Premises, Tenant shall remain liable for all unaccrued rent, and all other obligations of this Lease for the remainder of the lease term, notwithstanding GJRAA's reentry. Upon default, GJRAA may exercise any and all of the remedies specified in paragraph 17.2, above, in any order.

17.7 Any defaults by either of the parties in the performance of any of the terms and conditions contained herein, other than the payment of Rent, shall be excused where due to force majeure, which, among other things, shall include natural catastrophes such as hurricanes, tornadoes, or floods, acts of God, acts of war, and governmental statutes, regulations, directives, or contracts governing the operation of the Airport, with which GJRAA or Tenant must comply. This paragraph 17.7 shall not apply to a failure to timely pay any monetary amounts due.

Article 18: Miscellaneous Provisions

18.1 Notices. All notices and communications hereunder shall be given by depositing the same in the United States mail, postage prepaid, registered or certified mail, or via a nationally recognized overnight courier service having proof of delivery, and addressed to the relevant addresses as set forth in paragraph 1, above, or to such other address as either party may specify by notice in writing given to the other party. Notices shall be deemed given on the date of mailing and the date of mailing shall be the date shown on the post office registry or express service receipt. Notice given in a manner other than as specified herein shall be ineffective.

18.2 Subordination. Tenant's interest in the Premises shall be subordinated to those of any existing or future lender holding a mortgage or deed of trust on the Premises, and Tenant will, at GJRAA's request, sign such subordination agreements or statements as such lenders may from time to time require.

18.3 No Waiver. The failure of either party to insist upon the strict and prompt performance of any of the terms, covenants, agreements, and conditions herein contained, upon the other party imposed, shall not constitute or be construed as a waiver or relinquishment of such party's right or rights thereafter to enforce any term, covenant, agreement, or condition, but the same shall continue in full force and effect. The waiver of any breach of any term, covenant, agreement, or condition herein contained by either party shall not be construed to be a waiver of any subsequent breach of the same or any other term, covenant, agreement, or condition. Should Tenant breach any of its obligations hereunder, GJRAA nevertheless may thereafter accept from Tenant any payment or payments due hereunder, and continue this Lease in effect, without in any way waiving GJRAA's right to exercise and enforce all available default rights hereunder, or any other remedies provided by law, for said breach.

18.4 Lease Contingent. If improvements on the Premises have not been constructed as of the date of this Lease, this Lease is contingent upon FAA approval of any construction or development plans by Tenant, and upon the approval of any applicable planning agency. The responsibility for obtaining any authorization from or approval of any federal, state, or local governmental agency shall be the sole responsibility and expense of Tenant. Tenant shall have 60 days from the date set forth in paragraph 1.1, above, to satisfy the foregoing contingencies. If, at the end of such 60 day period Tenant has not provided to GJRAA clear evidence that such contingencies have been satisfied, or that substantial progress has been made toward satisfaction of same, then GJRAA may terminate this Lease.

18.5 Entire Agreement; Modifications; Termination of Prior Leases. This Lease constitutes the entire agreement between the parties with respect to the subject matter contained herein. Modifications or amendments to this Lease shall be effective only if made in writing and executed by the parties with the same formality as and by making reference to this Lease. This Lease shall replace and supersede all prior leases, amendments and addenda thereto and any other agreements between the parties with respect to the Premises, all of which shall be deemed terminated upon mutual execution of this Lease.

18.6 Time of Essence. Time shall be of the essence of this Lease, and the terms hereof shall be binding upon the heirs, personal representatives, and permitted assigns of each of the parties hereto.

18.7 Headings. The article or other headings employed in this Lease are for convenience of reference only. Such headings shall not be interpreted as enlarging or limiting the meaning of any portion of this Lease.

18.8 Tenant Representations. Tenant represents that Tenant is the owner of, or fully authorized to use any and all services, processes, machines, articles, marks, names, or slogans used by Tenant in Tenant's operations under this Lease. Tenant shall save and hold GJRAA, its Board members, officers, employees, agents, and representatives, free and harmless against any loss, liability, expense, suit, or claim for damages in connection with any actual or alleged infringement of any patent, trademark, or copyright, or from any claim of unfair competition or other similar claim, arising out of Tenant's operations under, or in connection with, this Lease. Tenant, and those individuals executing this Lease on behalf of Tenant, represent and warrant that they are familiar with C.R.S. §18-8-301, *et seq.* (Bribery and Corrupt Influences) and C.R.S. §18-8-401, *et seq.* (Abuse of Public Office) and that they are unaware of no violations of the provisions thereof with respect to this Lease or operations to be conducted hereunder. With respect to Tenant, the undersigned warrants and represents he/she is authorized to execute this Lease on Tenant's behalf, and Tenant shall be bound as a signatory to this Lease by his/her execution of this Lease.

18.9 Fees and Memorandum. Tenant shall pay all legal and surveying fees and costs associated with the rental of the Premises under this Lease or any addendum hereto. Furthermore Tenant shall assist in any way GJRAA deems advisable in preparing, executing or recording a Memorandum of Lease relating to this Lease.

18.10 Invalidity. If any term or condition of this Lease or the application thereof to any person or event shall to any extent be invalid and unenforceable, the remainder of this Lease and the application of such term, covenant, or condition to persons or events other than those to which it is held invalid or unenforceable shall not be affected and each term, covenant, and condition of this Lease shall be valid and be enforced to the fullest extent permitted by law.

18.11 GJRAA Representations. GJRAA covenants and represents that it is the owner of the Premises, and has the right to enter into this Lease and grant the rights contained herein to Tenant.

18.12 Relationship of Parties. Nothing contained herein shall be deemed or construed by the parties hereto, or by any third party, as creating the relationship of principal and agent, partners, joint venturers, or any other similar such relationship between the parties. It is understood and agreed that neither the method of computation of fees, nor any other provision contained herein, nor any acts of the parties hereto creates a relationship other than the relationship of landlord and Tenant.

18.13 Attorney Fees. If litigation is required to interpret or enforce this Agreement, the prevailing party shall be awarded its reasonable attorney's fees, costs and other expenses, incurred in addition to any other relief it receives.

18.14 Incorporation of Exhibits. The Exhibits to this Lease referenced herein are integral parts of this Agreement and Tenant is bound by the terms set forth therein. If through oversight or otherwise, those Exhibits are not attached hereto, it is Tenant's responsibility to obtain copies of those Exhibits from GJRAA.

18.15 Law and Venue. This Lease shall be interpreted in accordance with the laws of the State of Colorado and applicable federal law. Should either party believe it necessary to file suit to interpret or enforce any provisions of this Agreement, the exclusive venue and jurisdiction for said lawsuit shall be in the Mesa County, Colorado, District Court, or if federal court jurisdiction would be appropriate, then in either the Mesa County, Colorado, District Court or the United States District Court for the District of Colorado.

18.16 All Terms Material. Covenants and agreements herein which would ordinarily be considered to be material shall be so considered herein. In addition, the parties recognize the special and unique nature of Airport operations; that the GJRAA operates the Airport under agreements with other government entities, pursuant to numerous laws, regulations and ordinances, and in furtherance of the public need, health and safety; each term, covenant and/or agreement, the breach of which by Tenant might materially adversely effect any such aspect of the GJRAA's operation of the Airport, shall also be deemed material, and any default in any such term, covenant and/or agreement shall be deemed to be a default in the Lease.

18.17 Right of Appeal. Whenever the Airport Manager is authorized by this Lease to make discretionary decisions affecting Tenant, or the Airport Manager is authorized by the GJRAA to make discretionary decisions hereunder, the Tenant shall be entitled to appeal such decision to the Board of GJRAA. Any such appeal shall be in writing, shall be filed with the GJRAA within thirty (30) days of the complained of decision, shall clearly state each basis for appeal, and shall include copies of any documents upon which the appeal is based. The pendency of an appeal shall not relieve the Tenant from compliance with the decision of the Airport Manager appeal. The taking of such an appeal shall be a condition precedent to the filing of any action by Tenant to enforce or interpret this Lease.

18.18 Limitation of Benefit. This Lease does not create in or bestow upon any other person or entity not a party to this Lease any right, privilege or benefit unless expressly provided in this Lease. This Lease does not in any way represent, nor should it be deemed to imply, any standard of

conduct to which the parties expect to conform their operations in relation to any person or entity not a party.

18.19 Non-Exclusive Right. Nothing herein contained shall be construed to grant or authorize the granting of an exclusive right prohibited by Section 308 of the Federal Aviation Act of 1958, as amended. The GJRAA reserves the right to grant to others the privilege and right of conducting any aeronautical or non-aeronautical activity on the Airport. The GJRAA reserves the right, during the term hereof, to reduce and reallocate space leased for the exclusive use of Tenant in any case where the failure to do so might reasonably constitute the granting by GJRAA to Tenant of such an exclusive right.

Done and entered into on the date first above written.

**GRAND JUNCTION REGIONAL AIRPORT
AUTHORITY**

Dated: _____

By: _____

Its: _____

TENANT:

Dated: _____

By: _____

Its: _____

EXHIBIT A

Description of the Premises

EXHIBIT B

Survey Including Common and Particular Description of the Premises



**Airport
Business
Solutions**

Airport Business Solutions

"Valuation and Consulting Services to the Aviation Industry"

10014 N. Dale Mabry Highway, Suite 101, Tampa, Florida 33618-4426

Phone (813) 269-2525

Fax (813) 269-8022

February 9, 2007

Mr. Mark K. Anderson
Heber City Manager
75 North Main Street
Heber City, Utah 84032

RE: Airport Lease Analysis
Heber City Municipal Airport - Russ McDonald Field
Heber City, Utah

Dear Mr. Anderson:

Per the request by Heber City, we are pleased to present this document, which represents an Airport Lease Analysis for the Heber City Municipal Airport - Russ McDonald Field in Heber City, Utah. The following report provides our assessment and analysis of various and potential lease issues and policies for ground leases at the Airport, as well as our recommendations for consideration.

In the development of this document, *Airport Business Solutions* researched many sectors of the local, regional and national airport market, expanding as necessary to gain sufficient and comprehensive data to yield adequate and supportable conclusions. Moreover, we reviewed the hangar row agreements, hangar leases, and the FBO lease and hangar agreements. We met with the tenants and the FBO owner/manager and interviewed City Officials and Airport Staff. In addition, *ABS* has provided Heber City with a sample RFP document and a sample lease agreement.

We appreciate the opportunity to provide our professional services to Heber City. If you should have any further questions, please advise.

Sincerely,

Randy D. Bisgard
Senior Vice President

Solutions as Unique as the Problems . . .

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SECTION I

INTRODUCTION



The Heber City Municipal Airport - Russ McDonald Field (FAA Identifier 36U) is a small to mid size general aviation service facility located in the Heber Valley area of Utah. The Airport serves a number of rural and mountain communities between Park City to the north and the community of Charleston to the South. The facility currently does not offer any commercial passenger services; however, there is abundant commercial service at Salt Lake City International Airport (SLC), which lies 31 miles northwest of Heber. Competitive general aviation services are found at Provo Municipal Airport (PVU), which is 21 miles to the southwest. The Heber City Airport serves based and itinerant general aviation traffic, including corporate and business related travel, and has one full service Fixed Base Operator (FBO), OK3 Air, that provides a wide range of services, including the sale of both 100LL/Avgas and Jet-A fuel. Other services include minor airframe and power plant repairs, aircraft sales, flight training, aircraft rental, and limited aircraft charter.

The Airport has experienced minimal growth in recent years, and current aircraft activity is approximately 38,000 operations (take-offs and landings) annually. The aircraft activity at the Airport is a mix of local based aircraft operations, which makes up over 57 % of the activity, transient aviation including single engine aircraft, cabin class twins, and some jet aircraft, which comprises approximately 40% of the activity, with the remainder being limited air taxi and military activity. There are occasional spikes in activity for local special events such as air shows and the Sundance Film Festival, which is an annual event that brings in additional corporate jet activity. The Federal Aviation Administration (FAA) estimates that the average based aircraft population on the field is approximately 100 aircraft, of which approximately 75 are single engine aircraft, 4 are multi engine, 3 are jet aircraft, 3 helicopters and the remainder are gliders and ultralights.

Although the Heber facility is in close proximity to the ski resort area of Park City, much of the corporate aircraft activity associated with the ski resort utilizes the extensive FBO facilities and airport infrastructure found at Salt Lake City International Airport (SLC). The SLC advantage includes longer runways, better quality FBO facilities, additional heated hangar facilities, better all-weather instrument landing approaches, and easy automobile access via Interstate-80. However, it should be noted that the area surrounding Heber City is continually being encroached by resort properties and business development related to the ski areas to the north and west. As such, property values and activity levels are increasing at a significantly higher rate than the national average. Although not immediate, this development will progressively attract additional transient and based aircraft activity to the Airport within the next five to ten

year period. This situation will, over time, create significantly higher demand for runway facilities, taxiway access, aircraft parking areas, hangar capacity and other related general aviation services particularly for jet and turboprop class aircraft. It is within this growth context that this review has been developed.



The purpose of this report is to conduct a leasing policy analysis to review the current lease strategies in place, and to receive input from the City and its aviation tenants regarding improving the financial position of the Airport, while protecting the rights and activities of the users and tenants of the field. *Airport Business Solutions (ABS)* has provided recommendations to Heber City in accordance with all applicable local, State and Federal laws, regulations, and ordinances, and has provided this recommendation based upon our research and analysis for the most reasonable and non-discriminatory resolution to these issues.

BACKGROUND

The Airport has a number of hangar lease scenarios which have evolved over the past several years, including a mixture of leases that include some with reversionary clauses and some without. In some instances hangars are owned outright by aircraft operators, and there are some that are direct leases from the Authority or FBO. At a public meeting in November 2006, *Airport Business Solutions* and the Heber City City Manager received comments/questions regarding the Airport pursuant to lease issues and future development. Specifically, the following tasks have been requested by the City:

1. Conduct meetings with the various hangar tenants to understand concerns and receive input.
2. Meet with FBO management and evaluate the existing FBO Lease/Hangar Agreement.
3. Evaluate Hangar Row Agreements and make recommendations for amendment.
4. Evaluate other Hangar Agreements and make recommendations for modifications where appropriate.
5. Make recommendations regarding considerations for an RFP for future hangar development.

WHAT IS REVERSION?

For the purpose of this document, it is important to define what reversion means for hangar leases. Reversion generally means that at the termination of a lease, or potentially at a specified point during the term of a lease agreement, that ownership of the improvements reverts to the Lessor. In this case, the Lessor refers to Heber City, who is the owner/sponsor of the Heber City Municipal Airport - Russ McDonald Field. Essentially, it is the point at which the Airport can begin leasing land and improvements of a leasehold at their prevailing market rent, as opposed to just receiving ground rent. However, reversion can also take other forms. In some instances, reversion can mean that at the termination of a lease, the Lessor can require that the tenant who built the improvements remove them and bring the site back to its original unimproved state.

This presence of a reversionary clause is typical within the aviation industry for a number of reasons. These include the provision for future revenue streams, maintaining a certain level of control over the development and maintenance of facilities on the airport, and the ultimate control/management over airport development as it may impact future airport expansion. However, it should be noted that there are numerous other alternatives in place at airports throughout the United States, to include provisions for the airport to purchase the improvements at lease termination. Seldom is there a provision for automatic or perpetual renewals of the lease at the prevailing ground rent only.

LEASE ISSUES & CONSIDERATIONS

In approaching this complicated topic, *ABS* had to consider multiple considerations and options. The following include some primary considerations.

- ◆ Whatever the City finally adopts as their Airport's lease policy, it must be consistently applied to all existing and prospective tenants, and should be adopted by a Leasing Policy Ordinance to codify its approach.
- ◆ The City must understand and address the condition of the buildings that it could take over in the next few years, and should complete a detailed building inspection for planning purposes. (i.e., What is the City willing to absorb in annual maintenance for reverted or owned structures?)
- ◆ The potential growth and expansion possibilities on the Airport indicate that the private sector may be willing and able to invest in Airport hangar development.

- ◆ The City must consider and understand the possible impact that changes to both reversionary and non-reversionary leases.
- ◆ What are the legal ramifications regarding the City's financial responsibilities to the community regarding the self sufficiency of the Airport?
- ◆ The City has a fiduciary responsibility prohibiting the giving of money, property, or credit to any private entity. Based upon this concept, should the City only issue new leases on existing Airport leaseholds only if the tenant is willing to make reasonable reinvestment in their property?
- ◆ Does the City believe that there is interest from prospective tenants in the leaseholds upon reversion?
- ◆ How does the City ensure that there is no discrimination between tenants with and without reversionary provisions?
- ◆ Any adopted policy going forward must be in compliance with the Airport's Sponsor Assurances, also known as Grant Assurances, as stated in FAA Order 5190.6. This must be done in order to maintain an eligible status for future Federal grants, which are critical to the Airport's operations and maintenance.
- ◆ Do the current structures and their locations meet current and future Airport development needs?
- ◆ Without reversions how will the City manage property acquisitions needed for Airport development?
- ◆ The City has an obligation to make the Airport as self-sustaining as possible. Does the current land use represent the highest and best, and most financially beneficial use for the leasehold property?

It should be noted that *ABS* was provided copies/samples of individual hangar agreements. *ABS* is aware that lease language varies in the older leases, and to a great extent, this is what has lead to the current policy situation. In a recent lease agreement reviewed by *ABS*, the term reflects a twenty-year term, as long as the tenant is not in default.

AIRPORT DEVELOPMENT

In information gathered from the public meetings, many tenants expressed concerns regarding the potential for runway/taxiway development that may displace hangars or leaseholds. (It is important to note that the Airport shares those concerns and want to plan for future development that meets the needs of future business while taking care of its existing core tenants and revenue streams.) As the Airport Sponsor, it is the responsibility, and right of the City, at its discretion and as designated by the City Manager, may from time to time need to change the infrastructure, runway access, taxiway clearance and navigational aids to meet the

needs of all users. In addition, the Airport or City is also responsible to meet the changing requirements of the FAA with regards to clear zones, runway protection areas and other safety concerns as needed. These two demands, from users and FAA must be kept in balance not only for legal reasons, but also for economic reasons as well as to continue to be eligible for Federal or State monetary grants.

PROJECT ACTIVITIES AND PROCESS

As part of the scope of this project, *ABS* met and talked with the City Manager, FBO management, Airport personnel, and Airport tenants during the research and discovery phase of this effort. Comments and written materials (sample leases) were collected from Airport tenants and carefully reviewed and considered. In addition, *ABS* staff reviewed several comparable airports for details on their respective approach to lease conditions. Comments received during the tenant meeting are included within this report in Section II.

SECTION II

TENANT MEETINGS AND CONTACTS

Both the City and *Airport Business Solutions* believed that communications with the Airport tenants is a very important part of this process. In order to arrange for unrestricted access to the project process, *ABS* provided multiple avenues for the tenants to access our staff in order to provide comments and input into the research process. This included:

- On-site open tenant meetings
- Private meeting with FBO management
- Full access to e-mail
- Toll free telephones

The tenant meetings were held over a four-hour period during evening hours on November 15, 2006. A number of different tenants attended the meetings, including all 14 of the hangar row occupants and the 7 member Airport Advisory Board. Several of the other box hangar tenants were also present, and all attending provided comments and presented concerns. The meetings were divided into separate sessions, including one for the hangar row tenants, and a second session for the box hangar tenants.

Both the City and *Airport Business Solutions* believe that communication is an important part of this process. In order to arrange for unrestricted access to the project process, *ABS* provided multiple avenues for the tenants to access our staff in order to provide comments and input into the research process. This included:

TENANT QUESTIONS & CONCERNS

After brief opening remarks by Mark Anderson and a presentation by Michael Hodges regarding our project tasks and fact finding mission, the floor was opened up for questions and comments. The following notes were taken regarding the tenant comments:

Hangar Row Tenant Meeting (Reversionary Leases)

1. The first comment was regarding the uncertainty of what happens to lease issues with a new administration. Tenants want a better definition of what takes place at termination of leases.
2. How is the value of a hangar determined upon decision to move hangar row?
3. What is the value of the hangar improvements vs: the base hangar?
4. Will the City value each hangar individually?
5. It is common to have two different kinds of leases on an airport?
6. Wouldn't it be better to have only one kind of lease on the Airport?



7. Relocation of hangars "may be the wrong term". Under the Federal Relocation Act, will there be a buy-out of hangars with a first right of refusal on new hangars at new location?
8. We have been through this before and nothing happens. Why are we looking at taking down hangar row?
9. When does the first hangar lease come to an end?
10. Are we (ABS) looking at the Master Plan?
11. Any change in leases today would only mean more money to the City?
12. Non-reversionary leases are not that common. Are there any that have converted?
13. Would you (ABS) advise the City to stay with current plan or change reversionary status?
14. Why aren't leases that change hands changing dollar amounts and terms?
15. Airport expectation is that facilities will expand. Is this review is preparing City for this scenario?
16. Would a new scenario be forced on all tenants or negotiated individually?
17. Can the City raise the \$50 fee "contract"?
18. What about a single developer for new hangars - "rent controls"?
19. Hangars are decreasing in value. How do we change this scenario? Formula for buy-out of hangars?

Box Hangar Tenant Meeting (Non-Reversionary Leases)

1. In essence, their leases are reversionary. 5 - years there is opportunity to take hangar buildings off-site. "Quasi-Reversionary" - Leases need better termination terminology here.
2. Address a way to renew leases.
3. Challenge structure, buy-in of every hangar owner - quality of upkeep an issue.
4. Declining value asset if no opportunity for renewal - assuming hangar is in good condition.

5. Need more clarity for renewal language for "lenders".
6. Need a mechanism to exchange money/investment for longer term.
7. Length of term beyond 20 years.
8. What protection does the City need and what protection does the tenant need?
9. City needs fair compensation with options in case of re-developments
10. Tenants need quiet enjoyment.
11. Need leases commensurate with investment - longer term for more dollars invested.
12. Leases need a maintenance standards clause.
13. What about new improvements needed at the airport? Taxi-lanes for new hangars, access gates, RFP for new developer?

Comments and responses to these questions and/or statements will be provided in Section IV, Conclusions and Recommendations

SECTION III

LEASE/REVERSION RESEARCH

The following pages will present the results of multiple interviews and comments from the FAA and other airport management and/or sponsors. It is important to remember, and this will become obvious as you review the following lease language, that airports are different and develop differently. As such, the same terms and conditions are not necessarily practical for every airport.

FAA Airport District Office, Oregon/Idaho Section (SEA-640)

This office advised *ABS* that the FAA does not track airports with reversion clauses. They recommend reversion clauses to make it clear to the tenant what occurs at the end of a lease. It is their opinion that if the lease is silent on the issue, improvements automatically revert to the airport at lease termination, since tenants cannot own public land. Problems tend to occur because tenants often fail to consider what occurs at the end of the lease term.

REVERSION RESEARCH

FAA Safety and Standards Branch, Southwest Region (ASW-620)

ABS believed that the FAA Southwest Region could provide insight because they are currently involved with a reversion situation at the White Sands Regional Airport in Alamogordo, New Mexico. This office echoed the SEA-640 FAA office by stating that the FAA does not have a set policy on reversion clauses. They also indicated that it is a good business practice to include a reversion clause, and that problems occur when the clause is included in a lease, but not enforced.

At Alamogordo, the FAA had to pressure the City to charge market rates for the "improved land". During a review of leases at the Airport, it was revealed that the City had renounced or removed its claim to building improvements on 19 of 27 ground leases on leased Airport land. This was a conflict with the "reversion terms" of the leases. In 2002, the Airport inserted new language to the leases that stated that the City shall not assert any claim to improvements, pre-existing or not. This was done at the request of the leaseholders at the Airport. Now, the Airport is in jeopardy of losing its Federal and State funding, since it is not in compliance with the Grant Assurances.

In a letter to the City from the New Mexico Department of Transportation, it was pointed out that the normal State-wide procedure is to rent bare land at a subsidized rate, with any improvements reverting to the airport after the lease term has expired. These facilities are then owned by the airport, who then rents the land and improvements at a rate of 10 to 20 times greater than the bare ground rental rate. This allows the airport to become a self-sustaining entity, thereby lessening the burden on the local taxpayer. The State also advised that some of the leases they reviewed were giving away the sponsor's property interest, which was a violation of the New Mexico law under the "anti-donation" clause.

Here are some of the situations/cases that have occurred at the Airport, according to an article from the Alamogordo News.

In 1994, Hangar O was sold to Ed Pavelka for \$10.00, according to City records. In November of that year, the Airport Advisory Board took up the matter as a potential violation of the advance notice requirement in the lease. Three years later, Hanger O was sold again, this time to Tina Cesa, for \$36,000. In 1998, the City amended the lease with Cesa to state that Alamogordo has the right to purchase the property at its undepreciated value when the lease expires.

In the case of Hangar G, it was first leased by Black Hills Aviation in 1975. In 1991, the lease rate was increased from \$0.04 to \$0.08 per square foot when the lease was up for renewal. The City received no notice of Black Hills' intentions until Jan. 27, 1992, 13 months after the lease expired. The City then renewed the lease after waiving "any irregularities in the extension of the term of the airport lease agreement," and set the lease rate at \$0.04 per square foot. Two years later, Black Hills sold the assets to Neptune Aviation, with the reversion clause still in effect. In 2002, the City agreed to eliminate the reversion clause in Neptune's lease. It was noted in an September 19 internal memo that Neptune had been in default of its lease at least twice.

One lessee was improperly using City property to secure a loan. The FAA advised the City that a tenant's hangar construction loan involved a mortgage on the building and the land it sits on. The City owns the land, not the tenant.

On the other side of the issue, the Mayor of Alamogordo wrote a letter to the FAA in July 2005 arguing that the reversion clauses could lead to increased City spending. He stated that assuming that the City takes possession of the improvements may not take into consideration the economic burden that the City would be assuming. In addition to the Mayor, several tenants do not like the reversion clause, since many have sold their interest to third parties for substantial financial gains.

Port of Portland

Diane Trudo, Contract Administrator III
Aviation Business and Properties

Ms. Trudo advised that the Port of Portland has standard reversion language for both the Hillsboro and Troutdale Airports. The sample ground lease for Hillsboro included a very typical reversion clause, as follows.

Title to Improvements upon Termination

All Improvements (whether constructed by Lessee or the Port) located on the Premises at the expiration of the Initial Term or earlier termination of this Lease, shall become the property of the Port. Notwithstanding the foregoing, the Port reserves the right to require Lessee to remove any

Improvements that have not been adequately and reasonably maintained by Lessee, from the Premises upon termination of this Lease. Such Improvements shall be removed within the time frame set forth in Section 10.5. The Port will give Lessee notice of such unmaintained Improvements it will require Lessee to remove at least ninety (90) days in advance of the Expiration Date. The Port reserves the right to require removal of Improvements on shorter notice if Lessee has allowed their condition to deteriorate during the last ninety (90) days of this Lease.

Eugene Airport

Carrie Martin, City of Eugene Public Works - Airport Division

Eugene Airport has a policy that addresses reversion, which is entitled "Policy for Non-Commercial Hangar Site Leases." This policy is very similar to its Commercial Policy. Within the policy, it states the following:

Termination - Removal of Improvements prior to expiration of an existing lease, Lessee may submit a written request to negotiate a new lease. Removal of improvements will not be required if a new lease is negotiated. If a new lease fails to be negotiated, or if the required notice is not received from the Lessee, then the Airport Manager will require the removal of the hangar and improvements and restoration of the premises at the Lessee's expense in accordance with the provisions of the lease, unless other arrangements satisfactory to the Airport Manager are made for the disposition of the hangar and improvements, whether sale, removal, or otherwise. For leases that contain automatic transfer of ownership clauses, the Airport will work with the Lessee during a reasonable period of time, not to exceed six (6) months, to retain title in the Lessee's name until a new lease is negotiated or arrangements satisfactory to the Airport Manager are made for the disposition of the hangar and improvements, whether sale, removal, or otherwise. If, after the six (6) month period of time, Lessee fails to negotiate a new lease or dispose of the hangar and improvements, then the hangar and improvements will be deemed abandoned by the Lessee.

The Airport will not require automatic reversion of hangar facilities upon expiration of the term of the lease. However, the airport retains the right to withhold a new lease if the Airport Manager determines that the property needs to be used for other purposes, such as airport development, or if the hangar owner fails to maintain and renovate the hangar to comply with the minimum standards for non-commercial hangars in effect at the time.

City of Redmond, Oregon
Linda Pepin

The City of Redmond has a standard reversion clause for their hangar leases. Ms. Pepin sent the following standard language.

Ownership of Improvements.

Title to all improvements, including the Hangar, to be constructed on the Premises by Lessee shall be owned by Lessee until expiration of thirty (30) years from the commencement date of this Lease or earlier termination of this Lease. All improvements, including the Hangar, on the Premises at the expiration of the term or earlier termination of this Lease shall, without compensation to Lessee, then automatically and without any act of Lessee or any third party become City's property. Lessee shall surrender the improvements to City at the expiration of the term or earlier termination of this Lease, free and clear of all liens and encumbrances, other than those, if any, permitted under this Lease or otherwise created or consented to by City. Lessee agrees to execute, acknowledge, and deliver to City any instrument requested by City as necessary in City's opinion to perfect City's right, title, and interest to the improvements and the Premises

Redmond Airport
Mr. Carter

He advised ABS that if the property reverts, then they usually lease it back to tenant. Moreover, new airport agreements contain language that gives the tenant the first right of refusal.

Termination

Upon termination of the agreement, Tenant shall surrender the leased premises in good condition. Buildings constructed by the Tenant with permission from the Lessor shall not be removed. Depreciation and wear from ordinary use of the purpose for which the Tenant is responsible shall be completed prior to surrender of the lease premises.

Upon termination of the agreement, the building and all improvements which are a part of the lease shall become the exclusive property of the Lessor.

Upon termination of the agreement, Tenant shall have the right of first opportunity to lease the property and improvements from the Lessor for five (5) years and renewable every five years, thereafter with annual rent equal to ten percent of fair market value of land and improvements. Same conditions for adjustments as set out in Section 3.

Oregon Department of Aviation - Aurora State Airport
Jennifer Anderson

The following lease language was provided by Ms. Anderson.

Surrender at Expiration - Upon expiration of the term of this Lease or earlier termination on account of default, Lessee shall surrender the Premises in good condition.

Lessee's Improvements - Before expiration or other termination of the Lease term, LESSEE shall remove all furnishings, furniture, and trade fixtures that remain its property. If LESSEE fails to do so, this failure shall be an abandonment of the property, and AVIATION may retain the property and all rights of LESSEE with respect to it shall cease or, by notice in writing given to LESSEE with 30 days after removal was required, AVIATION may elect to hold LESSEE to its obligation of removal. If AVIATION elects to require LESSEE to remove, AVIATION may effect a removal and place the property in public storage for LESSEE'S account. LESSEE shall be liable to AVIATION for the cost of removal, transportation to storage, and storage, with interest at the legal rate on all such expenses from the date of expenditure by AVIATION. LESSEE hereby appoints AVIATION its agent for the limited purpose of obtaining adequate storage for the personal property of LESSEE in the event that LESSEE fails to remove its personal property as described above. LESSEE authorizes AVIATION to incur reasonable and necessary costs to store LESSEE'S personal property in LESSEE'S name and at LESSEE'S expense, and LESSEE shall fully reimburse AVIATION for all costs so incurred.

Klamath Falls Airport
Linda Tepper, Business Manager

Ms. Tepper advised that they have two types of leases with regard to reversion. One is a reversion lease, and the other has a buyout clause. A tenant chooses which one they want, and both reflect essentially 45-year terms. However, the rent charged on the "buyout leases" reflects a premium rent fee.

Buyout Lease

Surrender of Possession

Buyout Provision - In consideration of the premium rent fee referenced in Section 7. Rent, Subsection B., the Airport agrees to purchase the improvements at an appraised value. The appraiser shall be mutually accepted to the parties and shall be an MAI (or equivalent) appraiser with special knowledge in aviation and airport properties. The cost of the appraiser to be split equally between the parties. At the 45th year of this lease, Airport will be obligated to buy the improvements at the appraised value unless the parties agree to some other agreement prior to that date.

Tenant Termination - If Tenant should elect to terminate this lease at any time, the above Buyout Provision will not apply. (Sale of improvements and transfer of this lease, is not considered a termination by Tenant.) Upon early termination at Tenant's sole discretion, Tenant shall have the

option of removing all improvements and restoring the property to its original condition, or giving title to said improvements to Airport.

If Tenant elects to remove improvements, this must be done within ninety (90) days after termination of this lease. If Tenant fails to remove improvements, Airport may take possession of the premise.

Reversion Lease

Surrender of Possession - Title to all Improvements constructed by Tenant upon the Premises, and all alterations or additions thereto required by Airport to remain, shall remain in Tenant until the expiration, cancellation, or other earliest termination of this Lease. Upon said expiration, cancellation, or earlier termination of this Lease, Tenant shall have the option of removing all improvements to Airport, title to said Improvements shall vest in the Airport, and said structures, buildings, and improvements shall remain upon and be surrendered with the Premises as part thereof.

Title to personal property belonging to Tenant shall at all times during the term of this Lease, or any extension thereof, remain in Tenant, and Tenant shall have the right at any time to remove any or all personal property of every kind and nature whatsoever which Tenant may have placed, affixed, or installed upon the Premises, provided that upon Tenant's removal of such personal property, Tenant restores the Premises to its original condition. Tenant shall have the right to remove same provided that upon any such removal, Tenant shall repair, at its own expense, any damages resulting therefrom and leaves the Premises in a clean and neat condition, with all other improvements in place.

If Tenant elects to remove improvements, this must be done within ninety (90) days after termination of this lease. If Tenant fails to remove improvements, Airport may take possession of the premise.

Ashland Municipal Airport

Dawn Lamb

The following lease language is for a commercial service provider lease.

Ownership of Improvements. Title to all improvements made by Lessee of a permanent nature shall be the property of Lessee.

Lessee, however, shall be required to enter into a ground lease with the City prior to any improvement being made that increases the footprint of existing structures or that utilizes additional land at the airport. Ground lease fee shall be at fair market rental value.

Prior to construction of any improvements, the parties agree to negotiate in good faith as to ownership of the improvements to be constructed. Unless previously agreed in writing between the parties, the improvements shall become property of City, free and clear of all claims of Lessee, any one claiming under Lessee or caused, permitted or suffered to attach through Lessee upon completion of construction and issuance of a certificate of occupancy. Lessee, or any one claiming under Lessee,

shall indemnify and defend City against all liability and loss arising from such claims. Upkeep. The premises shall be kept in good repair, free of waste material and debris. Landscaping shall be maintained and properly watered in a reasonable fashion.

Right of first refusal.

For other than month-to-month rentals, City shall have the following described right of first refusal with respect to the interest of Lessee under this lease:

Lessee shall not sell, sublease, assign or transfer to anyone other than City, unless Lessee shall have first communicated to City, by written notice, a written offer to sell, sublease, assign or transfer this lease or any interest, which offer shall specify, in commercially reasonable detail, the rates, terms and conditions upon which Lessee is willing to sell, sublease, assign or transfer this lease or any interest. City shall have a period of 30 days, following the notice, within which to accept the offer by giving Lessee written notice of acceptance. If the offer is accepted, the parties shall be obligated to close the sale, sublease, assignment or transfer in accordance with the terms of Lessee's offer. Closing shall occur within 60 days following acceptance or within such longer closing period as may be specified in the offer.

If City does not accept the offer, Lessee may sell, sublease, assign or transfer the lease or any interest to any other party, provided that such a sale must be consummated within 60 days following the earlier of the expiration of the 30 day acceptance period specified in paragraph 18.1.2 for the offer or the date of any written rejection of the offer by City, and for and upon the same price, terms and conditions as those specified in the offer. City's rights under this paragraph shall apply to any subsequent or contemporaneous offer made to Lessee or Lessee's successor or successors in interest. For the purposes of this subparagraph, a devise under a will by the Lessee shall not be considered a sale, sublease, assignment or transfer.

Option to Purchase Lessee's Interest.

For Type B leases, in addition to the right of first refusal described above, City shall have the exclusive right and option to purchase all of Lessee's right under this lease upon the following terms and conditions:

If City exercises this option, the purchase price during the initial year of this lease for Lessee's rights under this lease will be the actual reasonable construction cost of the hangar plus 10%. The purchase price during each subsequent year shall be the purchase price determined in the immediately preceding sentence less 1/25th of such purchase price for each full year the lease has been in effect. This option shall be exercised by written notice given by City to Lessee at any time, which notice shall specify that City has elected to exercise this option. Closing shall occur as soon as possible following exercise of this option by City and, in any event, not later than the 35th day following the date of exercise of this option.

At closing, Lessee shall deliver to City a duly executed and acknowledged statutory quitclaim deed quit claiming all of Lessee's rights and interest in the premises free and clear of all liens and encumbrances of Lessee, anyone claiming under Lessee or caused, permitted or suffered to attach through Lessee.

At closing, City shall pay to Lessee in cash the entire amount of the purchase price. City's rights under this paragraph shall apply to any successor of Lessee and shall apply whether or not City exercises its rights under the right of first refusal paragraph. City may not exercise its rights under this paragraph while the Lessee who signed this lease is in possession and has not sold, subleased, assigned or transferred its interest in the lease. For the purposes of this subparagraph, a devise under a will by the Lessee shall not be considered as sale, sublease, assignment or transfer.

Subleases without consent

Lessee may sublease portions of the premises for the purpose of placing other aircraft within the hangar without consent of City.

Arcata/Eureka Airport
Jeff Moore, County of Humboldt

Mr. Moore provided this Ground Lease Language utilized by the County:

OWNERSHIP OF IMPROVEMENTS

Title to all improvements, including the hangar, to be constructed on the premises by LESSEE shall be owned by LESSEE until expiration of thirty (30) years and any options from the commencement date of this Lease or earlier termination of this Lease. All improvements, including the hangar, on the premises at the expiration of the term or earlier termination of this Lease shall, without compensation to LESSEE, then automatically and without any act of LESSEE or any third party become COUNTY'S property. LESSEE shall surrender the improvements to COUNTY at the expiration of the term or earlier termination of this Lease, free and clear of all liens and encumbrances, other than those, if any, permitted under this Lease or otherwise created or consented to by COUNTY. LESSEE agrees to execute, acknowledge, and deliver to COUNTY any instrument requested by COUNTY as necessary in COUNTY'S opinion to perfect COUNTY'S right, title, and interest to the improvements and the premises.

LESSEE shall have the right to remove such personal property, machinery, and equipment as may be removed without threat to the structural integrity of any building or improvement. If damage results from the removal of any such items, LESSEE shall repair such damage at its sole expense.

SECTION IV

CONCLUSIONS AND RECOMMENDATIONS

Whenever a governmental entity is working with the private sector, disagreements are going to occur. Discussions will be interpreted differently by each side, and documents will be reviewed and interpreted with sometimes opposing perspectives. With the addition of financial

components, these differences can become extreme. As such, in our analysis of this issue, *ABS* had to continually remain cognizant that regardless of the best intentions of tenants and the City in trying to reach a mutually agreeable solution on the reversion issue at 36U, it may not be possible without external assistance. Therefore, *ABS* had to utilize our experience and knowledge gained from many years of experience working with other airports and other airport tenants to come to a fair and equitable and non-discriminatory solution for tenants, while still maintaining the fiduciary responsibility of the Airport and compliance with its Federal obligations.



It is understood that in both instances of leases that until each lease document comes to conclusion the Tenant and the City each has the right has the obligation to follow each leases covenants and directives. If the parties mutually agree to change the nature of the agreements for the betterment of each party such as extension of term, change in land rates or should the hangars need to be removed for construction then the negotiated terms, rates and reversionary clauses must be made consistent and with current appraised market rates. In general all leases should be amended to include language that is generally consistent with the sample lease contained in the Addenda. The only differences could be in the language for Tenant hangar ownership (non-reversionary) or City hangar ownership (reversionary).

Regarding the reversion and non-standard lease issues, in the past, Heber City had a conglomeration of lease requirements, some allowing improvement removal, others requiring reversion of the title to the City. The City and the Airport desires to make all lease language the same, thus treating all tenants similarly. The Federal Aviation Administration (FAA) supports that decision, because it helps promote consistent treatment of tenants. A mixture of requirements for the same type lease would result in disparate treatment. The change in policy, to require reversion of improvements to the City at lease termination, or to require their removal, is entirely within the prerogative of the City upon lease renewal. This plan is not considered to be unjustly discriminatory or unreasonable. Capital improvements include such things as buildings, fences, paving,

landscaping, and anything fixed to a building or land. We support the City's decision to implement a standard reversionary clause in its leases upon lease renewal, in order to bring about a degree of uniformity. It is common for permanent capital improvements made to or on land to become the property of the landowner at the termination of the lease.

The following is a summary of pertinent issues and ABS recommendations with regard to amendments in the way leases are handled at the Airport.

GENERAL CHANGES TO AIRPORT FEE STRUCTURES IN THE FUTURE

For future planning the City and Airport must plan for increases in activity and therefore increases in operating expenses and overhead. The City should establish a baseline policy for market land rates of \$0.30 per square foot for improved land and \$0.15 per square foot for unimproved land. These rates should be escalated annually based upon changes in the Consumer Price Index (CPI), with a review every 3 to 5 years based on an appraisal or market rent analysis.

In addition, the City should increase its fuel flowage fees from the current \$0.02 per gallon of fuel delivered to a rate of at least \$0.05 per gallon of fuel delivered. This will make the rate more consistent with comparable general aviation airports both in the region and nationally. Said rate should also be reviewed annually and periodically adjusted to reflect changes in the maintenance and operation costs of the Airport.

HANGAR ROW TENANTS (REVERSIONARY)

When the leases of the existing Hangar Row tenants expire, there must be a revision to the documents which includes option to increase rental rates to prevailing market rents for the land. Prevailing market rents should be based upon the area of the footprint of the hangar, plus a premium (not less than 20%) to reflect the benefits gained from surrounding property that is not part of the lease, but cannot be utilized or leased for other purposes. It is obvious that the current \$50 per year land rent is well below market.

With regard to future lease terms, it is likely that the area where these hangars are located will be required for Airport infrastructure expansion and/or safety enhancements. As such, future lease terms should be limited, based on the fact that the City may need to remove facilities due to Airport enhancement. By limited, it is suggested that future lease terms be on a month-to-month basis only, which will give the Airport

maximum flexibility should these facilities need to be demolished. If month-to-month is not deemed practical by the City, then a maximum of a one-year lease should be considered. In order to placate tenants, it is also advisable to provide existing tenants within Hangar Row the first right of refusal on any new hangars constructed by the City, at the prevailing market rate. Future leases must have more definitive language for actions and expectations at termination.

OWNED HANGARS (NON-REVERSIONARY)

Upon expiration, the non-reversionary leases at 36U should be based upon new lease terms of 20 years, but with the stipulation that the City reserves the first right of refusal to purchase the improvements at the prevailing fair market value at lease termination. In addition, it should be clearly stated that if the City elects not to purchase the hangars, the hangar must be removed and the site brought back to a clear and site-ready pad. The additional 20 years, coupled with the remaining term on current leases, should provide the hangar owner with sufficient time to amortize their investment. Moreover, most hangars will have limited economic or physical value at that time due to age, likely condition, and potential obsolescence. This is consistent with current lease language, whereby the tenant "owns" the hangar, but is not guaranteed a perpetual ground lease.

Should a current hangar owner elect to sell their hangar to a third party prior to lease termination, the Airport should retain the right of first refusal to purchase the hangar at the prevailing market value. If they elect not to purchase the hangar, the City should impose a "transfer fee" equal to two (2%) percent of the selling price of the hangar to account for the time and administrative efforts to facilitate such a transfer.

Land rents should be adjusted to prevailing market rates at the earliest opportunity, with annual escalations based upon CPI adjustments and periodic reviews to assess prevailing rates.

FBO LEASE AGREEMENTS

The current FBO, OK3 Air, has requested a lease extension based upon recent improvements to their FBO terminal facility. It is the opinion of *ABS* that it is not in the best interest of the City to extend the current FBO lease unless the FBO owner is willing to renegotiate and restructure the entire lease to reflect current market conditions, including current market ground rental rates. At present, it is our opinion that the City is not receiving a fair return on the FBO land assets. In particular, the ramp/apron area it leases to the FBO on an exclusive basis could hinder future grant money from the FAA. In addition, the limited improvements

done to the terminal and hangar facilities are much less than would typically be considered to warrant an extended lease term, especially given the other below market terms of the lease. In fact, in the future, the FBO facilities will need to be expanded/improved substantially to compete with other FBO facilities in the area, particularly those that draw much of the corporate business at SLC. As the market matures and additional corporate traffic begins to move to Heber City, additional lease term, based on extensive improvements, should be considered, but only with other lease conditions reflecting prevailing market terms.

RFP FOR NEW HANGAR DEVELOPMENT

With regard to future development opportunities at 36U, *ABS* strongly recommends the issue of an RFP for new hangar development at 36U. This scenario would bring in additional money to the Airport through a larger development process, and a single-entity developer would likely have a better chance of funding this type of project as opposed to a large number of individual trying to compete for local money. The construction would be consistent, more timely, and easier to maintain and control from an Airport management perspective. The Airport, through the RFP process, could assist in the establishment of reasonable rental rates through land lease negotiation and long term leases. This would also provide a much faster development time for one single developer compared to several hangars being built by many different contractors. It is suggested that due to the encroachment of development from Park City, that there would be considerable interest in the development of a hangar complex at Heber City.

COMMENTARY ON TENANT MEETINGS

General observations and answers to questions raised at the Tenant meetings have been addressed by *Airport Business Solutions* as follows:

Hangar Row Tenant Meeting (Reversionary Leases)

1. The first comment was regarding the uncertainty of what happens to lease issues with a new administration. Tenants want a better definition of what takes place at termination of leases.

ABS concurs that more definitive language must be included to define termination parameters.

2. How is the value of a hangar determined upon decision to move hangar row?

By third party appraisal mutually agreed to by City and Tenant.

3. What is the value of the hangar improvements vs. the base hangar?

Hangar value includes all permanently installed fixtures and equipment.

4. Will the City value each hangar individually?

Yes, as stated above with an approved appraisal process.

5. It is common to have two different kinds of leases on an airport?

It is common but not encouraged by the FAA.

6. Wouldn't it be better to have only one kind of lease on the Airport?

Yes, this is preferred.

7. Relocation of hangars "maybe the wrong term". Under the Federal Relocation ACT will there be a buy-out of hangars with a 1st right on new hangars at new location?

If hangars must be relocated, a negotiated move, buy out or first right to new hangars by a third party may be negotiated.

8. We have been through this before and nothing happens. Why are we looking at taking down hangar row?

ABS is not looking at taking down hangar row.

9. When does the first hangar lease come to an end?

Unknown at time of writing.

10. Are we (ABS) looking at the Master Plan?

This is not a part of the scope of this project.

11. Any change in leases today would only mean more money to the City?

City is looking for a win-win scenario including trade-offs for longer term vs. rates.

12. Non reversionary leases are not that common. Are there any that have converted?

Yes there are airports that have converted to consistent language for reversions.

13. Would you (ABS) advise the City to stay with current plan or change reversionary status?

ABS prefers reversionary clauses because it protects the airport sponsor and puts the facility in a better situation with FAA for future funding and expansion.

14. Why aren't leases that change hands changing dollar amounts and terms?

They should be changing including transfer fees in new leases.

15. Airport expectation is that facilities will expand. Is this review preparing the City for this scenario.

Yes.

16. Would a new scenario be forced on all tenants or negotiated individually?

It is not recommended that any scenario be forced on tenants, but rather renegotiated based on a mutual agreement that benefits both parties in the long term.

17. Can the City raise the \$50 fee "contract"?

No, unless agreed to by both parties in a renewal scenario.

18. What about a single developer for new hangars - "rent controls"?

A third party developer could be a logical scenario that would allow for better funding, consistent construction style and easier management for the City.

19. Hangars are decreasing in value - How do we change this scenario? Formula for buy-out of hangars?

Buy using better language that provides stronger guarantees at the end of the term.

Box Hangar Tenant Meeting (Non-Reversionary Leases)

1. In essence, their leases are reversionary. 5 - years there is opportunity to take hangar buildings off site. "Quasi Reversionary"

Yes, leases need better termination terminology here.

2. Address a way to renew leases.

There needs to be a mechanism to exchange money for longer term.

3. Challenge structure - buy-in of every hangar owner - quality of upkeep an issue.

This is the reason for having a third party developer.

4. Declining value asset if no opportunity for renewal - assuming hangar is in good condition.

Longer term should preclude this if better maintained.

5. Need more clarity for renewal language for "lenders".

Yes.

6. Need a mechanism to exchange money/investment for longer term.

Yes, as stated previously.

7. Length of term beyond 20 years.

Yes, we suggest 30 years.

8. What protection does the City need and what protection does the tenant need?

Mutual agreement that benefits both parties.

9. City needs fair compensation with options in case of re-developments

This is key to the future of the field and ability to draw larger aircraft.

10. Tenants need quiet enjoyment.

Lease language that provides for better conclusion at end of term.

11. Need leases commensurate with investment .

Yes, longer term for more dollars invested - but at levels that are consistent in the industry.

12. Leases need a maintenance standards clause.

Yes.

13. What about new improvements needed at the airport? Taxi-lanes for new hangars, access gates, RFP for new developer?

See recommendations for developer.

TAB D

1200 South Access Agreement

WHEREAS, Heber City and other governmental organizations in the area (the 'City') have an interest in preserving the health and well being of individuals living along the easement path which runs from School House Way (the 'Easement Path') to the property of Michael and Mary Bardole (the 'Bardoles');

WHEREAS, governmental organizations have found that continued use of the Easement Path jeopardizes the continued operation of irrigation main lines which run underneath the Easement Path;

WHEREAS, certain classes of emergency vehicles do not have the necessary clearance to travel safely down the Easement Path if emergency services were needed;

WHEREAS, the continued use of the Easement Path by the Bardoles is a continued problem to individuals whose property abuts the Easement Path, and these problems have resulted in repeated threats of litigation and several calls to police, including an event which lead to a charge of aggravated assault against a neighbor of the Bardoles;

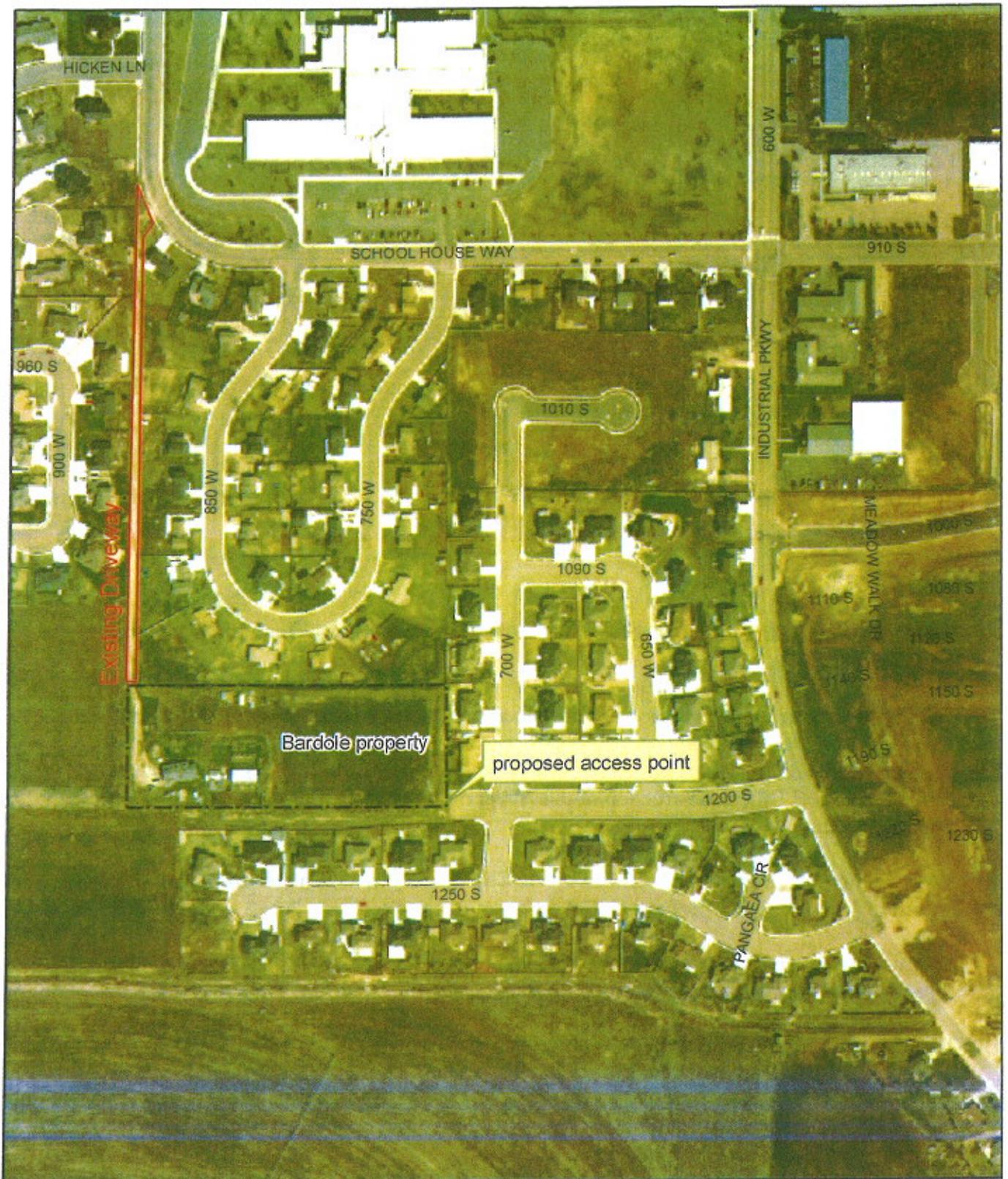
WHEREAS, the annexation agreement executed by the city prior to land-locking the Bardole's property provided that the Easement Path would be closed if there was a suitable alternative access;

WHEREAS, any closure of the Easement Path, coupled with a governmental refusal to upkeep, maintain, or render usable an alternative access would constitute a total taking of the Bardole's property and their business, Goldrush Kennels.

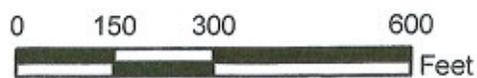
And WHEREAS, there exists a potential access to the Bardole's property (the '12th South Access' which would negate all of these problems and concerns;

THEREFORE, the City and the Bardoles bind themselves to this agreement for the valuable consideration of an exchange of services and forbearance of legal rights as follows:

1. The Bardoles agree to stop using for any other purpose than as a walkway the Easement Path, and to no longer maintain the Easement Path or operate any vehicles on the Easement Path beginning on September 1, 2014.
2. The Bardoles agree to waive any claim in any court that there is not a suitable alternative access sufficient to bring their prescriptive easement rights to an end on September 1, 2014.
3. The City agrees to have the 12th South Access ready for use by June 1, 2014, and to allow vehicles to access the Bardole's Property by that access.
4. The City agrees to remove the concrete pillars, chains, and other obstacles which render the 12th South Access unusable, and any other such obstacle which either renders the 12th South Access unusable or gives the 12th South Access the appearance of being unusable.

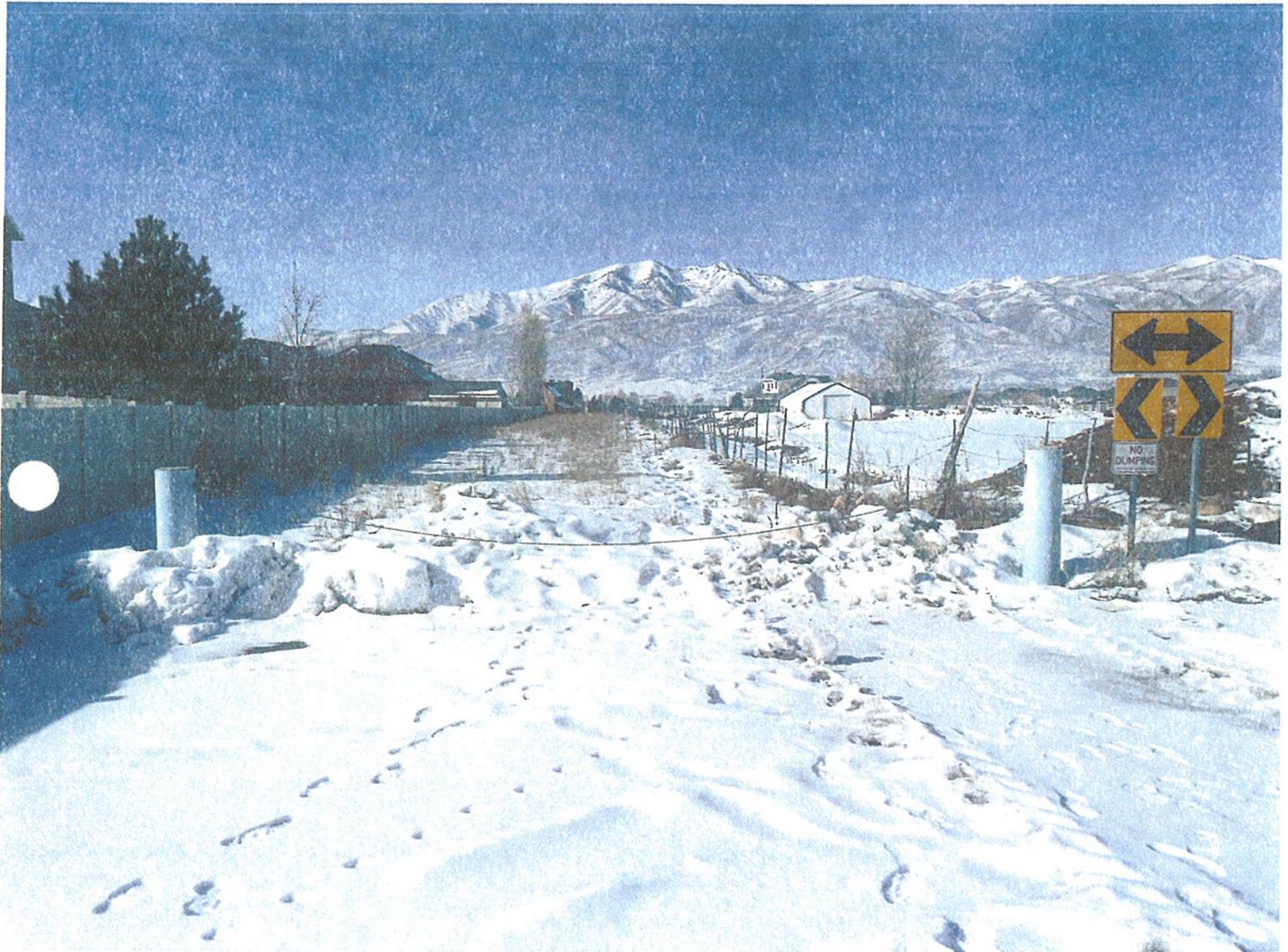


Proposed Bardole Property Access



**The following materials were
provided to the Mayor and City
Council during the
February 6, 2014 Work Meeting.**

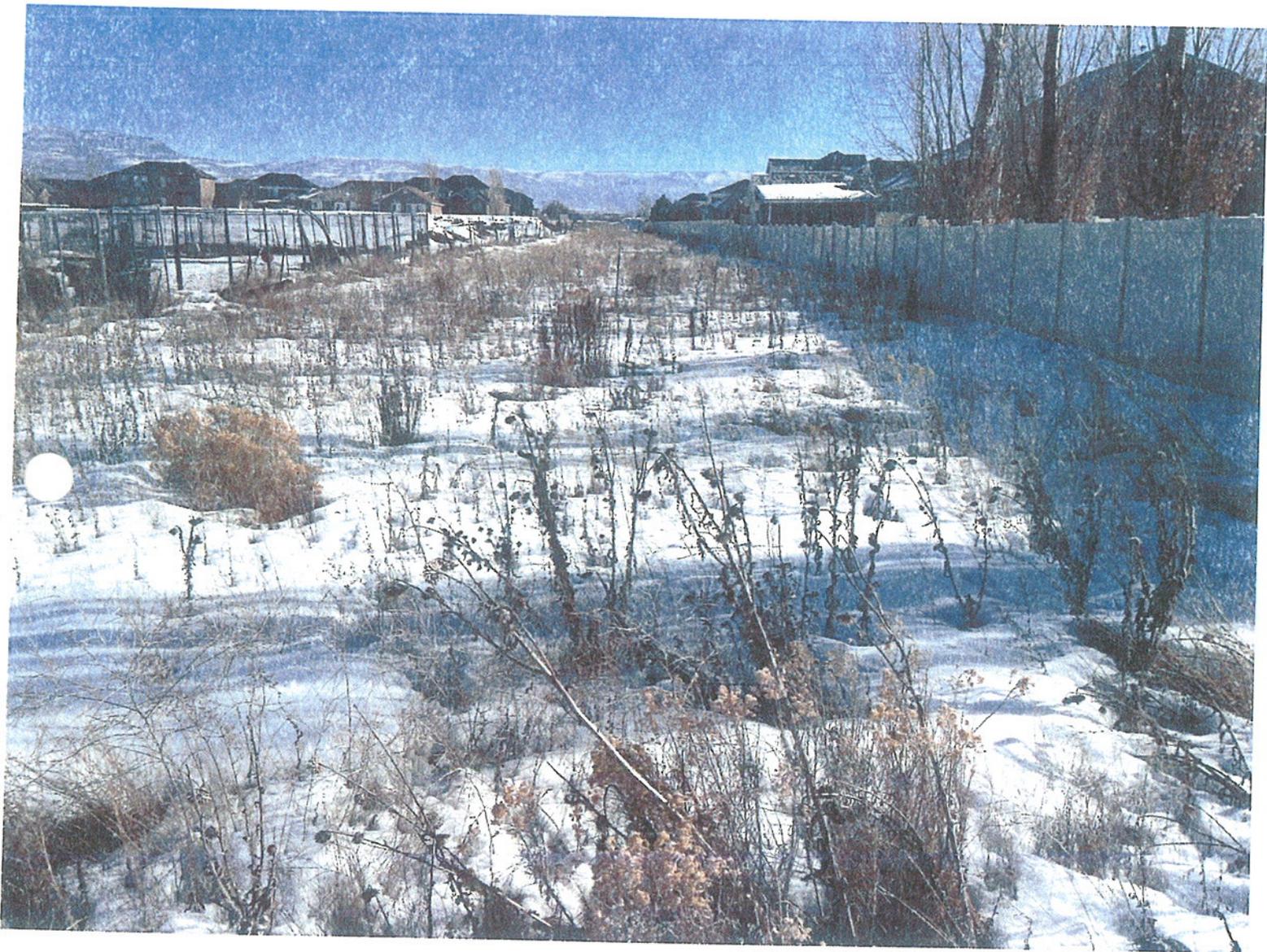
1200
South



Looking west

~~East~~

w/cable across
Road



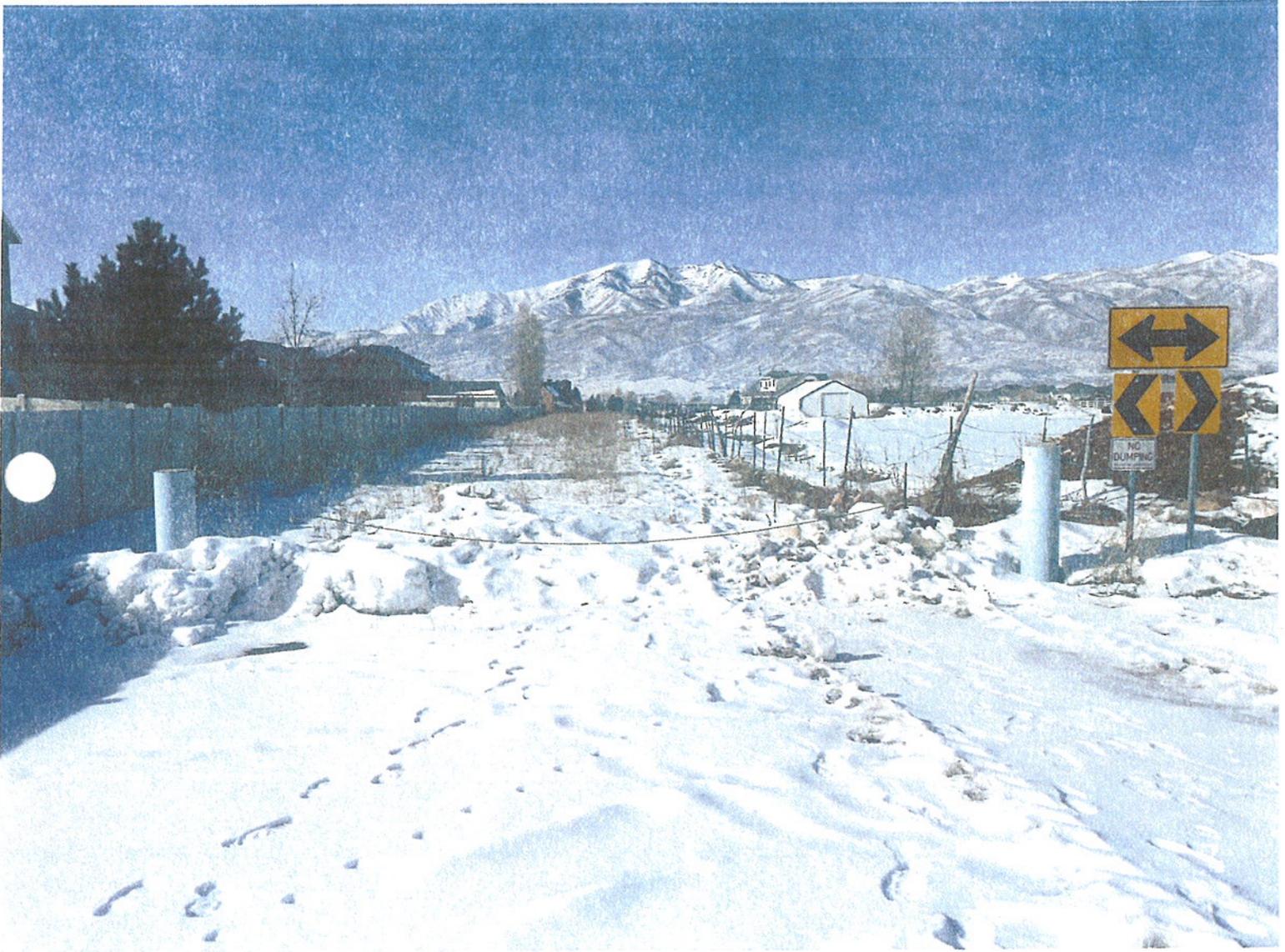
Looking to the EAST

Section # 1

New Proposed Access



Looking to the east.



East with cable across the road.

Section Two

CURRENTLY USED

DID ACCESS





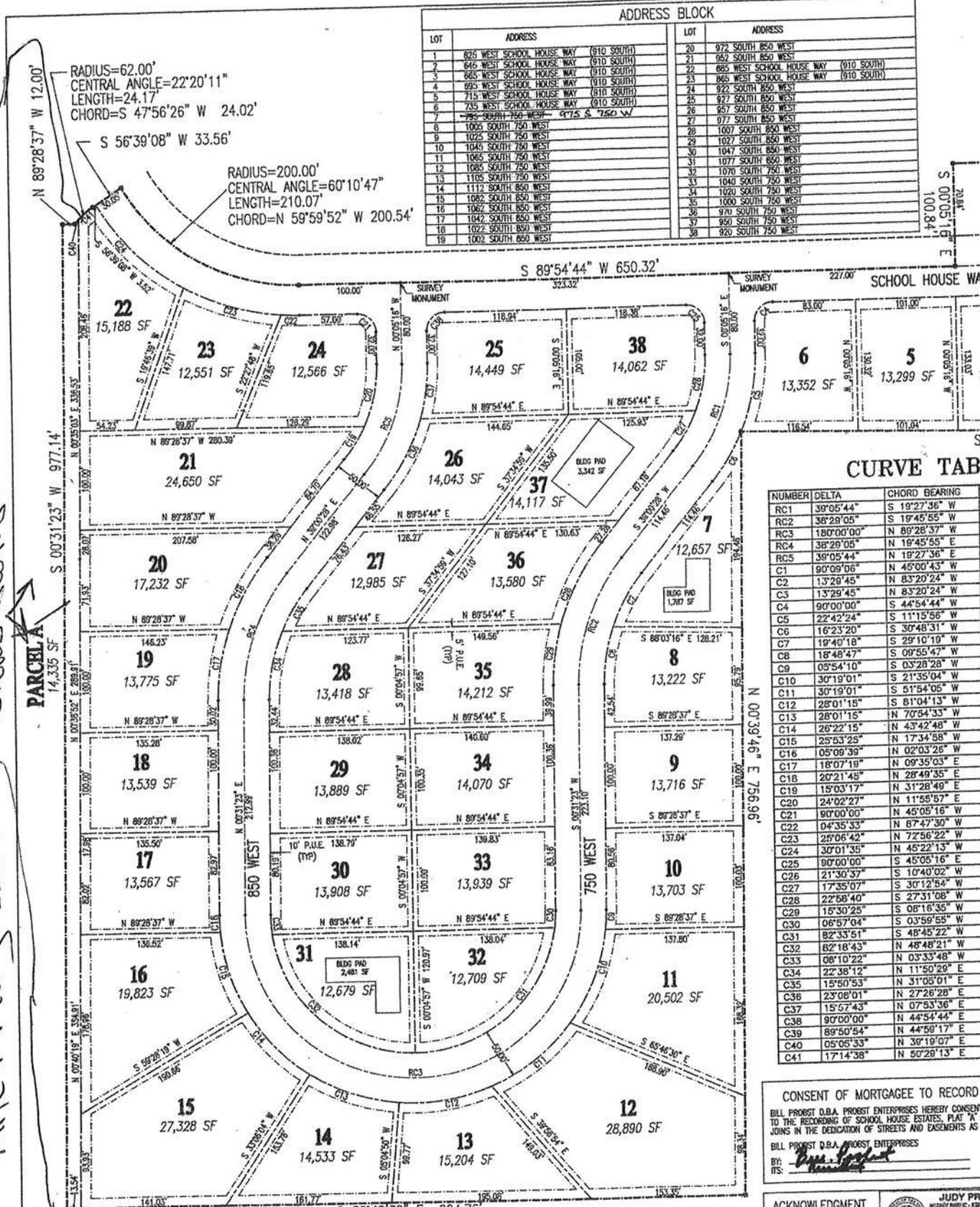




Section #3

AGREEMENT

Mike + Mary Barbak shows Seastage



ADDRESS BLOCK			
LOT	ADDRESS	ADDRESS	
1	825 WEST SCHOOL HOUSE WAY (910 SOUTH)	20	972 SOUTH 850 WEST
2	845 WEST SCHOOL HOUSE WAY (910 SOUTH)	21	962 SOUTH 850 WEST
3	865 WEST SCHOOL HOUSE WAY (910 SOUTH)	22	885 WEST SCHOOL HOUSE WAY (910 SOUTH)
4	885 WEST SCHOOL HOUSE WAY (910 SOUTH)	23	865 WEST SCHOOL HOUSE WAY (910 SOUTH)
5	715 WEST SCHOOL HOUSE WAY (910 SOUTH)	24	822 SOUTH 850 WEST
6	735 WEST SCHOOL HOUSE WAY (910 SOUTH)	25	877 SOUTH 850 WEST
7	785 SOUTH 750 WEST - 975 S 750 W	26	857 SOUTH 850 WEST
8	1005 SOUTH 750 WEST	27	977 SOUTH 850 WEST
9	1025 SOUTH 750 WEST	28	1007 SOUTH 850 WEST
10	1045 SOUTH 750 WEST	29	1027 SOUTH 850 WEST
11	1065 SOUTH 750 WEST	30	1047 SOUTH 850 WEST
12	1085 SOUTH 750 WEST	31	1077 SOUTH 850 WEST
13	1105 SOUTH 750 WEST	32	1070 SOUTH 750 WEST
14	1112 SOUTH 850 WEST	33	1040 SOUTH 750 WEST
15	1082 SOUTH 850 WEST	34	1020 SOUTH 750 WEST
16	1062 SOUTH 850 WEST	35	1000 SOUTH 750 WEST
17	1042 SOUTH 850 WEST	36	970 SOUTH 750 WEST
18	1022 SOUTH 850 WEST	37	950 SOUTH 750 WEST
19	1002 SOUTH 850 WEST	38	920 SOUTH 750 WEST

CURVE TABLE

NUMBER	DELTA	CHORD BEARING
RC1	39°05'44"	S 19°27'36" W
RC2	36°29'05"	S 19°45'55" W
RC3	180°00'00"	N 89°28'37" W
RC4	36°29'05"	N 19°45'55" E
RC5	38°05'44"	N 19°27'36" E
C1	90°09'06"	N 45°00'43" W
C2	13°29'45"	N 83°20'24" W
C3	13°29'45"	N 83°20'24" W
C4	90°00'00"	S 44°54'44" W
C5	22°42'24"	S 11°15'58" W
C6	16°23'20"	S 30°48'31" W
C7	19°40'18"	S 29°10'10" W
C8	18°48'47"	S 09°55'47" W
C9	05°54'10"	S 03°28'28" W
C10	30°19'01"	S 21°35'04" W
C11	30°19'01"	S 21°54'06" W
C12	28°01'15"	S 81°04'13" W
C13	28°01'15"	N 70°54'33" W
C14	26°22'15"	N 43°42'48" W
C15	25°53'25"	N 17°34'58" W
C16	05°09'36"	N 02°03'26" W
C17	18°07'19"	N 09°35'03" E
C18	20°21'45"	N 28°49'35" E
C19	15°03'17"	N 31°28'49" E
C20	24°02'27"	N 11°58'57" E
C21	90°00'00"	N 45°08'16" W
C22	04°35'33"	N 87°47'30" W
C23	25°06'42"	N 72°56'22" W
C24	30°01'35"	N 45°22'13" W
C25	90°00'00"	S 45°05'16" E
C26	21°30'37"	S 10°40'02" W
C27	17°35'07"	S 30°12'54" W
C28	22°58'40"	S 27°31'08" W
C29	15°30'25"	S 08°16'35" W
C30	06°57'04"	S 03°59'55" W
C31	82°33'51"	S 48°45'22" W
C32	82°18'43"	N 48°48'21" W
C33	08°10'22"	N 03°33'49" W
C34	22°38'12"	N 11°50'20" E
C35	15°50'53"	N 31°05'01" E
C36	23°08'01"	N 27°26'28" E
C37	15°57'43"	N 07°53'36" E
C38	90°00'00"	N 44°54'44" E
C39	89°50'54"	N 44°58'17" E
C40	05°05'33"	N 38°19'07" E
C41	17°14'38"	N 50°29'13" E

PARCEL A - (Not a building lot) TO BE A PERMANENT PRESSURE IRRIGATION LINE EASEMENT, & A TEMPORARY LIMITED ACCESS EASEMENT FOR PROPERTIES TO THE SOUTH. TEMPORARY ACCESS EASEMENT IS TO BE TERMINATED & REVERTED TO A WALKWAY EASEMENT WHEN ALTERNATIVE PERMANENT ACCESS IS PROVIDED FOR PROPERTIES TO THE SOUTH.

CONSENT OF MORTGAGEE TO RECORD
 BILL PROBST D.B.A. PROBST ENTERPRISES HEREBY CONSENTS TO THE RECORDING OF SCHOOL HOUSE ESTATES, PLAT "A" & JOINS IN THE DEDICATION OF STREETS AND EASEMENTS AS A
 BILL PROBST D.B.A. PROBST ENTERPRISES
 BY: *Bill Probst*
 ITS:

ACKNOWLEDGMENT
 STATE OF UTAH
 COUNTY OF *Utah*
 ON THE *22nd* DAY OF *April*, 1991
 PERSONALLY APPEARED BEFORE ME *Bill Probst*
 WHO DID ACKNOWLEDGE TO ME THAT HE EXECUTED THE FOREGOING CONSENT OF MORTGAGEE IN THE CAPACITY INDICATED
Judy Price
 NOTARY PUBLIC

Section #4

Similar type of
Potential Main Line
pipe failure

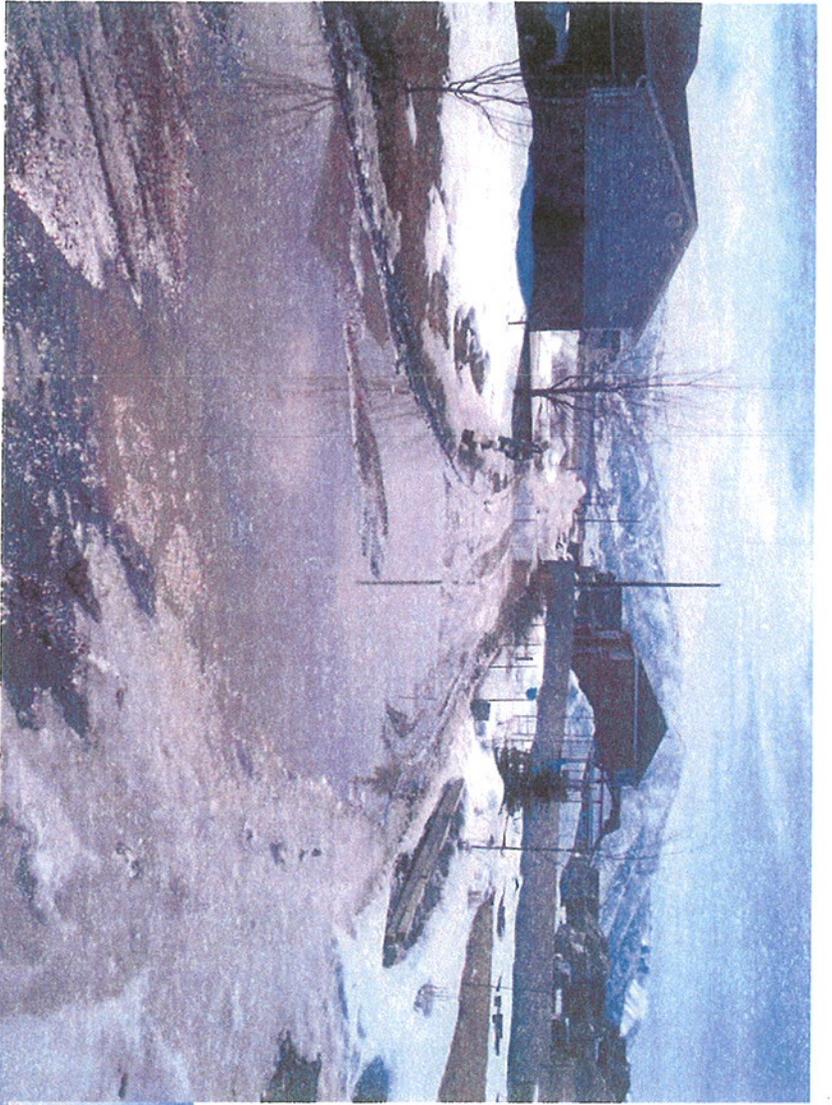




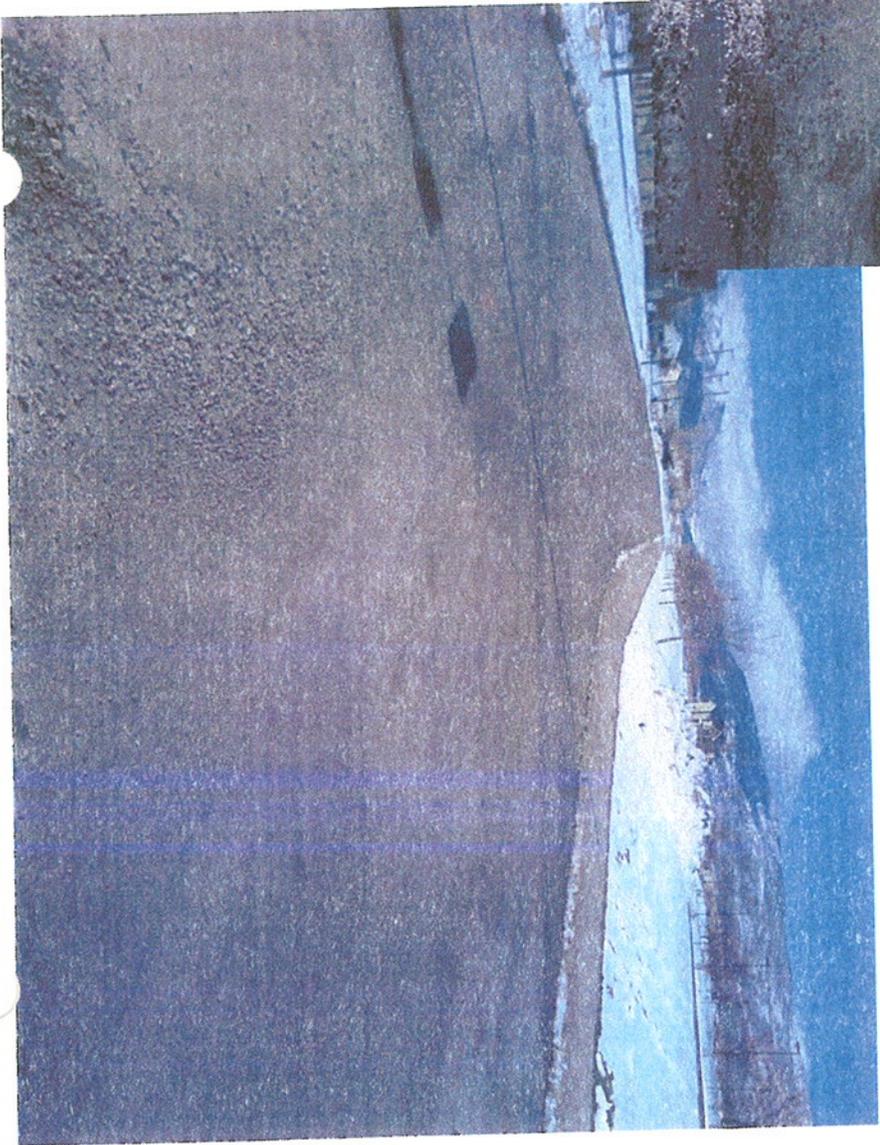
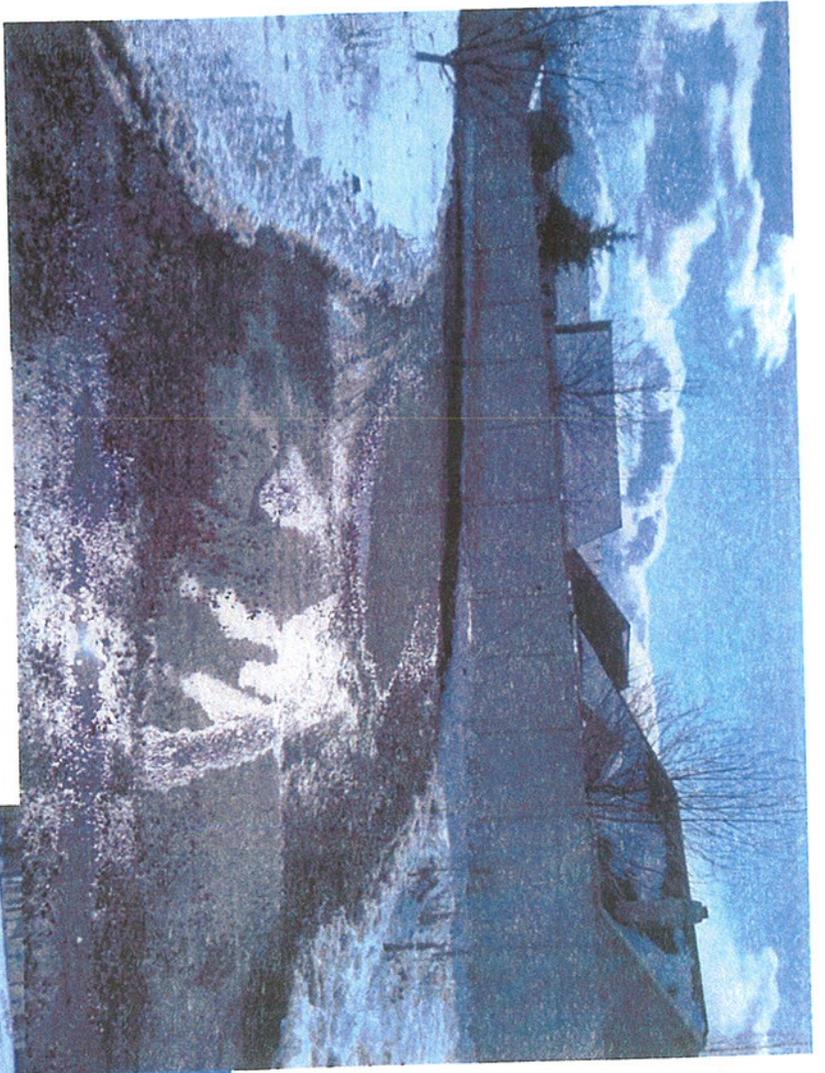


Section 5

Flooding







Section 6

1200 South Access

Agreement

1200 South Access Agreement

WHEREAS, Heber City and other governmental organizations in the area (the 'City') have an interest in preserving the health and well being of individuals living along the easement path which runs from School House Way (the 'Easement Path') to the property of Michael and Mary Bardole (the 'Bardoles');

WHEREAS, governmental organizations have found that continued use of the Easement Path jeopardizes the continued operation of irrigation main lines which run underneath the Easement Path;

WHEREAS, certain classes of emergency vehicles do not have the necessary clearance to travel safely down the Easement Path if emergency services were needed;

WHEREAS, the continued use of the Easement Path by the Bardoles is a continued problem to individuals whose property abuts the Easement Path, and these problems have resulted in repeated threats of litigation and several calls to police, including an event which lead to a charge of aggravated assault against a neighbor of the Bardoles;

WHEREAS, the annexation agreement executed by the city prior to land-locking the Bardole's property provided that the Easement Path would be closed if there was a suitable alternative access;

WHEREAS, any closure of the Easement Path, coupled with a governmental refusal to upkeep, maintain, or render usable an alternative access would constitute a total taking of the Bardole's property and their business, Goldrush Kennels.

And WHEREAS, there exists a potential access to the Bardole's property (the '12th South Access' which would negate all of these problems and concerns;

THEREFORE, the City and the Bardoles bind themselves to this agreement for the valuable consideration of an exchange of services and forbearance of legal rights as follows:

1. The Bardoles agree to stop using for any other purpose than as a walkway the Easement Path, and to no longer maintain the Easement Path or operate any vehicles on the Easement Path beginning on September 1, 2014.
2. The Bardoles agree to waive any claim in any court that there is not a suitable alternative access sufficient to bring their prescriptive easement rights to an end on September 1, 2014.
3. The City agrees to have the 12th South Access ready for use by June 1, 2014, and to allow vehicles to access the Bardole's Property by that access.
4. The City agrees to remove the concrete pillars, chains, and other obstacles which render the 12th South Access unusable, and any other such obstacle which either renders the 12th South Access unusable or gives the 12th South Access the appearance of being unusable.

**The following materials were
provided to the Mayor and City
Council during the
February 6, 2014 Work Meeting.**

HEBER LIGHT AND POWER COMPANY
(AN INTERLOCAL ENERGY SERVICE UTILITY)
DECEMBER 31, 2011

NOTES TO FINANCIAL STATEMENTS

NOTE 8. OTHER POST EMPLOYMENT BENEFITS (continued)

The Company's annual OPEB cost, the percentage of annual OPEB cost contributed towards the Unfunded Actuarial Accrued Liability (UAAL) of the plan and the Net OPEB Obligation are provided in the table below:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB of UAAL	Net OPEB Obligation
12/31/2006			
12/31/2007			
12/31/2008	\$ 117,171	12%	\$ 117,171
12/31/2009	71,657	7%	188,828
12/31/2010	87,572	9%	276,400
12/31/2011	53,818	6%	330,218

Funded Status and Funding Progress

As of December 31, 2011, the actuarial accrued liability (AAL) for benefits was \$977,814, all of which was unfunded.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Methods and Assumptions

The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in accrued liabilities and the value of assets, consistent with the long-term perspective of the calculations. The following simplifying assumptions were made:

Retirement age for active employees—Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 60, or at the first subsequent year in which the member would qualify for benefits.

Fiduciary- A Fiduciary duty is a legal or ethical relationship of confidence or trust between two or more parties. A fiduciary prudently takes care of money for another person. One party, for example a corporate trust company or the trust department of a bank, acts in a fiduciary capacity to the other one, who for example has funds entrusted to it for investment. In a fiduciary relationship, one person, in a position of vulnerability, justifiably vests confidence, good faith, reliance and trust in another whose aid, advice or protection is sought in some matter. In such a relation good conscience requires the fiduciary to act at all times for the sole benefit and interest of the one who trusts.

A fiduciary is someone who has undertaken to act for and on behalf of another in a particular matter in circumstances which give rise to a relationship of trust and confidence.

A fiduciary possessor is legally responsible for what belongs to another.

Heber Light & Power Board votes to give members substantial benefit package

BY LAURIE WYNN
Wave Co-Publisher

At the November 26 Heber Light and Power (HL&P) Board of Director's meeting, the 12 member board voted to approve a benefits package to its board members.

According to HL&P Board members, the Board has been receiving \$500 per meeting in compensation. The benefits package, recently approved and, according to HL&P's 2012 Operating Budget, equates to approxi-

mately \$20,000 per board member per year, making the total compensation for the average 1.5 hour per month meeting approximately \$2100. In computing the hourly rate, the increase in compensation for HL&P Board Members is nearly \$1400 per hour salary.

One board member isn't comfortable with the approved compensation hike. According to HL&P Board member and Wasatch County Council Chairman Mike

SEE "HL&P" ON PAGE A3

HL&P approves substantial benefits package

CONTINUED FROM PAGE A1

Kohler, "...the Board made a decision to offer health insurance to board members as part of their employee compensation package. Under the plan, the board could opt to receive the cash equivalent of that insurance as a direct payment in lieu of insurance."

Councilman Kohler goes on to say, "At the subsequent board meeting held a couple weeks ago, I stated that I would not take the payment and asked the board to rescind that benefit due

to the un-acceptable cost it would impose on the customers of Heber Light and Power. I'm a customer, too. My request was rejected."

This benefits package was approved following a planned rate hike for HL&P customers for next year.

Representatives for Heber Light & Power did not answer phones for comment at press time on Tuesday. Their answering machine states they were closed to celebrate the holiday season.

Wasatch Wave

6 pages

Thursday, June 30, 1977

Number Twenty-One

Pressure has new big time

pretty good about it," Giles said of the water regulations. "Some are taking advantage now." One resident told the Wave last week, that he had taken a walk through the east side of town after dark, and had counted 17 houses with sprinklers hidden in bushes and backyards.

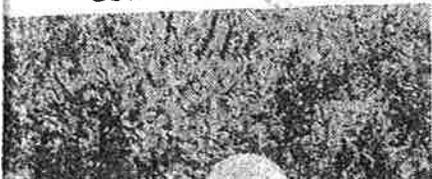
"I think it's serious business," said Heber Police Chief Paul Royall, who noted he would need cooperation from residents to catch those violating the law. "We're writing tickets, but we have a lot of other things to do, too."

Fines

Justice of the Peace Daryl Shumway reported, as of last week, that ten people had appeared before him on water tickets. He also indicated that there had been some misunderstanding regarding the amount of fine to be charged.

In May, city officials told the Wave that water fines would be in the neighborhood of \$50. That's not so, according to Shumway, who has been fining violators five to ten dollars on the first offense. The

Continued on P. 13



Wasatch report:

Former chief charged

A felony complaint has been filed against a former Heber City Police Chief. Named in the complaint is Vearl Broadhead, Chief of Police from 1974 to 1976. The complaint was filed by County Attorney Harold Call, following an investigation by current Police Chief Paul Royall, in connection with an incident which allegedly occurred in 1974.

The complaint alleges: "That the said Vearl Broadhead did, by deception, obtain and exercise unauthorized control over a Colt 357 revolver, Serial 23935, owned by the Heber City Municipal Corporation, in that he did sell said Colt 357 to one Debbie Bunker for \$65.00 with intent to deprive the owner thereof, contrary to Section 76-4-405, Utah Code annotated 1953, as amended."

A hearing on the matter has been set for July 14th, in the court of Justice of the Peace Daryl Shumway. Conviction, under this statute, is a second degree felony, and could carry a penalty of one to 15 years and/or up to \$10,000 fine.

County loses seat

Wasatch County has lost its only direct representation in the Utah Legislature. On Monday, the Governor's office announced that Edisen Stephens, of Summit County, had been appointed to fill the unexpired term of Senator Robert F. Clyde. Clyde, of Center Creek in Wasatch County, resigned the seat three weeks ago, after previously announcing he would be moving to Oregon. Besides Wasatch, the seat represents Summit, Duchesne, Morgan, Uinta and Daggett Counties.

The Governor chose Stephens from a list of three names submitted to him by the State Republican Central Committee, following a caucus of the six counties involved, at the Salt Palace last week. The other two candidates were Harold Smith of Heber, and Daniel Dennis of Roosevelt.

Rex Barrett, chairman of the Wasatch Republican Party, told the Wave that the Governor's office had given no reason for the appointment of Stephens over the other nominees. "I hate to see us loose

HEBER LIGHT AND POWER COMPANY
(AN INTERLOCAL ENERGY SERVICE UTILITY)
DECEMBER 31, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management Discussion and Analysis

This section of Heber Light & Power's annual financial report presents our discussion and analysis of Heber Light & Power's financial performance during the fiscal year ended December 31, 2011. Presented in the following pages are the December 31, 2011 Financial Statements of Heber Light & Power which include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets and a Statement of Cash Flows along with related notes.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Heber Light & Power's basic financial statements which are comprised of two areas:

1. Company-wide Financial Statements
2. Notes to the Financial Statements

The financial statements also include notes that explain some of the information contained within and provide more detailed data.

Financial Highlights

Revenues from the sale of electricity were \$12,359,002, an increase of \$489,678 or 4.13% over 2010. In addition, power purchases expense decreased by 2.8% to \$5,815,483 and gas generation expense decreased by \$250,706 or 51.1% to \$239,955.

During 2011, Heber Light & Power collected impact fees from all customers who added new or additional electrical load to the utility's distribution system. This charge is in response to the rapid growth that has been experienced in the Heber Valley and provides the utility with the necessary funds to add new distribution system plant which is required to serve these customers. The funds collected as a result of the impact fees are restricted in that they can only be used for new or upgraded plant and not applied against operational expense. The Impact Fee revenue in 2011 was \$411,279.

HEBER LIGHT AND POWER COMPANY
(AN INTERLOCAL ENERGY SERVICE UTILITY)
DECEMBER 31, 2011

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011

OPERATING REVENUES	
Electricity sales pledged as security for revenue bonds	\$ 12,359,002
Connection fees	26,595
Other income	<u>175,561</u>
TOTAL OPERATING REVENUES	<u>12,561,158</u>

COST OF SALES	
Power purchases	5,815,483
Energy rebates	3,327
Gas generation fuel	239,955
Wages	<u>518,779</u>

TOTAL COST OF SALES 6,577,544

GROSS PROFIT 5,983,614

OPERATING EXPENSES	
Salaries, wages and benefits	1,723,886
Depreciation	1,817,617
Insurance	871,391
Professional services	177,892
Maintenance and training	211,885
Materials	34,539
Building Expenses	130,666
Office expense and postage	142,029
Truck expense	182,239
Bad debt expense	21,122
Credit card fees	40,689
Travel	45,829
Miscellaneous	<u>62,119</u>

TOTAL OPERATING EXPENSES 5,461,903

INCOME (LOSS) FROM OPERATIONS 521,711

NON-OPERATING REVENUES (EXPENSES)

Interest	34,804
Interest and bond issuance costs expense	<u>(509,619)</u>

TOTAL NON-OPERATING REVENUES (EXPENSES) (474,815)

INCOME BEFORE CONTRIBUTIONS 46,896

The accompanying notes are an integral part of these financial statements.

X

= 1,242,665.00

= this

509,619
from

this

+ this

this

568,607.00

- 346,651

- 509,619

= 206,373

= \$493,936.00

HEBER LIGHT AND POWER COMPANY
(AN INTERLOCAL ENERGY SERVICE UTILITY)
DECEMBER 31, 2011

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011

Statement of Revenues, Expenses and Changes in Net Assets (continued)

CONTRIBUTIONS

Impact Fees	411,279
Capital contributed	<u>593,812</u>

TOTAL CONTRIBUTIONS 1,005,091

CHANGE IN NET ASSETS 1,051,987

TOTAL NET ASSETS AT BEGINNING OF YEAR 20,975,590

Distributions to owners (206,273)

TOTAL NET ASSETS AT END OF YEAR \$ 21,821,304

The accompanying notes are an integral part of these financial statements.

f

HEBER LIGHT AND POWER COMPANY
(AN INTERLOCAL ENERGY SERVICE UTILITY)
DECEMBER 31, 2011

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 12,572,290
Payments to suppliers	(7,690,312)
Payments to employees	<u>(2,242,665)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>2,639,313</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>34,804</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>34,804</u>
CASH FLOWS CAPITAL AND RELATED FINANCING ACTIVITIES	
Impact fees	411,279
Capital contributions	593,812
Purchase/disposal of capital assets	(4,240,917)
Principal paid on long-term debt	(346,651)
Interest paid on long-term debt	(509,619)
Distributions to owners	<u>(206,273)</u>
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(4,298,369)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(1,624,252)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>7,177,677</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 5,553,425</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Income (loss) from operations	\$ 521,711
Adjustments to reconcile operating income to net cash	
Depreciation	1,817,617
Changes in assets and liabilities	
Accounts receivable, net of allowance	42,998
Other receivables	(31,866)
Inventory	38,093
Accounts payable	213,579
Accrued liabilities	2,166
Deferred Revenue	<u>35,015</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 2,639,313</u>

Handwritten notes:
 61%
 - 01%
 34,000 cur
 return of
 Capital

The accompanying notes are an integral part of these financial statements.

HEBER LIGHT AND POWER COMPANY
(AN INTERLOCAL ENERGY SERVICE UTILITY)
DECEMBER 31, 2011

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accumulated unpaid vacation and other employee benefit amounts are accrued when incurred using the accrual basis.

The Company is not subject to federal or state income taxes since it is a political subdivision of the state of Utah owned by three municipalities.

The Company considers cash in bank and funds invested with the Public Treasurer's Investment Fund as cash and cash equivalents.

For purposes of the Statement of Cash Flows, the Company considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

Inventory is valued at average cost and consists of expendable supplies held for future consumption or capitalization. The cost is recorded as an expense or capitalized as inventory items are consumed or put in service.

The Company uses the following procedures in establishing the budget that is submitted to the State Auditor.

1. Management submits a proposed budget to the Board of Directors in November.
2. The Board of Directors approves a proposed budget.
3. In December the proposed budget is adopted in a public hearing.
4. The budget is reviewed in the following December and amended (if necessary) in a public hearing.

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

When both restricted and unrestricted resources are available for use, it is the Company's policy to use restricted resources first where permissible, and then unrestricted resources as they are needed.

HEBER LIGHT AND POWER COMPANY
(AN INTERLOCAL ENERGY SERVICE UTILITY)
DECEMBER 31, 2011

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (continued)

Debt service requirements of the 2002 Series revenue bonds are as follows:

Series 2002

	Principal	Interest	Total
2012	\$ 190,000	\$ 170,005	\$ 360,005
2013	200,000	162,595	362,595
2014	200,000	154,395	354,395
2015	215,000	145,995	360,995
2016	225,000	136,750	361,750
2017-2021	1,285,000	519,350	1,804,350
2022-2025	1,295,000	166,500	1,461,500
	<u>\$ 3,610,000</u>	<u>\$ 1,455,590</u>	<u>\$ 5,065,590</u>

2010 Series Bonds Payable

During 2010, the Company issued Series 2010 Bonds to pay off the remaining balance of the Caterpillar Capital Lease and to provide for improvements and additions to the electric generation, transmission and distribution facilities of its system.

On November 23, 2010, Heber Light & Power issued \$6,525,000 Electric Revenue Bond Series 2010 with coupon interest rates ranging from 3.00 percent to 7.00 percent. \$1,675,000 were used to advance refund the Caterpillar Capital Lease.

Interest payments are due semi-annually beginning June 15, 2011, with the last interest payment scheduled on December 15, 2035. Principal payments are due annually beginning December 15, 2011, with the last payment scheduled December 15, 2035.

The Series 2010 Bonds are special obligations of the Company payable solely from and secured solely by (a) the proceeds of the sale of Bonds, (b) the Revenues, and (c) all Funds established by the Indenture including the investments thereof. The pledge of the Revenues is subject to (1) the prior payment from Revenues of the Operation and Maintenance Costs of the System, (2) any

*on Bonds
4,590
= 73,375
4710.84
notes*

*3,350,000
per year
on lease
Bonds
for 3 years*

335,000.00

X

*+ cost of power
to caterpillar
27,916.67
per
mo.*

HEBER LIGHT AND POWER COMPANY
(AN INTERLOCAL ENERGY SERVICE UTILITY)
DECEMBER 31, 2011

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (continued)

required rebate of investment earnings to the United States of America, and (3) the application of the Revenues and Funds for the purposes permitted by, and on the terms and conditions set forth in the Indenture.

The Indenture provides that a Reserve Fund Surety Bond be purchased to eliminate the need for a fully funded Debt Reserve Fund. The premium for the Surety Bond was paid from the original disbursements of the Bond proceeds.

Debt service requirements of the 2010 Series revenue bonds are as follows:

Series 2010

	Principal	Interest	Total
2012	65,000	283,225	348,225
2013	65,000	281,275	346,275
2014	75,000	279,325	354,325
2015	70,000	277,075	347,075
2016	70,000	274,275	344,275
2017-2021	410,000	1,325,775	1,735,775
2022-2026	1,065,000	1,208,875	2,273,875
2027-2031	2,255,000	816,952	3,071,952
2032-2035	2,200,000	255,938	2,455,938
	<u>\$ 6,275,000</u>	<u>\$ 5,002,715</u>	<u>\$ 11,277,715</u>

4.5%

130,000

514,500.00

*213,000 principal
454,775 - total
617,390 - total
- 113,984
per year*

Included in the interest amounts are reductions associated with Build America Bonds subsidies.

The Company pledges income derived from the sale of electricity to repay the series 2002 and 2010 bonds. The bonds are payable solely from electric customer net revenues and are payable through 2025 and 2035, respectively. Annual principal and interest payments are expected to require less than ten percent of the total annual electricity sales.

*190,000
650,000
255,000*

*16,343,305.00
total due on
Bonds 2011*

X

HEBER LIGHT AND POWER COMPANY
(AN INTERLOCAL ENERGY SERVICE UTILITY)
DECEMBER 31, 2011

NOTES TO FINANCIAL STATEMENTS

NOTE 8. OTHER POST EMPLOYMENT BENEFITS (OPEB)

The Company has implemented the provisions of Governmental Accounting Standards Board Statement 45 (GASB Statement 45).

Plan Description

The Company participates in the Public Employees Health Program (PEHP) and offers medical insurance coverage to those employees who retire with over 25 years of service. The Company will pay the costs of the employee's medical insurance for 5 years from the employee's retirement date, or until the employee reaches age 65, whichever comes first. If the employee retires with 30 or more years of service, the Company will pay the employee's medical insurance until the employee reaches age 65.

Funding Policy

The Company meets the standard as set forth in GASB Statement 45 by providing an estimate of the future costs associated with the medical insurance premiums and discounting the cost of the projected premiums to present value. To calculate this estimate, the Company uses the Alternative Measurement Method instead of obtaining actuarial valuations. The Alternative Measurement Method is an acceptable method of calculation for companies with fewer than 100 plan members. The Company has not funded the cost of these benefits but, rather pays the premiums from current revenues.

Annual OPEB Cost and Net OPEB Obligation

The Company's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Company's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Company's net OPEB obligation:

Annual Required Contribution	\$ 82,765
Interest on Net OPEB Obligation	4,315
Annual OPEB Cost	<u>78,450</u>
Contributions made	<u>24,633</u>
Increase in Net OPEB Obligation	53,818
Net OPEB Obligation at beginning of year	276,400
Net OPEB Obligation at end of year	<u>\$ 330,218</u>

HEBER LIGHT AND POWER COMPANY
(AN INTERLOCAL ENERGY SERVICE UTILITY)
DECEMBER 31, 2011

NOTES TO FINANCIAL STATEMENTS

NOTE 8. OTHER POST EMPLOYMENT BENEFITS (continued)

The Company's annual OPEB cost, the percentage of annual OPEB cost contributed towards the Unfunded Actuarial Accrued Liability (UAAL) of the plan and the Net OPEB Obligation are provided in the table below:

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