

Walker Field Airport Authority

Minutes of the Special Board Meeting

May 26, 1998

BOARD COMMISSIONERS PRESENT: Martin O'Boyle Robert McCormick
 Miles McCormack Charles Gillett
 Mike Sutherland Jim Richards
 Gary Morris

AIRPORT STAFF PRESENT: Corinne Nystrom Ted Balbier
 John Thomas Dennis Wiss
 Dan Reynolds

ALSO PRESENT: Vern Smith; Larry Kempton, Brenda Kempton, Marge Guziak, Ray Guziak, Ralph Mulford, and Dennis Crawford of Kempton Air Services; Mark Ward of Colorado Kenworth; Roger Davidson; Steve Menzies; R.A. Fredette; Nicolle Hernandez of KREX-TV; Robert Jones of R.W. Jones Construction, Inc.; Ken Glover; Brenda Casper; and Doug Briggs, Authority Attorney.

I. CALL TO ORDER

Chairman O'Boyle called the meeting to order at 5:19pm.

II. APPROVAL OF AGENDA

Chairman O'Boyle asked for additions or changes to the published agenda. Chairman O'Boyle requested that Agenda Item III- "Bid Award for Terminal Building Renovation" be switched with Agenda Item IV- "Consultation with Airport Authority Attorney Regarding Lease Negotiations (Executive Session)." Additionally, he requested that there be no executive session during this Board meeting, and if there are any questions during the meeting pertaining to leases, those questions should be directed to John Thomas of Authority Staff.

Commissioner Gillett moved to approve the Agenda as amended.

III. CONSULTATION WITH AIRPORT AUTHORITY ATTORNEY REGARDING LEASE NEGOTIATIONS

Manager Nystrom announced that last week, the Authority received a confirmation letter from Federal Express Corporation of its interest to commence air cargo operations into Walker Field Airport beginning September 1, 1998. Federal Express may be utilizing a Boeing 727 on its days of operation, supported with additional feeder aircraft. Staff is negotiating a use and lease agreement with Federal Express to lease the Authority-owned hangar. Manager Nystrom emphasized that Federal Express has stated its interest in commencing operations at Walker Field, but that the formal agreement with Federal Express is still being finalized.

Manager Nystrom commented that if and when an agreement is finalized with Federal Express, it will provide significant economic benefits to Mesa County, the City of Grand Junction, and the Authority. She noted that the Authority has been in negotiations with Federal Express for almost a year, and provided a background of the negotiations. Manager Nystrom stated that the Authority-owned hangar is in a prime location along the main runway, and is situated on one of the few available parcels left in this area which have proximity to an air carrier-stressed ramp. During initial discussions, Staff provided five proposals to Federal Express for the location of a cargo facility.

Proposal One was for a facility to be located near the site of the old terminal building. This area is under lease with West Star Aviation, and has ramp space only. Proposal Two would be to develop a vacant parcel between Timberline Aviation and the Mesa Maintenance Hangar. However, Timberline has a first right of refusal for that parcel, and there is no existing ramp or structure at that site. Proposal Three would situate the facility just off of the airport, and would require substantial infrastructure improvements. Proposal Four would entail constructing the facility on the far northwest portion of the airfield, with access off of 27 $\frac{1}{4}$ Road. Proposal Five would locate the facility on another Authority-controlled parcel west of the BLM facility. Both of these proposals would require extensive site preparation and infrastructure improvements.

Federal Express asked if there were any options available other than the initial five proposals. Prior to that time, nothing had been stated regarding the Authority-owned hangar. Because Federal Express requested additional options, Staff recommended a site to the west of the air carrier ramp, and as an alternative, the Authority-owned hangar. Much to Staff's surprise, Federal Express stated its interest in establishing a facility at the Authority-owned hangar.

Based on Federal Express's timeline, the Authority needs to make the hangar available to Federal Express by July 15, 1998. Manager Nystrom commented that Federal Express operates on a precise schedule, and there are several issues which need to be addressed prior to commencement of operations. First, the Authority-owned hangar needs renovating. Staff is researching cost estimates to bring the building into compliance with the Mesa County Building Department requirements. Additionally, there are environmental concerns which need remediation. For these items, Manager Nystrom recommended that the Board authorize Staff to utilize funding, not to exceed \$75,000, to commence renovations and environmental clean-up of the hangar.

The second issue is that there is an existing tenant in the hangar. That tenant has been present at previous Board workshops and meetings where the future of the hangar was discussed. Thus, he has been aware that his lease in the Authority-owned hangar would probably not be renewed upon its expiration on August 31, 1998. Manager Nystrom noted that the Board, wanting to be fair to the

tenant, notified him at a previous Board meeting that his lease would not be renewed upon the expiration of the lease. Vice Chairman McCormack has worked with the tenant to try to find a suitable new location for the existing tenant, and at least two other tenants have offered him space on parcels leased by them.

Manager Nystrom recommended that the Board authorize the Authority Attorney to finalize a notice to Larry Kempton that under Kempton Air Services' existing Lease Agreement, the Authority is exercising its right to give Kempton Air 30 days notice that its Lease Agreement is terminated, and to vacate the premises within 30 days. She noted there are options for Kempton Air to remain at Walker Field, and she provided ground lease rate and parcel information for the 4/22 general aviation area. Additionally, she detailed an option for the temporary relocation of Kempton to the parcel north of the Colorado Skunkworks hangar. The temporary relocation, estimated to be for 6 months, would include financial assistance by the Authority. However, she stated that the Authority has a responsibility to treat all of the Airport tenants in an equitable manner. With the exception of a public use taxi lane in the 4/22 area, all of the tenants in that area have paid for their own improvements for the last several years.

Manager Nystrom summarized Staff's requests of the Board:

1. \$75,000 for funding of renovations and improvements to the Authority-owned hangar.
2. Provide Kempton Air Services with 30 days notice of termination of its lease with the Authority.
3. Feedback from the Board regarding the relocation of Kempton Air Services to other locations on the airport.

Chairman O'Boyle excused himself from any discussions and actions pertaining to items 2 and 3, but requested to be included in item 1.

Commissioner Sutherland asked if Staff had any estimates of the projected revenue Federal Express will bring to the Authority. Manager Nystrom commented that because the lease negotiations are in the preliminary stages, information regarding the number of operations and the types of aircraft have not been finalized. However, the landing fee for a Boeing 727 is approximately \$100 per landing. This translates into \$26,000 in yearly landing fees for one aircraft. Commissioner Sutherland inquired what the lease rate is for the 11/29 ("frontline") area. Manager Nystrom responded that the lease rate is \$.0894/sq. ft./yr. Commissioner Sutherland asked when the Authority might expect a letter of intent from Federal Express. Manager Nystrom stated that Staff told Federal Express that if the Authority makes the hangar available to them, they must have one on file. The letter of interest was provided by Federal Express for this reason. Commissioner Sutherland expressed concern that giving Kempton 30 days notice may be premature at this point.

Commissioner Richards moved to appropriate \$75,000 for the purposes of renovating and improving the Authority-owned hangar. Commissioner McCormick seconded.

Commissioner McCormick asked if the \$75,000 included costs for environmental remediation in and around the hangar. Manager Nystrom stated that Staff has not received final cost estimates for all of the renovation and environmental remediation work. She added that the \$75,000 estimate is based on preliminary estimates plus contingencies but cautioned that Staff may have to request additional funding once the final cost estimates are established.

Roll call: all ayes. Motion carried.

Chairman O'Boyle excused himself from discussing and acting upon the next two items, and yielded the chair to Vice Chairman McCormack.

Attorney Briggs commented Kempton Air Services' tenancy with the Authority is at-will and that within the Lease with the Authority, there is a provision which allows either Kempton or the Authority to terminate the Lease with or without cause by giving 30 days notice. Referring to the quick timeline that Federal Express is requesting, Commissioner McCormick expressed concern that he wanted there to be a solution with Kempton without having to draw a line in the sand. Commissioner Richards asked if it is feasible to give 30 days notice to Kempton, and still work with Kempton to come up with a solution.

Manager Nystrom stated that it is Staff's hope to come up with a solution. However, she noted that even if 30 days notice is given to Kempton at this meeting, there will only be approximately 2 weeks between the time Kempton vacates the hangar and the time Federal Express would need to move into the hangar. She also commented that there would probably be several tasks within the renovation project that would need to be put out to bid.

Commissioner McCormick asked if any of the renovation work can be performed concurrently with Kempton being in the hangar. Manager Nystrom commented that there is a quiet enjoyment provision in the Kempton Agreement which may prevent such work from occurring while the Agreement is in effect. Attorney Briggs added that any renovation work performed while the Agreement is in effect would require the permission of Mr. Kempton.

Commissioner Sutherland noted that although Federal Express may bring 10 to 12 times the revenue that Kempton is providing to the Authority, Federal Express is a business and should understand that the timeline provided may be unrealistic. He commented that he is against providing Kempton with 30 days notice until all options are explored. Commissioner McCormick recommended holding off from deciding whether to give Kempton 30 days notice until a June 2, 1998 Special Board Meeting can be held. This would allow for an extra week for the Authority to work with Kempton to find a solution and still accommodate the timeline for Federal Express. Commissioner Richards described the difficulty of delaying the 30 days notice. Specifically, if any delays occur to the start of Federal Express's operations, the Authority would probably lose money.

Commissioner Morris inquired whether an additional week would allow Staff to obtain final cost estimates for the environmental remediation. Manager Nystrom commented that in addition to the environmental remediation, there are other items which may require being put out to bid. Thus final cost estimates will not be available until the bids are received. Commissioner Richards asked if the remediation can occur while Kempton is occupying the leasehold. Attorney Briggs commented that the Agreement only allows for inspection of the premises. Thus Mr. Kempton's permission would be needed for environmental remediation to begin while Kempton is occupying the hangar. Commissioner Gillett commented that it is difficult for him to ask a tenant to move its operations because of the added expense to the tenant. However, he stated that Mr. Kempton has known that he would probably have to relocate his business for some time now.

Commissioner Richards moved that the Authority give Kempton Air Services 30 days notice of its intent to terminate the Lease. Commissioner Gillett seconded.

Commissioner McCormick asked if the Authority could allow Kempton to continue to use portions of the premises after the termination of the Lease. Manager Nystrom commented that it would be difficult to allow Kempton to remain on the premises upon the termination of the Agreement because the renovation and environmental remediation work needs to be performed in a short timeframe. She recommended that the entire Agreement be terminated. Vice Chairman McCormack opened the floor to public comments.

Al Acker of Alaska Software asked if the Authority has a legally-binding agreement with Federal Express. Vice Chairman McCormack stated the Authority does not have a signed Use and Lease Agreement approved by the Board. Commissioner McCormick commented that the Authority has a written commitment from Federal Express that it intends to commence service into Walker Field, and it won't be finalized until a written agreement is executed. Mr. Acker said it appeared that the Board is bending backwards for a big company coming to town at the cost of a local company who has been here for over 10 years.

Dennis Crawford of Kempton Air Services commented that this is a serious issue, and that his right to fly may be jeopardized. He inquired whether Kempton was ever given the opportunity to purchase the hangar. Vice Chairman McCormack noted that Federal Express would be leasing the hangar, that the hangar is not for sale, and that it is not just the hangar which will be a source of revenue for the Authority, but also landing fees and fuel flowage fees. Steve Menzies, a local business owner, inquired whether the Board has explored sources of financial assistance from the City of Grand Junction, Mesa County, or the Mesa Economic Development Council (MCEDC) for Federal Express. Commissioner Sutherland responded that he explored several possibilities as a representative of City Council and the MCEDC, but Federal Express did not meet the requirements for most of the programs, and the time-frame just wasn't feasible for some of the programs.

Mr. Menzies said that many of the Kempton users have invested thousands of dollars in flying. Commissioner Sutherland responded that he has rented planes from Mr. Kempton since 1986. He stated he will be in the same position as many of the other Kempton renters, and that the entire Board wants to find a solution for Mr. Kempton. Additionally, he asked if anybody wanted the Airport to not be run like a business. Mr. Menzies responded that the Authority should build additional facilities. Commissioner McCormick stated that since 1968, no ad valorem tax revenue has been given to Walker Field. The Authority does not receive taxes from Mesa County or the City of Grand Junction.

Commissioner Morris commented that when Kempton and the Authority agreed to enter into the existing Lease Agreement which contains the 30 days notice provision, it was a business risk for both parties. He added that although Federal Express has never pulled out of any of its airport distribution facilities in its entire history, by renovating the Authority-owned hangar, the Authority realizes it is taking a business risk. A member of the public (not identified) inquired why the Authority does not sell the Authority hangar for \$25,000 and use that money to entice Federal Express to build its own facility, instead of spending \$75,000 in renovations for the Authority-owned hangar.

Vice Chairman McCormack related an example of a city in North Carolina which provided \$272,000,000 in subsidies to Federal Express to establish a distribution hub at that city's airport. The Authority is only considering about \$75,000 of renovation work to a hangar which it already owns to attract Federal Express. He noted that the Authority has tried to work with Mr. Kempton to find a suitable site in which to relocate his business. Manager Nystrom stated that to comply with

FAA regulations, the Authority must not give preferential treatment to any of its tenants. She added that if the Authority does not comply with this assurance, the Authority risks losing the receipt of federal funding.

Commissioner Richards moved to withdraw the motion and turn the June 2nd Board Workshop into a Special Board Meeting.

Commissioner Gillett stated that the Board made it clear to Kempton at previous Board meetings that its lease would not be renewed for an additional 5-year term, and delaying action on this issue may come close to jeopardizing the timeline of Federal Express. Commissioner Morris stated that Mr. Kempton bringing up environmental concerns just prior to the expiration of his lease does not reflect a good faith effort on his part to work with the Authority for a solution.

Vice Chairman McCormack asked Mr. Kempton that if the Board delayed action until next week, would he allow the Authority to have access to the hangar for environmental inspections and testing. Mr. Kempton stated that ever since this process started, he has never objected to the inspectors and testers having access to the hangar.

Commissioner Gillett withdrew his second to Commissioner Richards' original motion.

Vice Chairman McCormack stated that this issue would be placed on the Agenda for the June 2nd Special Board Meeting.

IV. BID AWARD FOR TERMINAL BUILDING RENOVATION

Staff updated the Board regarding the status of the bids for the terminal building renovation project. Two bids were received, and on Friday, May 22nd, the bids were opened—\$407,000 from Francis Constructors, and \$201,394 from R.W. Jones Construction. Staff noted that Don Pettygrove of Nichols Associates reviewed the R.W. Jones proposal and stated that it appeared to be acceptable. The acceptance of the proposal would be contingent upon receiving the AIP-17 Grant, the City, the County, and the Authority's approval of the Grant, and the approval of Supplemental Co-Sponsorship Agreements with the City of Grand Junction and Mesa County. The commencement of the project also hinges on the availability of the steel.

Manager Nystrom recommended that the Board award acceptance of the bid from R.W. Jones contingent upon the formal review and acceptance by the FAA, the approval of the AIP-17 Grant by the FAA, and the Authority's receipt of the approved Supplemental Co-Sponsorship Agreements from the City of Grand Junction and Mesa County. Manager Nystrom presented background information pertaining to AIP-17, noting that the bid opening for the fencing portion of AIP-17 is scheduled for June 5th. She commented that because the June, 1998 Regular Board Meeting Agenda will contain many items, Staff wanted to address this issue at tonight's meeting.

Commissioner McCormick moved to approve the bid of R.W. Jones Construction for \$201,394. Commissioner Gillett seconded. Roll call: all ayes. Motion carried.

V. ADJOURNMENT

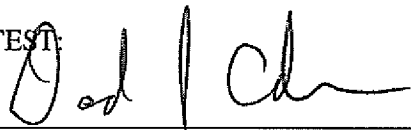
There being no further business to come before the Board, Commissioner McCormick moved to adjourn the meeting. Commissioner Richards seconded. Unanimously carried. The meeting adjourned at 7:22pm.

APPROVED AND ADOPTED THIS 21st DAY OF July, 1998.



Martin O'Boyle, Chairman

ATTEST:



David J. Anderson, Clerk