

Meeting Minutes

Airport Commission

Study Session

August 10, 2022, | 6:30 p.m.
Chandler Airport Terminal
2380 S. Stinson Way, Chandler, AZ



Call to Order

The meeting was called to order by Chairman Hawley at 6:30 p.m.

Roll Call

Commission Attendance

Chairman Christopher Hawley
Vice Chairman Charles McCorkle
Commissioner David Sperling
Commissioner Robert Bozelli

Staff Attendance

Andy Bass, Deputy City Manager
Ryan Reeves, Airport Manager
Chris Andres, Airport Planning Administrator
Scott Rinkenberger, Airport Ops Administrator
Diana Alonzo, Management Assistant

Absent

Commissioner Chad Wakefield

Others in Attendance

Christina Pryor, Purchasing and Material Manager
Steve Smith, Chandler Air Service
Frank Setzler, Chandler Aviation

Scheduled and Unscheduled Public Appearances

CHAIRMAN HAWLEY asked if there were any members of the public that would like to address the committee on any items not on the agenda.

None.

Discussion

1. Ordinance 5021: Ground Lease with Chandler Air Service, Inc.

MR. REEVES gave an overview of the Chandler Air Service lease and a brief history of the site. The site is approximately 1.6 acres and includes aircraft parking apron, taxiway access, surface parking lot, and aircraft hangar. The 2020 Airport Master Plan calls for fixed-base operator/specialized aeronautical service operators' development at this location. The RFP was issued on August 16, 2021, and three (3) proposals were received. The lease meets the City's goal of corporate aviation development and will include 3,000 sq-ft of office space. The hangar space is suitable to multiple commercial aviation uses, with maximum economic benefit. This is a 20-year lease with two 10-year extension options. The annual ground lease rent escalator is based on the Consumer Price Index beginning in the fourth year of the lease.

VICE-CHAIRMAN MCCORKLE asked what would be the largest aircraft that can use the taxiway.

MR. REEVES responded that the wingspan on a Citation 10 is 64ft. The clear span from the lease site, as it stands, to the AG hangar row is just over 90ft. The current proposal preserves the 90ft.

VICE-CHAIRMAN MCCORKLE asked how much is there from the structure to the actual taxiway.

MR. REEVES responded that it is large enough to taxi a Citation 10 and they can pass by the proposed tie-downs.

VICE-CHAIRMAN MCCORKLE asked what would happen if you moved the aircraft off the tie-downs.

MR. REEVES responded that there would be more space to taxi.

VICE-CHAIRMAN MCCORKLE stated that there is a lot of space around the airport, if there are businesses related to aviation related that want to bring in larger aircraft, you want to provide that option. Also, he asked how this lease compares to the one they currently have in terms of square footage and if it is 30 cents per sq. ft.

MR. REEVES responded that the current hangar is roughly 13,500 sq. ft. For that lease the escalators have been in place and deferred to MR. ANDRES for the amount.

MR. ANDRES asked VICE-CHAIRMAN MCCORKLE if he was referring to the current lease.

VICE-CHAIRMAN MCCORKLE stated that he was part of the committee that negotiated a new lease contract that combined the then new-build and old hangar.

MR. ANDRES stated that he did not believe there was a great deal of change. He believes it might be lower because they started at a lower base with CPI, stating that there was a cap to what they are able to charge at slightly under 25 cents.

VICE-CHAIRMAN MCCORKLE asked how Chandler's rates compare to other airports in the valley.

MR. REEVES responded that they are very competitive rates, as published in the fee schedule, on the high mid-range, but still competitive. MR. REEVES also responded to a previous question, stating that the wingspan in front of the hangar to the block wall, is 115 feet. He stated that the current lease is 21cents per sq. ft. per year for ground lease. The facility gets a monthly charge.

VICE-CHAIRMAN MCCORKLE asked if there were any more environmental issues and who would be responsible for the cost.

MR. REEVES responded that any environmental fees would fall on the City, and it is stated as such in the lease. The septic tank was already identified and removed.

VICE-CHAIRMAN MCCORKLE asked where the septic tank was located.

MR. REEVES responded that it was very close to the old Ryan Rd. alignment, northeast corner of the hangar (south of Ryan Rd.).

VICE-CHAIRMAN MCCORKLE asked if any remediation has been done to the space further down Ryan Rd. since there was a dump site.

MR. REEVES responded that there has been no remediation done to the area, but there were environmental studies existed. The results showed only municipal waste, no chemicals.

COMMISSIONER SPERLING asked if it is a 15% rental discount rate and when would the rate begin.

MR. REEVES responded that it would begin at demolition. The reason for being a higher rate until hangar is demolished is because it can be monetized and provides incentive for development.

CHAIRMAN HAWLEY asked if after the lease expires, will the property become part of the City.

MR. REEVES responded that was correct, but they could exercise two (2) 10-year lease extensions.

CHAIRMAN HAWLEY asked if the first period comes to an end and the lease is renewed, would the City take ownership of the property.

MR. REEVES responded that Chandler Air Service could use the site as long as they extend their lease extensions, and the lease extensions are granted. If certain performance measures are not met, the minimum standards specifically on an airfield, both the City and the tenant can exit the lease. However, it has to be very severe. If they extend the lease twice and continue to generate business into the Airport and the community, then negotiations for additional term can occur at that time.

CHAIRMAN HAWLEY asked if at the end of the 40 years, if the company wants to remain in the space, would they be tenants only.

MR. REEVES responded that it was one scenario. There are many airports are wrestling with this because there are many hangars in this situation. If someone has a viable business and they want to keep growing that business, the City may extend for a certain number of years with the tenant's further capital investment.

CHAIRMAN HAWLEY asked how the hangar that they are proposing compared to the current one.

MR. REEVES responded that the current hangar is 80 ft. by 80 ft., and it is around 5,000 sq. ft. The proposed hangar has roughly 14,500 sq. ft. The western wall will expand a great deal to the east. The parking lot will set back to Stinson Way.

CHAIRMAN HAWLEY asked if it has been indicated what will be put there.

MR. REEVES responded that according to management, the owner will allow the market to guide him. It can be an expansion of his operations, as there is an existing demand for his own operation and subleases. They want to expand jet traffic; the owner has an interest in overnight jet hangar space for lease. This can increase based charter aircraft.

MR. SMITH stated that the size of the hangar is roughly 14,400 sq. ft. similar to the hangar they currently have. For the development, they discussed an open ability to cater to market demands, the Airport can do more with corporate traffic and be able to adjust to the market demands.

CHAIRMAN HAWLEY asked is they were on uncharted territory as they moved forward with the RFP phase for the Airport's development and will the Commission be asked to advise on these deals. CHAIRMAN HAWLEY also asked if MR. REEVES could share more about the other proposals that the Committee reviewed.

MS. PRYOR stated that they could share about them since the information was posted and will also be part of the next Council Agenda.

MR. REEVES responded that the first proposal was from a flight school that is based at Chandler and at another airport in the Phoenix area. They proposed keeping the existing hangar and push the back wall so that the dimensions could be 80ft by 80ft inside and add an equal-sized two-story office. It would essentially be an industrial flight school with 25 aircraft or more. That same proposal requested additional space beyond the RFP footprint. The space is currently being utilized for water retention. This did not accommodate all the ultimate design aircraft as specified by the RFP.

The second proposal was enticing, however, there were concerns for future operations and development. That project proposed more hangars in a U shape configuration. The common space would open into the U. The committee's concern was that if you have one tenant leaving and one arriving, there would be a blocked taxiway. The clearance from wing tip to wing tip of a Citation 10 would have less than 10-feet to the surface of the hangar doors. The proposal did not have the economic impact that the committee saw with the Chandler Air Service proposal.

CHAIRMAN HAWLEY asked if there has been any opposition.

MR. REEVES stated that he has spoken to all three (3) parties that submitted a proposal and it has been very amicable.

CHAIRMAN HAWLEY stated that he was happy to see that the project was aligned with the Master Plan. He asked MR. REEVES if he could disclose what the next RFP would be.

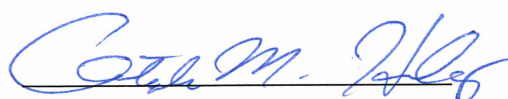
Mr. REEVES stated that tentatively he has drafted and RFP for the 5.5 acres that is adjacent to the Armory on Aviation Drive. The Airport received funds from Council to execute a strategic business plan for the Airport. Part of that scope of work is to look into RFPs, what they should look like and the timeline.

Calendar

The next Regular Airport Commission Meeting will be held immediately after the Study Session, in the Chandler Airport Terminal 2380 S. Stinson Way, Chandler, AZ.

Adjourn

The meeting was adjourned at 7:14 p.m.


Ryan Reeves, Secretary
Christopher Hawley, Chairman