

Peachtree City Airport Authority (PCAA)
Thursday, February 11, 2021
7:00 p.m.
In Person & via Zoom Conference Call
Regular Meeting Minutes

Members Present: Max Braun – Chairman, Greg Garmon – Vice Chairman, Allen Morrison – Secretary/Treasurer, Tom Lacy – Member, Gary Zarlengo – Member, Nathan Lee – Airport Attorney, and Hope Macaluso, A.A.E. – Airport Manager.

I. CALL THE MEETING TO ORDER

Max Braun called the meeting to order at 7:00 pm.

Max recognized Gary Zarlengo as the newest member of the Peachtree City Airport Authority (PCAA). He stated that Kevin Lund moved out of Peachtree City and notified the board of that on January 25th. That elevates Gary up to the full board member position. Max said that he is looking forward to Gary completing the term for the next 3 years.

II. APPROVAL OF MINUTES

Max asked if there were any additional comments or edits to the January 14th regular meeting minutes or the February 4th special called meeting minutes.

Gary Zarlengo made a motion to approve the January Regular Called Meeting minutes and the February Special Called Meeting minutes, seconded by Tom Lacy.

Motion carried 5/0

III. REPORTS

Finance & Capital Budgeting – Allen Morrison

Allen said that it was a bit of a rough month due to the water leak and fuel sales being down. We did not go into the red for the month, but it was very close.

Operations- Mike Melton, Manager of Operations

Mike Melton reported:

Food Truck Friday

Food Truck Friday is tomorrow and will feature the “Me Lumpia Long Time” food truck. They will start serving food at 11:00 AM and continue until about 1:00 PM.

Why don't you have a food truck on Saturday instead of Friday?

We have been getting this question a lot. The answer is that we would not be able to capture all of the local business traffic if it was held on a Saturday. If it was on a Saturday and it was raining, food truck minimums would not be met.

Fuel Provider Changeover

In the process of changing over to a new fuel provider, we will also be changing to a new point of sale system. Patience is important during this transition. We are going to have to transition all of the credit card information manually. If we have your credit card on file, it is likely that in March, your credit card will no longer be on file. We will try to make this transition as painless as possible, however I have a feeling that it will not be as easy as we would like it to be. We have over 600 customers to transfer over.

Business Update

January was unpredictable; however, things are improving in February and it's good to see that business is coming back.

Safety Symposium

The tenants are in the process of developing a safety symposium. In the next few months, we will be working to put that together. There is only so much input that the airport can have, but we will certainly do as much as we can to accommodate it.

T-Hangar Available

We will have a t-hangar becoming available March 1st and will be going down the T-Hangar waiting list to fill it.

Allen asked Mike about the status of the fuel farm being painted. Allen said that it was approved a while back. Mike stated that the fuel farm improvements that were approved, were for plumbing. However, as a part of our new deal with Perry Brothers, they will do the painting at no cost to us. Hope Macaluso added that it will involve sand blasting, so it will have to be coordinated with the tenants in that area so that their hangars aren't filled with sand.

IV. FINANCIAL REVIEW

Hope Macaluso reported:

Revenue and Expense Highlights

January revenues were below budget by 8% mainly due to jet fuel sales being down. One reason for that is that one of our based jets had to be relocated in the month because of the water line break. Year to date we are off target by only 1%. Normal operating expenses were right at budget again. However, the water line break was an unbudgeted expense in the month of \$12,325. Overall net income for the month was barely above break even. We are 18.5% below budget year to date.

Capital Expense:

We have also been dealing with water issues on the north wall of the FBO building. Dirt was excavated to about 2.5 feet along the wall. The mortar between the blocks was repaired and a sealant was applied along the base of the wall. A French drain was installed. A new drain was added to the corner of the building. The cost in January was \$9,775. There are more charges this month for the roof work and the conference room will now need to be repaired because of the water damage.

A replacement Ground Power Unit (GPU) was purchased in the month. Our old one has been in the shop for repairs for quite some time. The cost of repairs was not worth it for the unit. We had been using a tenant's GPU. The tenant agreed to allow us to purchase the unit from them. It is the same type of GPU as our old one so we will keep the old one for parts. The cost was \$12,000.

Grant Update:

The grant contract for Obstruction Clearing Design and Airport Layout Plan Update has been fully executed. We are awaiting the official Notice to Proceed.

WK Dickson has been moving forward with a project to acquire additional Avigation Easements for the obstruction clearing project. These easements need to be in place before clearing can be done on parcels off airport property. The cost of these easements can only be reimbursed after the easements are acquired so PCAA will front the costs until the easements are acquired.

V. OLD AGENDA ITEMS

None

VI. NEW AGENDA ITEMS

21-02-01 Consider Long Term Ground Lease Options for Area A

Max said that last week, when the board heard from the tenants, their concerns were heard loud and clear and that their presentation was extremely helpful. He said that there are a lot of ways that the board can abide by grant assurance obligations without a reversion clause. The board has an outcome in mind that removes the reversion clause from the table. He said that there is uncertainty that comes with the leases. The board has

heard from multiple people who entered into a lease without understanding the outcomes of the lease they were signing. He thinks that some of that can be taken care of through crystal clear language.

Max asked the board to think in clear concepts, which will allow them to give instructions to Nathan Lee, who can then draft the lease with the proper legal terminology. He asked the board to think about their desired outcomes. He said it is important to keep in mind that we have pretty much invited an audit. The leases need to be sound. We also need to make sure that they stand the test of time. He said that last week, a tenant said that they had the ear of city council. He reminded everyone that they are not politicians. This board will be gone in a few years and the leases need to be good for 20 or more years. He said terms can be talked about tonight, but he doesn't think they should be voted on. Nathan will draft up a lease and the board will have the opportunity to review it before the next meeting. At that point, it will be voted on. He said that one of the things that he circulated via email is lease duration. Initially the board talked about a 20-year term, comprised of a 10-year initial period with two 5-year options.

Gary said that the tenants are important to the airport's survival because he believes that without them, the airport would be a soft-landing field. He believes that the relationship between the airport and its tenants is symbiotic because without the airport providing assets, the tenants would not have hangars. He said that the tenant's business case is not very strong. He said that a 10-year balloon loan was spoke about from a tenant at the special called meeting last week. With something like that, the tenant may be able to make a little money, but even if they didn't, they still had their hobby paid for, for ten years. To him, the tenants are doing a service for the airport by building hangars and he sees that as a valuable asset. He would like to see them succeed because if the tenants succeed, then the airport succeeds. He said that this also means that the tenants need to give a little on the lease term. He believes that a 10-year lease term puts their balloon loan and our lease term coterminous. His expectation when a hangar is sold, would be to sign a new lease with the new owner. He likes the idea of a 10-year lease with two 5-year options.

Greg Garmon said that he does not like the 10-year initial lease term. With the size of the hangars here, asking someone to build with a 10-year agreement is an unlikely request, especially with removal language and only a 10-year lease guarantee. The two 5-year options are not guaranteed to them. He thinks that there should be a standard 20-year lease instead of a 10-year lease with two 5-year options. He said that a T-Hangar may need to have a shorter lease, but that can be negotiated at the time of that lease.

Allen said that the whole point is to streamline the leases as much as possible. Allen liked a 20-year initial term with 10-year renewals. Greg said that when there are leases with options attached, there is an expectation from the tenant that they will be granted the

option. However, it is not a guarantee, which is creating an unrealistic expectation. He would like to have a set term without any options.

Allen added that the lease says that the options do not have to be granted. Greg said that he doesn't think the board should bind their hands with one set of lease terms. He thinks we should be able to be flexible with the time frame if necessary. He said that the whole point is to provide controllability, not to commonize them. Max said that he liked Greg's point that there is an expectation that people will have for a lease with an option. He thinks we need to get away from the option and just set a clear, single term. Then, at the end of the term, there will be end-of-lease options such as removal, offering a new lease, etc. This sets clear expectations. Greg reiterated that the best plan of action is to set as clear of expectations as possible.

Gary said that the lease term and what happens at the end of the lease are very much intertwined. At the end of 10 years, the tenants will still owe on their loan, which would leave them upside down. He thinks the tenant should be able to amortize that loan off. It should be the tenant's decision if they want to exercise the term option. Greg said that he is not arguing for a set term, in fact he thinks that the term length should be left open. What he is arguing for, is that it be a set term without added options.

Max reminded everyone of what the conversation is about. It is about Area A lease renewals. Greg said we are also creating a standardized lease for the entire non-commercial airport. Hope Macaluso said that this does not pertain to new builds, only current hangars. Allen said that the purpose is to commonize a lease for commercial and for private storage hangars. He thinks the authority needs to stop worrying about the financial impact of the tenants. The tenants are making the decision to build on land that they don't own and are responsible for their own business model. It is not our responsibility to worry about what their loans will look like in 10 years. He thinks that in order to give Nathan clear direction, a vote will need to be made.

Max said that while it is important to have a standard lease, the initial term of a hangar will be dependent on the capital investment. He said that the FAA is very clear on this. However, he does believe that renewals can be set-in stone. Greg said that he fundamentally disagrees with Max in that he doesn't like the idea of renewals and he thinks non-commercial leases should be standardized. Gary asked if anyone is arguing for various leases. Greg explained that the board is arguing for an Area A only renewal, a new build in another area, and possibly different leases based on the size of the hangar. Gary said that he thinks we should have one lease that fits all. Greg agreed with Gary. He thinks the lease should be the same, but the term lengths can be negotiable.

Allen said that there should be two different leases, non-commercial and commercial, and that it should be streamlined as much as possible. He also said that we should maintain

the same lease schedule for a new owner. Tom Lacy asked why we wouldn't just assign a new lease. Allen said that doing it as he mentioned will keep us on the right side of the FAA. He said that the lease would get tied to the structure and not the person. Hope asked it to be kept in mind that if the new owner of the hangar is a company that we have previously had problems with, we may not assign them a lease because we may not want them to continue at our airport. Max agreed with Hope.

Nathan said that he is not clear about what he is supposed to do. Hope pointed out that leases have different start dates and different end dates. She said that those need to line up. Gary asked for clarification that the lease would be the same document for a new owner as it was for the old owner. Greg said yes. Max said that he thinks it is fine to stay south of the 50-year mark for FAA reasons. We can have a lease duration but not predetermine an outcome at the end. He said that we can make terms clear in the lease. Gary said that he thinks the lease should be based on when the hangar was built. Greg said that he agrees with Max, he doesn't think we need to structure anything right now. That will happen at the end of the lease.

Max suggested a 20-year period for a lease renewal of Area A. Greg said that he doesn't think the lease term should be a set number for all leases. Max said that it doesn't have to be a hard and fast thing. This is to instruct Nathan as to what to put in the lease that will be offered up for the renewals. He said that in 5 years, if we decide that 20-years is no longer an option, then we can change it and that's okay. Nathan reminded Max that if the lease is signed, that we are stuck with it. Greg asked why we can't have Nathan draft a lease with the term left blank and then decide at the time of the renewal. Hope reminded him that we are already past the renewal on five leases that have already expired and three more coming up. Allen said that the whole reason for this is to commonize the leases with a blank lease term. Gary said that it could then be argued that we are not treating everyone fairly.

Max asked who is in favor of a 20-year renewal term. None of the authority members commented. Gary asked Nathan if a lease could be made to someone for 30 years, terminated, and then a new lease made to that same person again for 30 more years. Nathan said that the leases are supposed to be uniform, so if everything is negotiable, some cut and dry rules must be in place to say who gets how many years.

Allen said that he likes the idea of a 20-year initial lease with two 10-year renewals. Gary asked if there is anything wrong with leases just terminating with no options and then there can be a renegotiation of a new lease. Max liked Gary's point. Allen said that he thinks the lease should be tied to the hangar and not the person. Nathan asked if we are talking about renewing the current leases up for grabs, or about a standardized lease for the airport. He asked if every upcoming lease on the airport is going to get 20-years. Greg said that that is his point of leaving the blank lease term. He wants the lease to be

standard but the term negotiable. Max said that he thinks everyone is agreeing with Greg. He said that the point that he made about a 20-year renewal was for the renewal for Area A. He said that we can have a schedule for each type of hangar correlating to a lease period. Gary asked Nathan if that would meet his qualification for non-discrimination. Nathan said that he would have to look at it, but that the theory sounds like it would.

Hope said that not everyone gets an appraisal when purchasing a hangar. Max said that it could be based on hangar size. Nathan said that he doesn't think the board understands how big of a task it is to come up with objective factors. He doesn't want tenants coming to Hope wanting a lease, and the airport doesn't have the factors to tell them how many years they will get. Greg said that the lease will be in template form with a blank for years and then the schedule will be used. Nathan said that the schedule doesn't need to take long to be settled upon.

Greg asked Hope which leases are currently expired. Hope said that D20, D28, D29, D30, and D31 are expired and D15, D21, and D23 are expiring soon. Gary asked how many different categories of hangars there are. Hope said that there are many different types and styles of hangars that are used for different purposes. Allen repeated that the whole point is to make the leases simple. He wants one lease for commercial hangars and one lease for private hangars, and that is it. Greg said that we need to be able to give each lease a specific term that will fit our needs at the time. He stated we may not be able to give a long term and that we need to be able to control the property. Tom said that this is why he thinks that a 20-year initial term is too long. Allen suggested that we think about 10-years. Gary said that that would work for renewals, but he is unsure about the new leases. He doesn't think we would ever see any capital investment in hangars. Max said new leases will be dependent upon the capital investment. Max also said that we won't have any new hangars built any time soon because there isn't a lot of open land for that. Nathan asked that the agenda item be the item that we focus on right now, which is Area A. Max suggested 10-year renewals for Area A for an informal vote for Nathan. Tom, Max, and Allen voted yes.

Max said that the next thing to consider is control of ownership. He said that the airport needs to be able to know who is on the airport. This is stated in the current leases; however, compliance is not always there. He thinks the language needs to be clarified, such as written ownership within 60-days and putting a penalty in place for non-compliance. He suggested withholding 6-months' rent for non-compliance. Gary asked for clarification on the issue. Nathan explained that this is already addressed in the current lease. The issue at hand is deciding the penalty. Gary said that technically the owner of the hangar is now in default of the lease. Nathan asked if Gary wanted the lease terminated and Gary said no. Gary asked what a typical lease costs per month. Max said some of them that are up for renewal right now are \$300-\$350 per month. Gary said that he finds a \$2,000 penalty for "flipping us off" to be laughable. Max asked Gary what he

would suggest. Gary said that that penalty in combination with lack of enforcement is the reason that we are not getting notification. Hope said that currently, the only remedy is default of lease and she is not going to make someone take their hangar down for not notifying us. Gary said that he doesn't think that the penalty suggested by Max is much of a penalty. Allen suggested that there be a \$2,500 penalty for a first-time offense, \$5,000 for a second time offense, and on the third offense, the airport has the option to put you in default of the lease. Gary, Max, and Tom agreed with Allen. Gary asked if this will be for transferring of a lease and Max clarified that it will be for not notifying us of that transfer. Allen said that this will be for lack of notification within 60-days.

Max recommended that the same penalty go for lack of notification of sublease. Hope said that for subleasing, she thinks that the notification should be within 30 days. Gary asked if we have any right of approval of tenants. Hope said no. Max, Gary, Allen, and Tom were in agreement with the penalty for lack of notification of subleasing.

Max said that the final thing to discuss is a person leasing airport hangar space when they already have their own hangar but sublease it out. Allen said that we have extremely long hangar wait lists. We have some instances where someone owns a hangar and subleases all of it out, then rents out space from the airport for their own aircraft. He would like to encourage them to use their own hangar first before using the airport's hangars. Max said that this would be something good to require.

Gary asked if this happens right now. Hope said yes. Gary asked if this would apply to those people. Allen said that he is more interested in just preventing it in the future, not kicking people out for doing it currently. Allen, Tom, and Max voted yes, that this would be a good thing for Nathan draft. Greg asked if the people that we have this issue with currently, are subleasing out their entire hangar. Hope said that no, some of them have one of their planes in their hangar, and another one in one of our t-hangars. It is more cost effective for them to sublease out their hangar spots and just rent a t-hangar from us.

Gary said that tenants are doing us a service by building hangars on the airport. Hope said that we have a considerable amount of people who want to be on the field but are unable to accommodate them. Max said that the FAA values public benefit. We have an extremely long waiting list. He said that there are two ways to rent a hangar here. You either get put on the tenant waiting list or you become friends with a tenant. If this requirement is followed through, then this opens up more availability for people.

Max said that this should be an airport policy, not part of the lease. Greg said that he has an issue with people running an "aircraft storage business" where they don't even have to own an airplane, they just come out and build a hangar and then sublease the entire thing. That is no longer a personal storage hangar, for it is now commercial use. He said that this could be done without the airport even knowing about it. If this were to happen, he

believes that there should at minimum be a commercial lease for it. Allen agreed that it would be good as an airport policy, not as a lease term.

Gary said that he doesn't understand the concern with running an aircraft storage business. Hope explained that when a hangar is built, the FAA wants it to be for your own aircraft. The FAA does not want someone making money off of a property that was paid for using tax dollars. Gary said that there is an argument to made that the tenants are not treating it like a business. He said that the FAA encourages commercial businesses. Greg said that at a minimum, they would need a commercial lease. Gary said that he doesn't want to discourage tenants from building hangars. He said that if they didn't build hangars, that we would be a grass field facility. Greg said that he doesn't think that anyone would be discouraged by that. If they are running a business, they should have a business lease. Max said that this concept is worth additional study. Nathan then asked if this is still something that he should draft up. Allen, Max, and Greg agreed that it should not be drafted.

Greg said that he thinks the structure of the permitted use section in the lease needs to be changed. He said that there is a policy that states that you cannot have anything other than an airplane in your hangar. He does not think that is a good policy, nor does he believe that the airport plans to enforce it. He said that people store toolboxes and that sort of thing in their hangars. Hope said that toolboxes are fine because it is something that supports an aviation related use. Greg asked if someone could park their johnboat in their hangar for the weekend. Hope said no, that is not allowed because it is not aviation related. He said that it is not enforced, so he doesn't believe that it should be in the lease. Nathan said that it is there because it can be enforced. Hope said that it is in the lease because the hangars are built for aeronautical use only, per FAA and Georgia Department of Transportation (GDOT). Max said that this is in there to cover us in case the hangar starts to be used for predominately non-aeronautical use. Greg said that it should be changed in the lease to say that hangars must be predominately aviation use but can have a few non-aeronautical things in them. Nathan said that this is not a new concept. Hangars are only allowed to be used for aviation related use. Hope said that it has been a long time since the airport has done a hangar inspection, but that it can be set up annually if need be.

Nathan summarized the points for the meeting so that he knows what he needs to draft up.

Greg asked Max if removal language is going to be discussed. Max said that yes, they can discuss it. For end of lease options, Max said that at the airport's discretion, they may instruct the tenant to remove the improvement, or the airport may offer a new lease. Allen, Gary, Max, Tom, and Greg informally voted yes. Gary said that he would like to get rid of the option to purchase, which is the right of first refusal. Allen said that we

want to keep the general right to first refusal. Gary asked why and if we would realistically buy a hangar. Hope said that yes, we have, and that it gives us the option to use that land for whatever we want. Max said that we will be keeping the right of first refusal.

Nathan said that he will draft things up and then the board can vote on what he comes up with.

VII. ADJOURNMENT

At 8:22 pm Max Braun made a motion to adjourn the meeting, seconded by Gary Zarlengo.

Motion carried 5/0

Attest

Max Braun, Chairman