

AGENDA ITEM SUMMARY

City Council



STAFF

Francis Robbins, Acting Airport Director
Kelly DiMartino, City Manager

SUBJECT

First Reading of Ordinance No. 149, 2024, Approving an Amended and Restated Ground Lease Agreement Between the Cities of Loveland and Fort Collins and Discovery Air, LLC, for Property at the Northern Colorado Regional Airport.

EXECUTIVE SUMMARY

The purpose of this item is to approve an amended and restated ground lease between the City of Fort Collins, the City of Loveland, and Discovery Air LLC at the Northern Colorado Regional Airport. The parties have an existing ground lease agreement with Discovery Air, LLC, at the Northern Colorado Regional Airport. The parties desire to amend and restate the lease substantially similar to the form attached hereto. Approval of the Amended and Restated Ground Lease between the cities of Loveland and Fort Collins (the "Agreement") is reserved to the City Councils because there are non-standard lease terms in the Agreement.

STAFF RECOMMENDATION

Staff recommends adoption of the Ordinance on First Reading.

BACKGROUND / DISCUSSION

Discovery Air executed a lease in 2019 for 1.16 million square feet on the south side of the airport for developing a large multi-hangar complex capable of accommodating large general aviation aircraft and a variety of aviation businesses. The lease was amended in 2021 to increase the area within the leasehold and adjust the phased lease rate. In 2023, Discovery Air initiated a request for a second lease amendment. The parties have elected to amend and restate the ground lease rather than create a second lease amendment.

The Agreement reduces the total area within the leasehold, sets the shape of the lease to provide a similar level of developable land, updates the construction phasing plan, and provides additional time for construction at a reduced rent rate before a phased escalation takes effect as part of relief from the COVID related delays. The Airport sponsor negotiation team consisting of the Fort Collins City Manager, Loveland City Manager, Airport Director, and legal counsel have prepared the Agreement for Council's review and consideration.

As depicted in the below table, the current lease terms provide a fixed minimum rent for the remaining 45 years of the lease. The Agreement presented includes provisions for early escalation should development

occur faster than previously contemplated and includes the potential for non-aeronautical development in a small area called the “remainder area.” The process for these escalations is outlined in section 4.2 of the Agreement and is dependent on annual Consumer Price Index (CPI) adjustments, early development, scheduled adjustments, and potentially non-aeronautical developments in the remainder area which could cause deviations from the forecasted revenue. The table assumes a 2% CPI escalation for future years and actual CPI adjustments for previous years.

Minimum Rent Regardless of Phasing/Development	Existing Lease	\$13,089,637
	New Lease	\$14,127,667
	Delta	\$1,038,029
Phase V Development in 2033		
Phase V Development in 2033	Existing Lease	\$14,430,420
	New Lease	\$14,127,667
	Delta	-\$302,754
Phase V Development in 2033 & Contingent Remainder Area Aeronautical Development in 2034		
Phase V Development in 2033 & Contingent Remainder Area Aeronautical Development in 2034	Existing Lease	\$17,360,829
	New Lease	\$14,127,667
	Delta	-\$3,233,162

Overall, the Agreement has tradeoff for both parties. It immediately increases the revenue of the Airport in year 1 of implementation due to rate structure for all apron areas and potentially reduces the total revenue from the project depending on development phasing.

CITY FINANCIAL IMPACTS

No impact to City financials. Airport financial impacts are generally positive with some exceptions listed in the discussion.

BOARD / COMMISSION / COMMITTEE RECOMMENDATION

On September 19, 2024, the Airport Commission unanimously recommended approval of the Agreement at its regular meeting by Resolution R-08-2024.

PUBLIC OUTREACH

None.

ATTACHMENTS

1. Ordinance for Consideration
2. Exhibit A to Ordinance
3. Amended and Restated Ground Lease Agreement (redline version)
4. Northern Colorado Regional Airport Commission Resolution R-08-2024
5. Presentation