Airport Land Acquisition

FEBRUARY 12, 2019

Acquisition Property

- Address: 820 Airport Road, Durango
- Owner: Koinonia Properties, LLC
- 12.523 total acres
  - 6 acres of building/development footprint
  - 6.5 acres of fenced outside storage/staging area
- 40,000 square feet of office and warehouse space
- Well & septic
- High speed fiber
- Primary and secondary electrical lines serve property

DRO Property Line
820 Airport Road
DRO Terminal Area
(as defined in the 2017 DRO AMP)
309

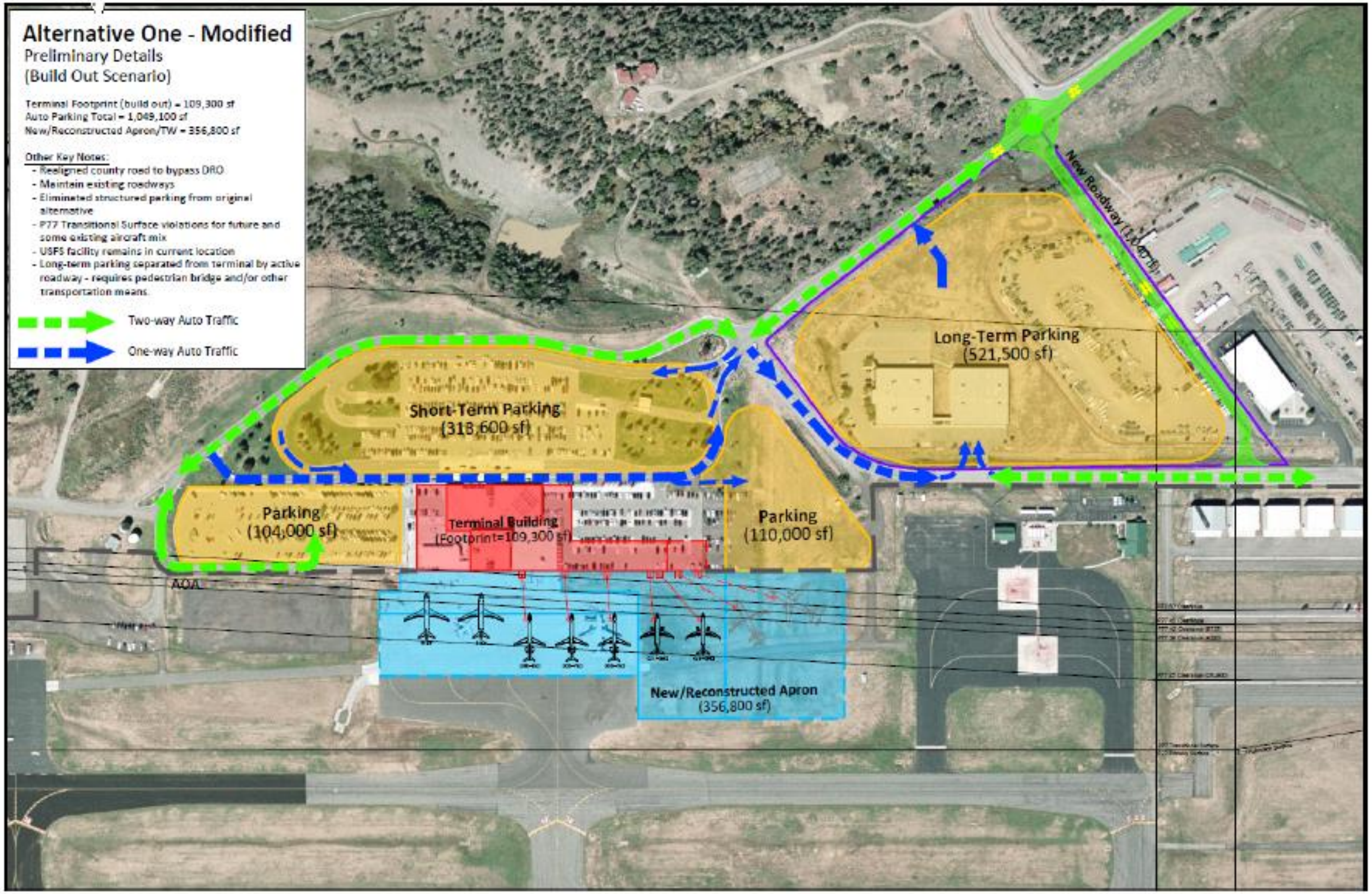
Background

- Airport Master Plan completed in 2016
- Ballot issue 1B unsuccessful in November of 2016
- Development of the Master Plan's preferred alternative (east side terminal development) is not achievable without a minimum $45 million local investment – No viable funding mechanism exists today
- Acquisition parcel placed on the market in late 2017
- The voluntary acquisition of land adjacent to a commercial service terminal complex is exceedingly rare
- Acquiring the land will allow for more unconstrained growth alternatives to be considered by the airport to meet its growing demand
- Land acquisition is eligible for FAA grant reimbursement through the AIP program

Land Use & Development

- Short-term - The existing buildings will be leased back to Koinonia Properties, LLC for a minimum of two years while planning efforts are undertaken and funding sources for future development are studied
- Long-term - The land is likely to be used for additional passenger vehicle parking expansion, rental car facilities, circulation road, and/or airport entrance road realignment, thereby freeing land for terminal building expansion
- Development of the existing terminal site will allow for the consideration of incremental expansion projects, fundable through airport revenues
  - Leverages existing utility infrastructure
  - Leverages existing airfield infrastructure (apron and taxiway)

Conceptual Alternatives



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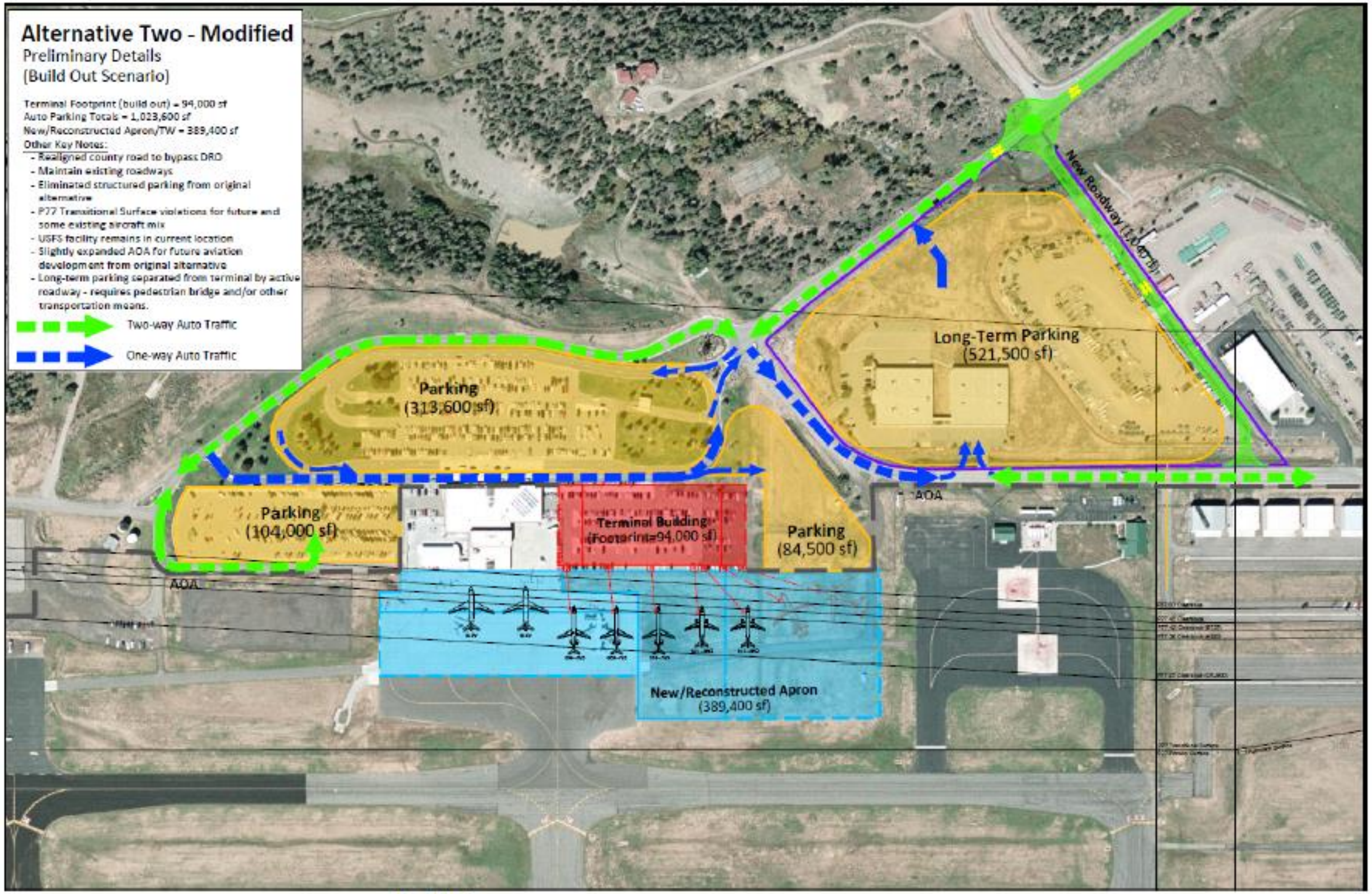

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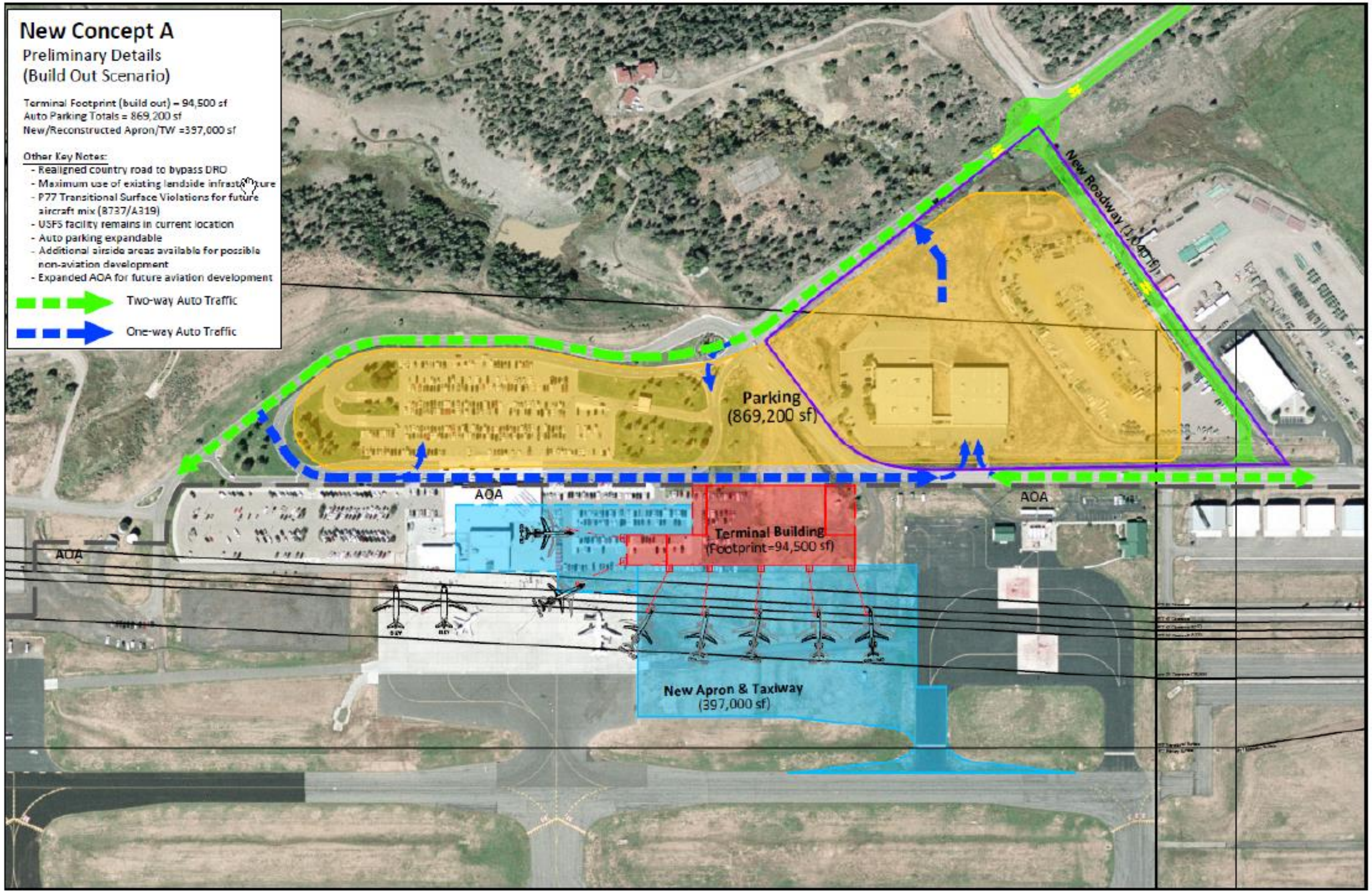

Acquisition Details

- Appraised value of $3.9 million – November, 2018
- Offer of just compensation at $3.9 million made to Koinonia Properties, LLC on 12/4/18
- Offer of just compensation accepted by Koinonia Properties, LLC on 12/6/18
- Koinonia Properties, LLC desires to lease back the buildings and parking lots for a minimum of two years
  - Lease revenue will total $12,500 per month through December of 2019, and thereafter the rental rate shall be increased to $16,250 per month through the remaining term of the lease
- Closing date of June 17, 2019

Offer Contingencies

- Approval of the real estate purchase agreement by the Durango City Council and La Plata County Board of Commissioners
- Appropriation of all necessary funds to close the transaction, including but not limited to: FAA-approved Passenger Facility Charge application, and any necessary financing on terms and conditions satisfactory to the Durango City Council and La Plata County Board of Commissioners at their sole discretion
- Satisfactory negotiation of an IGA between the City of Durango and La Plata County regarding the acquisition of the property and financing conditions
- Satisfactory environmental findings and/or subsequent negotiations to address any necessary mitigation efforts
- Satisfactory negotiation of a fair market value lease agreement between the Durango-La Plata County Airport and Koinonia Properties, LLC for the Seller's ongoing use of the premises

Financial Impact

- Negotiated purchase price of $3.9 million
- Eligible for FAA grant reimbursement at 91.88%, with CDOT match at 4.06%
- FAA grant timing has been programmed for Federal FY 2021
- DRO must carry the acquisition expense until grant reimbursement
  - Lease-purchase financing will be secured to maintain a strong airport cash position

Lease-Purchase Financing

- Lease Purchase Financing (Certificate of Participation) with acquisition property pledged as asset
- Issuance fees of approximately $75,000 – airport expense
- Annual lease-purchase expense of approximately $500,000 dependent upon final interest rate – airport expense
  - Passenger Facility Charge (PFC) funds will be utilized for financing expenses through 2021 when FAA reimbursement is programmed to occur.
  - PFC balance remains >$1million through 2021, ensuring that planned airport capital projects may continue as scheduled

Acquisition Rewards

- Allows for the study of new alternatives for terminal area development (acreage, access, etc.)
- Provides the airport an opportunity to define an incremental development strategy, utilizing airport revenues to fund development over time
- Maintains current use of the acquisition property as the airport formulates development and funding plans – lease revenue
- Allows for consideration of future commercial opportunities on the property
- Acquisition accomplished with airport funds – no local tax dollars
- Acquisition eligible for FAA grant reimbursement