STAFF REPORT
TO: Board of County Commissioners, Garfield County
FROM: Sam Carver, Airport Director
DATE: February 18th, 2025
SUBJECT: Fixed Base Operator (FBO) Lease and Operating Agreement with Vantage Aviation LLC

SUMMARY

This report provides an overview of the proposed Fixed Base Operator (FBO) Lease and Operating Agreement between the Board of County Commissioners (BOCC) and Vantage Aviation LLC for the lease of designated parcels at the Rifle Garfield County Airport. The agreement outlines operational expectations, lease terms, financial commitments, and necessary improvements. This lease benefits the airport by increasing revenue, enhancing services, improving infrastructure, and supporting economic growth.

BACKGROUND

Garfield County owns and operates the Rifle Garfield County Airport, which serves regional aviation needs. To enhance services, fuel availability, and accommodate growth, the County has engaged Vantage Aviation LLC ("Vantage"), a Delaware limited liability company, to establish FBO operations. Their proposal includes significant infrastructure investments and long-term operational commitments.

LEASE AGREEMENT OVERVIEW

Leased Premises

- **Total Lease Area:** 381,153 sq. ft.
- **Parcels Included:** A-2 (157,593 sq. ft.), A-5/A-6 (218,485 sq. ft.), and the Fuel Farm Parcel (5,075 sq. ft.).
- **Use:** Development of aircraft hangars, associated apron, parking, landscaping, and a new fuel farm facility.

Term and Renewal Options

- **Base Term:** 20 years from the effective date.
- **Renewal Options:** Two (2) additional 10-year extension periods, contingent on compliance and notification provisions.

Financial Considerations

- **Initial Base Rent:** $119,141 annually ($0.312581 per sq. ft.).
- **Annual Adjustment:** See Options Below -- to be decided by the BOCC.
- **Fuel Flowage Fees:** Standard rates per gallon as per Airport Rules and Regulations.
- **Additional Fees:** Includes water/sewer tap fees, landing fees, and other airport-imposed charges.

Required Improvements

- **Construction of Hangars and Fuel Farm Facility:** Estimated investment of at least $8 million.
- **Public Access Road:** Lessee must ensure that a properly maintained and accessible roadway is available for public access to the FBO, providing safe and efficient entry to the facility.
- **Permitting and Compliance:** Lessee responsible for securing all necessary permits within 18 months and completing construction within 36 months of final permit approval.
- **BOCC Pole Barn Relocation:** Lessee will demolish and reconstruct the existing pole barn, with an estimated cost of $150,000, with an estimated relocation amount of $25,000, and may receive rent credits for costs exceeding the estimated relocation expense.

OPERATIONAL REQUIREMENTS

- **Minimum Standards Compliance:** Lessee must meet all FBO operational standards, including fuel sales, aircraft services, and maintenance obligations.
- **Environmental Compliance:** Lessee is responsible for adhering to environmental laws and maintaining a Spill Prevention, Control, and Countermeasure (SPCC) Plan.

MAINTENANCE AND SECURITY RESPONSIBILITIES

- **Lessee:** Responsible for all maintenance, snow removal, and security of leased premises.
- **Fuel Farm Maintenance:** Lessee shall be responsible for inspecting and maintaining the fuel farm in compliance with all local, state, and federal regulations.

BOCC DIRECTION

- Staff is seeking direction on the type of inflationary cap of the CPI adjustments made annually per the lease (*See* Section III(B)(1) (pg. 3). Staff has presented the following three scenarios for the BOCC's consideration that would be inserted into the final lease:

- *Annual Inflationary Adjustment (Base Rent Cap).* Each calendar year beginning January 1, 2026, through the expiration of the Term, the Base Rent shall be adjusted using the Consumer Price Index ("CPI"), using the percentage change between the prior two calendar years in the average of the "first half" and "second half" semi-annual averages of the CPI for All Urban Consumers, All Items, for Denver-Aurora-Lakewood, Colorado (base year 1982-84 = 100), as published for each calendar year by the U.S. Department of Labor Bureau of Labor Statistics, Washington D.C., or a comparable successor index identified by the BOCC, ("CPI-U"), plus twenty-five (25) basis points; provided, however, in no event shall the Base Rent exceed $0.777484 per square foot (the "Base Rent Cap") while this Agreement is in effect.

- *Annual Inflationary Adjustment (Capped CPI Adjustments).* Each calendar year beginning January 1, 2026, through the expiration of the Term, the Base Rent shall be increased by the lesser of (i) four percent (4%) or (ii) the percentage change between the prior two calendar years in the average of the "first half" and "second half" semi-annual averages of the Consumer Price Index ("CPI") for All Urban Consumers, All Items, for Denver-Aurora-Lakewood, Colorado (base year 1982-84 = 100), as published for each calendar year by the U.S. Department of Labor Bureau of Labor Statistics, Washington D.C., or a comparable successor index identified by the BOCC, ("CPI-U"), plus twenty-five (25) basis points.

- *Annual Inflationary Adjustment (Deferred CPI Adjustments).* Each calendar year beginning January 1, 2026, through the expiration of the Term, the Base Rent shall be adjusted using the Consumer Price Index ("CPI"), using the percentage change between the prior two calendar years in the average of the "first half" and "second half" semi-annual averages of the CPI for All Urban Consumers, All Items, for Denver-Aurora-Lakewood, Colorado (base year 1982-84 = 100), as published for each calendar year by the U.S. Department of Labor Bureau of Labor Statistics, Washington D.C., or a comparable successor index identified by the BOCC, ("CPI-U"), plus twenty-five (25) basis points (the "Inflationary Adjustment"); provided, however, that to the extent the Inflationary Adjustment exceeds four percent (4%), such portion of the Inflationary Adjustment shall be added to the Inflationary Adjustment in the subsequent year(s) of the Agreement, such that the Base Rent is not increased by more than four percent (4%) year-over-year.

- Staff is also seeking direction on whether the BOCC will allow a substitute security in lieu of a Performance Bond or Letter of Credit. *See* Section XI(B)(3)(pg. 17).
  - The current lease requires a Performance and Payment Bond Section XI(B)(1), or a Letter of Credit (with BOCC approval) to provide a source of funds the BOCC

may draw to complete the Required Improvements should Vantage fail to complete their project.

- Vantage has requested in lieu of these securities, to be allowed to produce a fixed price contract and firm construction loan commitment for the Required Improvements. *See* Section XI(B)(3).
- Allowing a fixed price contract will prevent Vantage from having to produce multiple securities, however, it does not provide the County the option of having the funds available to complete the Required Improvements should Vantage fail to complete them.

RECOMMENDATION

Staff recommends that the BOCC approve the Fixed Base Operator Lease and Operating Agreement with Vantage LLC, pending direction from the BOCC, final legal review and regulatory compliance. This agreement will enhance airport services, generate long-term revenue, and support the continued growth of Rifle Garfield County Airport.

ATTACHMENTS:

1. Proposed Lease Agreement
2. Lease Boundary Exhibit
3. Development Plans
4. Minimum Standards for Aeronautical Activities