

TUCSON AIRPORT AUTHORITY | Board of Directors
Friday, July 26, 2024 | 10:00 a.m. | [Microsoft Teams](#)

Pursuant to [A.R.S. § 38-431.02](#), notice is hereby given to the members of the Tucson Airport Authority (TAA) and to the public that the **Board of Directors** will hold a remote-only special meeting open to the public on **Friday, July 26, 2024, beginning at 10:00 a.m.** Directors and the public may attend virtually via the remote participation platform Microsoft Teams. As indicated in the following agenda, the Board of Directors may vote to go into executive session, which will not be open to the public, to discuss certain matters.

Members of the public interested in observing the proceedings may do so through Microsoft Teams. Click [HERE](#) to be taken to the registration form. Upon registering, you will receive an email confirmation containing the hyperlink, telephone number, and access code to join the meeting online or by phone.

The agenda for the meeting is as follows:

1. CALL TO ORDER | ROLL CALL

- | | |
|--|---|
| <input type="checkbox"/> Keri Silvyn, Chair | <input type="checkbox"/> Mike Hammond, Vice Chair |
| <input type="checkbox"/> Phil Swaim, Secretary | <input type="checkbox"/> Vance Falbaum, Treasurer |
| <input type="checkbox"/> Judy Rich, Director | <input type="checkbox"/> Todd Jackson, Director |
| <input type="checkbox"/> Calline Sanchez, Director | <input type="checkbox"/> Fran Katz, Director |
| <input type="checkbox"/> Rhonda Piña, Director | <input type="checkbox"/> Ellen Wheeler, Director |

2. EXECUTIVE SESSION

Agreement with the United States Environmental Protection Agency (EPA)

The Board of Directors may vote to discuss and consult with TAA's attorneys and representatives regarding an agreement between the Tucson Airport Authority and the United States Environmental Protection Agency (EPA) for the purposes of legal advice and to consider TAA's position and instruct its representatives related to per- and polyfluoroalkyl substances (PFAS) matters as provided in [A.R.S. § 38-431\(A\)\(3\) and \(4\)](#).

3. RETURN FROM EXECUTIVE SESSION

4. ACTION ITEMS

a. Raytheon Company Ground Lease | Engine Test Facility

Adopt Resolution No. 2024-10 authorizing the President/CEO or her designee(s) to execute a new ground lease with Raytheon Company to construct an Engine Test Facility on TAA-owned property, subject to key business terms.

b. Agreement with the United States Environmental Protection Agency (EPA)

The Board of Directors will consider and may adopt Resolution No. 2024-11 authorizing the President/CEO or her designee(s) to execute an agreement (in substantially similar form as considered and discussed in executive session) with the United States Environmental Protection Agency related to TAA per- and polyfluoroalkyl substances (PFAS) investigations and remediation planning.

5. NEXT MEETING

Wednesday, September 4, 2024, 3:00 p.m. | Hybrid Meeting – TAA Board Room and Microsoft Teams

6. ADJOURN

Date: July 26, 2024

To: Board of Directors
From: John Voorhees, Vice President/Chief Revenue Officer
Re: Raytheon Company ground lease terms

Background:

Tucson Airport Authority (“TAA”) and Raytheon Company (“Raytheon”) have negotiated business terms for the development of up to five acres of land within TUS airport property. Raytheon’s subsidiary company, Pratt and Whitney Canada (P&WC) performs warm weather, long-term engine testing through a contract with Ascent Aviation (“Ascent”) - a current aircraft maintenance, repair, and overhaul (MRO) provider at TUS. One year ago, the Board authorized TAA staff to negotiate a ground lease with Ascent for the purpose of building an engine test facility (ETF). The negotiation stalled because P&WC was reticent to support Ascent’s agreement at that time. At TAA’s urging, Raytheon has intervened in the process to take responsibility for the site leasing and development. The terms of this agreement reflect the new business dynamic. The layout of the site and general implementation are similar to the previous Board Memo dated June 14, 2023.

Ascent currently operates a temporary engine test facility located on the A-17 ramp on the east side of the airport. This ramp was not designed or intended to house a static engine test facility. The presence of the test center limits the capacity of the ramp for its intended purpose and complicates scheduling large aircraft parking on the ramp. The A-17 ramp is often used for irregular operations and emergencies. TAA staff have sought to relocate the operation for the past two years, but operational schedules and business realignments have hindered progress until now.

The proposed site is mostly open to the environment, as a critical component of the testing regimen. The site will consist of two engine test stands, a control room, acoustic test microphones for sound engineering phase testing, restroom facilities, various support apparatus, and parking lot spaces.

TAA has conducted the appropriate level of environmental research and analysis to satisfy FAA National Environmental Policy Act (NEPA) requirements. The FAA found that there was no further federal action required. TAA can proceed with the development. As an open-air site, operating aircraft engines, TAA evaluated the impact of noise on the area. The noise of the site will remain within the current noise contours of the airport. The only other environmental concern will be the design of the site and its potential impact to the airfield’s navigation aids (NAVAIDS). There are deliberate steps Raytheon must take to mitigate all negative impacts to TUS NAVAIDS and TAA will be engaged in this effort. The tenant will be responsible for mitigating

all other planning and construction related issues as part of the normal permitting process with the City of Tucson.

Strategic Plan | Analysis:

This lease will support TAA’s Strategic Initiative to increase airport revenue and contribute to TAA’s self-sustaining financial system strategy (Expanding Prosperity). Ascent is a long-term tenant of TUS and a valued partner in the aviation industry. The company saved nearly 30 jobs from a company that went out of business in 2022. Ascent has provided jobs for the community and additional lease revenue to the TAA.

Cost Analysis:

TAA proposed a ten (10) year lease (“Initial Term”), and extension option of one additional period of five (5) years. The business terms include an updated lease rate of \$.39 per square foot / per year with an annual CPI rate adjustment. This amounts to a yearly rental revenue of \$84,942. Over the life of the Initial Term, TAA would realize approximately \$850,000 in revenue (not including CPI adjustments).

TAA renegotiated the site development responsibilities with Raytheon. Instead of TAA conducting a project to bring utilities to the site boundary, Raytheon will perform this task. TAA will provide Raytheon a tenant improvement allowance in the form of rent credit up to a maximum of \$106,400 to install utilities. TAA will also provide an ALTA survey and legal description for the parcel. The expected cost of survey and legal description is less than \$8,000 and will be funded through the Business and Commercial Development Operations and Maintenance Fund.

The primary benefit of this effort is to increase revenue received into the airport system. The second order benefit of the improvements will be to remove the temporary site from A-17, and to further develop future sites in the area where the ETF will be located.

Recommendation:

TAA staff recommends the Board adopt Resolution No. 2024-XX authorizing the President/CEO or her designee(s) to execute a new ground lease with Raytheon Company for the construction of the permanent engine test facility, subject to key business terms.

Attachments:

1. Resolution No. 2024-10
2. Exhibit A: Key Business Terms

EXHIBIT A: KEY BUSINESS TERMS

Date:	May 6, 2024
Agreement Type:	Ground Lease
Landlord:	Tucson Airport Authority, Inc. ("TAA" or "Landlord")
Tenant:	Raytheon Company, a Delaware Corporation ("Tenant")
Premises:	Option A: Minimum five (5)-acre parcel to be developed for aircraft engine test facility. Option B: if Tenant provides a satisfactory dust mitigation plan as well as a plan to park vehicles and accommodate emergency vehicles a minimum three (3)-acre parcel to be developed for aircraft engine testing facility.
Project Description:	Construct an aircraft engine test facility ("ETF"). Enter into ground lease for the subject parcel.
Lease Term:	Ten (10) years from Rent Commencement defined below. With a possible five (5)-year extension.
Lease Effective Date:	Upon full execution of binding lease agreement by both parties.
Lease & Rent Commencement Date:	Upon completion and relocation of test site, but no later than nine-months from Effective Date.
Base Rent:	Option A: \$0.39/SF X 217,800 SF = \$84,942/year (\$7,078.50/month) Option B: \$0.39/SF X 130,680 SF = \$50,965.20/year (\$4,247.10/ month)
Rate Adjustments:	Rent will be adjusted annually in accordance with the Consumer Price Index. It will never be adjusted downward.
Taxes:	The Tenant will be responsible to pay for all applicable taxes regarding the construction project and other applicable taxes at no cost to TAA.
Other Conditions:	None.
Site Development:	At no cost to TAA, Tenant will make all improvements at its sole cost and expense which will be subject to Landlord's advance review and written approval of the proposed improvements. Approval of these modifications is subject to the TAA Tenant Improvement Review Panel (TIRP). No improvements or modifications will be completed prior to a written notice to proceed from the TIRP. <ul style="list-style-type: none">○ Tenant will develop the ETF including all supporting facilities.○ Tenant will construct access road(s) to the facility.<ul style="list-style-type: none">▪ TAA to provide specifications for road construction (locations, construction type, etc). Tenant will construct road similar in specifications to dirt roads currently on property.

- Tenant will fulfill all municipal permitting requirements.
- TAA will provide survey and legal description of the site as an Exhibit to the lease document.
- TAA will seek all appropriate NEPA FAA approvals to facilitate the establishment of the ETF operation prior to lease execution.
- TAA to provide Tenant Improvement Allowance (TIA) in the amount of \$106,400 to be utilized for the installation of utilities. TAA to determine best method for reimbursement. (rent credit or reimbursement payment upon completion)

MX Responsibilities:

Tenant will be responsible for the maintenance of the Premises under this agreement.

TAA will be responsible for the maintenance of airport surfaces and infrastructure to support the engine test operation.

Utilities:

Tenant shall pay for all utility services supplied to the Premises, including, but not limited to, electricity, gas, water, and data.

Sample Lease:

The attached sample is for informational purposes only (see Exhibit C). Actual lease terms and conditions will be subject to review by TAA's discretion. A binding lease agreement will be subject to review by Tenant's Real Estate counsel.

TAA Approval of Terms:

Lease terms are subject to approval of TAA's Board of Directors.

This proposal represents an expression of interest in pursuing acceptable business terms for which Landlord and Tenant can mutually execute a lease document for the Premises. No legal obligation or liability shall arise between the parties until the execution of a standard Lease agreement that is satisfactory to each party and its counsel. Unless accepted or responded to by Tenant this offer shall expire as of 5:00 p.m. local time, May 22, 2024.

Exhibit A: Engine Test Pad



Exhibit B: Site Layout



A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., AUTHORIZING THE PRESIDENT/CEO OR HER DESIGNEE(S) TO EXECUTE A NEW GROUND LEASE WITH RAYTHEON COMPANY, TO CONSTRUCT AN ENGINE TEST FACILITY ON TAA-OWNED PROPERTY, SUBJECT TO KEY BUSINESS TERMS.

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., AS FOLLOWS:

The President/CEO or her designee(s) is authorized to execute a new ground lease with Raytheon Company to construct an Engine Test Facility on up to five acres of TAA-owned property, subject to key business terms set forth in Exhibit A (“Key Business Terms”) of Exhibit 1 (Board Memorandum) and the Exhibits thereto, the foregoing documents being attached to this resolution and incorporated herein by reference.

PASSED AND ADOPTED by the Board of Directors of the Tucson Airport Authority, Inc., this twenty-sixth day of July, 2024.

Keri Silvyn, Chair of the Board

ATTEST:

APPROVED AS TO FORM:

Phil Swaim, Secretary

Christopher Schmaltz, Executive Vice
President and General Counsel

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., AUTHORIZING THE PRESIDENT/CEO OR HER DESIGNEE(S) TO EXECUTE AN AGREEMENT (IN SUBSTANTIALLY SIMILAR FORM AS CONSIDERED AND DISCUSSED IN EXECUTIVE SESSION) WITH THE UNITED STATES ENVIRONMENTAL PROTECTION AGENCY RELATED TO TAA PER- AND POLYFLUOROALKYL SUBSTANCES (PFAS) INVESTIGATIONS AND REMEDIATION PLANNING.

WHEREAS on April 17, 2024, the Environmental Protection Agency (EPA) promulgated hazardous substance designations, pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act, as amended, 42 U.S.C. §§ 9601-9675 (CERCLA), for per- and polyfluoroalkyl substances (PFAS) and contaminants, PFOA and PFOS, including their salts and structural isomers. The designation states that EPA reached this decision after evaluating the available scientific and technical information about PFOA and PFOS and determining that they may present a substantial danger to the public health or welfare or the environment when released; and

WHEREAS as a Part 139 commercial service airport, the Federal Aviation Administration (FAA) has regulatorily required all commercial service airports, including Tucson International Airport (TUS), to use PFAS containing aqueous film forming foam (AFFF) as part of maintaining TUS's aviation related firefighting responsibilities to protect the health and safety of the aviation and non-aviation users of TUS and the traveling public; and

WHEREAS TAA, while recognizing that PFAS contamination comes from a variety of sources that do not include AFFF, TAA embraces the important role that TUS has in southern Arizona as not only an economic engine, but as a key stakeholder in the community's health and safety, TAA is committed to being a community partner in the collective and comprehensive effort to address the PFAS presence in greater Tucson.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., AS FOLLOWS:

The President/CEO or her designee(s) is authorized to execute an agreement (in substantially similar form as considered and discussed in executive session) with the United States Environmental Protection Agency (EPA) related to TAA per- and polyfluoroalkyl substances (PFAS) investigation and remediation planning.

[CONTINUES ON FOLLOWING PAGE]

PASSED AND ADOPTED by the Board of Directors of the Tucson Airport Authority, Inc., this twenty-sixth day of July, 2024.

Keri Silvyn, Chair of the Board

ATTEST:

APPROVED AS TO FORM:

Phil Swaim, Secretary

Christopher Schmaltz, Executive Vice
President and General Counsel

DRAFT