



DATE: January 11, 2018

TO: Council Airport Committee

FROM: Interim Director of Public Works

SUBJECT New Lease with Briggs Resources, Inc.

RECOMMENDATION

That the Committee reviews this report, provides comments regarding the proposed lease, and makes a recommendation for action to Council.

BACKGROUND

American Aircraft Sales (AAS) entered a Commercial Aviation Site Lease with the City on December 10, 2010 for a parcel of land identified as "Plot G", 21015 Skywest Drive. The parcel consists of approximately 119,159 square feet of improved land. Despite the best efforts of both parties, AAS was unable to adhere to the required timeline in their lease for the construction of a new hangar and improvements to the existing office structure. As a result, AAS vacated on December 31, 2015 and their lease was terminated. Since that time, staff has used portions of the leasehold for aircraft parking, particularly during events such as the annual Airport Open House and Super Bowl 50. However, because the buildings require significant capital improvement before they are suitable for lease, they have remained vacant since AAS relocated their operations.

DISCUSSION

During the latter part of 2016, Briggs Resources, Inc. notified the City of their interest in acquiring the leasehold. To demonstrate that interest, they provided staff with a proposed building elevation and narrative (Attachment III), and conducted an engineering evaluation of the existing buildings on the leasehold. Furthermore, the company held discussions with potential subtenants.

The resulting agreement, which was reached during early December 2017, produced several key items, including:

- Renovation of the existing office building;
- Replacement of the existing attached hangar with one hangar of the same size and dimensions, and
- The option to build an additional hangar on the leasehold.

As with other recent Airport capital projects, development will be phased over time, as follows:

- Phase I includes the construction of a new aircraft storage hangar and the substantial renovation of the two-story building. This work will be completed within two years from the effective date of the lease.
- Phase II includes the construction of a second aircraft hangar within seven and one-half years from the completion of Phase I. This does not preclude an earlier start date to meet additional demand.
- Phase III includes the construction of a third hangar within five years of the completion of Phase II. This presumes a good faith effort by the tenant and successful completion of the previous phases by the stipulated deadlines.

Rent will be commensurate with the phase of development. During Phase I, rent is \$0.10 per square foot, per year for the first two years of the lease or until construction is completed, whichever is sooner. After a Certificate of Occupancy is obtained, rent will be \$0.33 per square foot. Future rent increases will be tied to CPI and will be similar to other commercial leases at the Airport. Both parties contemplate an initial 35-year lease term, with two options of seven and one-half years each available to the lessee after the end of the initial term.

STRATEGIC INITIATIVES

This agenda item pertains to development at the Airport and does not directly relate to one of the Council's Strategic Initiatives.

FISCAL IMPACT

During the first two years of Phase I construction, annual rent will be \$11,916. For the balance of the term, annual rent will be \$39,322. Per Attachment C to the lease, rent will be adjusted every five years after Year 5 of the lease by the Consumer Price Index (CPI) for the previous five years, not-to-exceed a maximum of 7%. Furthermore, this project will benefit the local economy by providing job opportunities and generating sales tax from aircraft sales.

SUSTAINABILITY FEATURES

The Airport is strongly committed to developing projects that are environmentally responsible. Therefore, staff will ensure than all plans proposed by the developer incorporate features that are in line with the City's sustainability guidelines.

PUBLIC CONTACT

This topic will be discussed at the CAC meeting of January 11, 2018.

NEXT STEPS

With the concurrence of the committee, staff will present this item to Council in February 2018. If approved by Council, staff will conclude negotiations and finalize the ground lease. Development will proceed according to the terms of the lease.

Prepared by: Doug McNeely, Airport Manager

Recommended by: Alex Ameri, Interim Director of Public Works

Approved by:



Kelly McAdoo, City Manager