

ITEM#: 9
DATE: 10-27-20

COUNCIL ACTION FORM

SUBJECT: TWENTY-FIVE YEAR AMENDMENT TO AIRPORT LAND LEASE WITH HAP'S AIR SERVICE

BACKGROUND:

The current lease with Hap's Air Service was approved in December of 1992 and has a provision to extend the lease period for another 25 years. Rates for this lease are adjusted every five years based on the market and other economic factors affecting the Ames Airport.

On July 31, 2018, the City Council approved a two-year extension with Hap's service to allow on going land lease rate discussions to occur with our land lease tenants at the airport. At the time, the City had just begun the update to the Airport Master Plan and issues such as making our land lease rates more competitive with surrounding airports were being investigated. While past practice for the Ames Airport was to base lease rates according to the land area, it was found that current lease arrangements for the majority of other airports is for the lease rate to be based on the square footage of the hangar/buildings. Starting with FY 2022/23, staff plans to have all lease renewals and new leases follow the current standard practice of establishing lease rates based on the footprint of the buildings. This will allow all private land leases at the airport to start together under a new competitive market lease rate structure.

This amendment to Hap's lease establishes starting the new building footprint-based rate calculation in FY 2022/23. Thus, a retroactive "bridge period" is included with this lease amendment to hold constant the last year of their previous 25-year lease for three fiscal "bridge" years (FY 19/20, FY 20/21, and FY 21/22). The draft lease amendment is attached to the Council Action Form. The following table summarizes the bridge period and the first five years of the proposed lease:

Fiscal Year	Annual Amount
<i>Bridge Period</i>	<i>Totals</i>
2019/20	\$5,853
2020/21	\$5,853
2021/22	\$5,853
<i>1st 5-Year Period</i>	<i>Totals</i>
2022/23	\$2,002
2023/24	\$2,052
2024/25	\$2,103
2025/26	\$2,156
2026/27	\$2,210

ALTERNATIVES:

1. Approve the Amendment of Aircraft Hangar Site Lease 25-year lease extension with bridge period for Hap's Air Service.
2. Reject the proposed lease and direct staff to renegotiate the lease.

MANAGER'S RECOMMENDED ACTION:

Approving this lease amendment will support the operation of a long-time local business at the airport. This also begin standardizing all leases at the Ames Airport to offer lease rates that are competitive with other airports, reflect the state of current practice, and provide the opportunity to attract new hangar growth at the Ames Airport, as shown in the 2020 update to the Airport Master Plan.

While this new methodology for determining lease payments based on building footprint rather total leased land area initially will result in less revenue from each building owner, it is anticipated that this new competitive rate model in the long run will generate new growth and more associated revenue to the Airport.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, as noted above.

Amendment of Aircraft Hangar Site Lease

THIS IS AN AMENDMENT made by and between Lessor and Lessee upon the following terms and conditions:

1 Definitions. When used in this Amendment, unless otherwise required by the context:

1.1 "Lessor" means the City of Ames, an Iowa municipal corporation, whose address for the purpose of this agreement is 515 Clark Avenue, Ames IA 50010.

1.2 "Lessee" means Hap's Air Service, Inc., an Iowa Corporation, whose address for the purpose of this agreement is 2508 Airport Drive, Ames, IA 50010

1.3 "Agreement" means the Aircraft Hangar Site Lease presently in force between Lessor and Lessee dated January 1, 1993, and any amendments thereto.

1.4 "Amendment" means this instrument as signed by the Lessor and Lessee.

2 Amendment. The parties agree that the term Hangar Site Lease Agreement is amended as follows:

2.1 From July 1, 2019 to June 30, 2020, the rent shall be equal to \$5,853.00 per year.

2.2 From July 1, 2020 to June 30, 2021, the rent shall be equal to \$5,853.00 per year.

2.3 From July 1, 2021 to June 30, 2022, the rent shall be equal to \$5,853.00 per year.

2.4 From July 1, 2022 to June 30, 2023, the rent shall be equal to \$2,002.00 per year.

2.5 From July 1, 2023 to June 30, 2024, the rent shall be equal to \$2,052.00 per year.

2.6 From July 1, 2024 to June 30, 2025, the rent shall be equal to \$2,103.00 per year.

2.7 From July 1, 2025 to June 30, 2026, the rent shall be equal to \$2,156.00 per year.

2.8 From July 1, 2026 to June 30, 2027, the rent shall be equal to \$2,210.00 per year.

2.9 For the next five-year term beginning July 1, 2027, to June 30, 2032, the Lessor will issue the Lessee an annual rent schedule. The Lessor will use the average CPI-U, inflation, interest rates, market forces and other economic factors affecting the airport when developing each five-year rent schedule, which may include an annual rate adjustment in each respective five-year term.

2.10 There shall be three additional five-year rental periods until the lease expires on June 30, 2047. It is anticipated that the parties shall negotiate a new land lease at that time, with rates determined as described in Section 2.9 above.

2.11 The result in each case shall be rounded up to the nearest whole dollar.

2.12 As used herein, "CPI-U" means the *Consumer Price Index for All Urban Consumers (CPI-U), US City Average, All Items, 1982-84=100, not seasonally adjusted*. If at any of the times required for fixing such CPI Multiplier the CPI-U is no longer published, Lessor and Lessee shall use another index as is then generally recognized for similar determinations of purchasing power.

3 Continued Full Force. The Agreement shall continue to have full force and effect in accordance with the terms thereof, subject, however, to this Amendment.

IN WITNESS OF THIS AMENDMENT, Lessor and Lessee approve and agree to the terms of this Amendment as stated herein.

CITY OF AMES, IOWA

HAP'S AIR SERVICE

By: _____
John Haila, Mayor

By: *Diana Holden*
Diana Holden, Hap's Air Service, Inc.

Attest: _____
Diane R. Voss, City Clerk