

ITEM#: 12
 DATE: 06-14-22

COUNCIL ACTION FORM

**SUBJECT: SET PUBLIC HEARING DATE FOR LONG TERM
 LAND LEASES AT AMES MUNICIPAL AIRPORT**

BACKGROUND:

On June 30, 2022, land leases will expire for five private hangars at the Ames Municipal Airport. Therefore, new leases are necessary to continue the use of these facilities. The proposed leases will include rate schedules covering five, five-year periods for a total of up to 25 years. All private hangar leases pay the same rate based on the square footage of their respective buildings. The leases will go into effect on July 1, 2022, to coincide with the City's fiscal year.

Because of the length of the land leases, Iowa Code requires that a public hearing be held in advance of the approval. Therefore, staff is requesting that a public hearing be set for June 28, 2022, for all five private hangar land leases. After closing the public hearing, City Council can approve the leases at that same meeting.

During the 2020 update to the Airport Master Plan, airport users requested a change to the metric for establishing lease rates. Therefore, the airport leases will be changing from a lease parcel area to a building footprint square-footage as the metric for establishing lease rates. This change is expected to bring the Ames Municipal Airport's private hangar leases closer to current market rates and practice. It should be noted that this will come with an initial reduction in revenues; below is a summary of that change:

	FY 2021/22	FY 2022/23	Net Change
Total of Seven Private Hangars	\$30,390	\$13,262	(\$17,128)

The Airport has two types of revenues, one from Airport operations (hangar leases, FBO contract, and fuel flowage) and the other from the Airport Farm (land leases). The proposed lease calculation change is expected to result in a net loss of approximately \$17,000, which represents a 9.6% reduction in operational revenue only (no effect to farm revenue). Below is a summary of the proposed adopted FY 2022/23 Airport budget that includes the revenue reduction:

Operations	FY 2022/23	Farmland	FY 2022/23
Revenues	\$161,723	Revenues	\$82,061
Less Expenses	(132,330)	Less Expenses	(5,500)
Net Income	\$29,393	Net Income	\$76,561

For FY 2022/23 and future fiscal years, that the Airport will continue to operate with a net positive budget. It should be noted that operational revenue supports the day-to-day expenses of the Airport, while the farm revenues are transferred to the Airport's capital reserve fund and used for local match on Federal and State grants during larger CIP projects. **This change is anticipated to make the Ames Airport competitive with other regional airports and support the anticipated hangar growth shown in the Airport Master Plan.**

Staff is working with the City Attorney's Office to finalize the format of the land lease and have them signed in advance of June 28th. They will include requirements from Federal, State, and Local laws, as well as any applicable policies of the City of Ames. This will ensure compliance with the Airport's grant assurances and other airport standards. **Below is a list of the lease holders associated with this public hearing:**

- **Ames Hangar Club**
- **Brian Aukes**
- **Plane Crazy LLC**
- **Linda A. Sommerfeld**
- **Viking Aviation**

ALTERNATIVES:

1. Set the Public Hearing date of June 28, 2022, for the long-term private hangar land leases at the Ames Municipal Airport.
2. Reject the request, and direct staff to issue shorter term lease extensions.

CITY MANAGER'S RECOMMENDED ACTION:

By setting the public hearing date, the Ames Municipal Airport will be able to continue private hangar usage in advance of the June 30 deadline. Land leases are a critical revenue stream for the Airport.

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