

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

**OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA**

00-577

SYNOPSIS -

AGENDA:

DECEMBER 18, 2000

SUBJECT:

SETTING DATE OF
HEARING FOR
FIRST AMENDMENT
TO UPS LAND
LEASE

The existing United Parcel Service (UPS) Lease Agreement requires that on or before July 1, 2005, the Airport is to offer for lease to UPS an additional 15 acres of land adjacent and contiguous with the initial Leased Premises. Therefore, UPS has now requested the leasing of the Airport Baptist Church property as part of the required 15 acres of Option Land and to delay the completion of their new facility to permit their use of the church property. The church property at 2500/2600 old Army Post Road is expected to be turned over to the Airport prior to October 1, 2001.

FISCAL IMPACT -

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

Rent during the initial term for the church property (i.e., first parcel of Option Land), once the property is actually leased to UPS, is to be retroactive to April 1, 2000, and should be approximately \$16,000 per month. Rent during the initial term on the second parcel of Option Land is to be at fair market value, which at today's rates should be approximately \$5,000 per month. Rent during the initial term on the third parcel of Option Land is also to be at fair market value, which at today's rates should be approximately \$1,900 per month. Once all the additional 15 acres of Option Land is leased to UPS, the additional rent from UPS to the Airport will total approximately \$22,900 per month or \$274,800 annually.

SUBMITTED BY:

WILLIAM F.
FLANNERY
AVIATION
DIRECTOR

RECOMMENDATION -

Set date of public hearing for the first amendment to the UPS Lease Agreement.

BACKGROUND -

On February 16, 1998, by Roll Call No. 98-471, the City Council approved a Letter of Understanding with UPS concerning a proposal

for them to construct, on the Airport, a new package sort and distribution center, and authorized the Aviation Director to proceed with the negotiation of a land lease consistent with the provisions of the Letter of Understanding. On October 18, 1999, by Roll Call No. 99-3257, the City Council approved the land lease agreement with UPS.

Based on the request from UPS, staff has negotiated a proposed lease amendment which provides for the church property to be leased to UPS as Option Land once the Airport gains possession of the property, identifies the additional land to be leased in the future as Option Land, and allows UPS to postpone until December 31, 2003, the completion of the new building. Since the UPS lease term has over three years remaining, this first amendment must be approved by City Council. On December 5, 2000, by Resolution No. A00-425, the Airport Board recommended approval of this amendment. The following is a summary of the main provisions of the proposed lease amendment:

- The first parcel of Option Land that would be provided to UPS is approximately 5.6 acres of property, which is now being purchased from the Airport Baptist Church, shown on Exhibit "M" (attached to the roll call). The Airport is to reimburse UPS the actual cost, not to exceed \$24,999, for the clearing of all structures from the property. Rent during the initial term, once the property is actually leased to UPS, is to be retroactive to April 1, 2000, and is to be based on the actual annual debt service cost for principal, interest, and issue expenses for that portion of the Aviation System Revenue Bonds, Series 1998C, issued by the City to finance the costs associated with the acquisition and demolition. (The actual amount of the monthly rental to include the retroactive amount will be determined at the time the property is actually leased to UPS.)
- The second parcel of Option Land that would be provided to UPS is approximately 6.8 acres of property as shown on Exhibit "N" (attached to the roll call). Rent during the initial term, once the property is leased to UPS, will be at market rent by a procedure established in the original lease agreement.
- The third parcel of Option Land that would be provided to UPS is to be approximately 5.6 acres of property as shown on Exhibit "O" (attached to the roll call). If UPS leases this Option Land, then they are to release from their original lease premises and return to the Airport approximately 3.0 acres of land adjacent to new Army Post Road so that the total quantity of land added to the leasehold under this agreement as Option Land does not exceed 15 acres as stated in

the original lease agreement. No rental adjustment is to be made for the trade of land. Rent during the initial term on the additional property, up to and above the traded land, once the property is leased to UPS, will be at market rent by a procedure established in the original lease agreement.

- UPS is to pay the Airport \$500,000 toward the construction of a future paved Airport Service Road to be located adjacent to the south side of their leased premises and intersecting with the existing City street already named SW 28th Street. This service road is intended to provide vehicle access to property currently owned by the Airport which now is available for future Airport development and for access to the UPS lease premises.

- Project commencement and project completion are to be redefined as the date upon which clearing, grubbing, and grading begins. This work is to begin by the original start date of December 18, 2000. Project completion is being extended from December 18, 2002 to December 31, 2003, except UPS is still required to begin paying payment in lieu of taxes to the City beginning on July 1, 2003.