

**CITY COUNCIL
COMMUNICATION:**

03-412

AGENDA:

AUGUST 25, 2003

SUBJECT:

SETTING A DATE OF
PUBLIC HEARING FOR
APPROVAL OF NON-
COMMERCIAL
AVIATION OPERATOR
LEASE WITH
PRINCIPAL LIFE
INSURANCE
COMPANY

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

SUBMITTED BY:

WILLIAM F. FLANNERY
AVIATION DIRECTOR

ITEM _____

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

SYNOPSIS —

Staff and Principal Life Insurance Company have concluded negotiations for a land lease that will permit Principal to construct a new aircraft maintenance and storage facility on the Airport near Fleur Drive and McKinley Avenue. Once approved by City Council, the proposed agreement will have an initial term of 20 years followed by two five-year options, subject to further approval by City Council. Because the total term exceeds three years, the agreement must be approved by City Council.

The leased premises are made up of two parcels, the primary leased premises and an option area. The exhibit attached to the roll call reflects the two different parcels. Parcel A, (99,958 SF) which is to be turned over on the effective date, initiates the lease and allows Principal to construct their corporate aircraft maintenance and storage facility. Parcel B (9,527 SF) is the option area and if exercised by Principal can only be used for future, additional vehicle parking by Principal.

FISCAL IMPACT —

The lease calls for rentals to be paid at a rate of 1.3 times the rate established by independent appraisal. The Airport's appraisal of the property reflected a fair market value rate of \$0.46 per square foot per annum, which equals \$0.60 per square foot per annum when increased by the 1.3 multiplier. The per square foot rental rate is to be adjusted every five years during the initial term (20 years) based on changes in the Consumer Price Index (CPI) from the start of the period when compared to the end of the period.

Total square footage of Parcel A is 99,958, which results in an annual rental amount of \$59,774.88.

RECOMMENDATION —

Set the date for public hearing for approval of the proposed Lease Agreement on September 8, 2003.

BACKGROUND —

On September 24, 1998, by Resolution No. A98-359, the Airport Board directed the Aviation Director to prepare minimum standards for the leasing of Airport land for construction of corporate hangars for future Board consideration. At that time, there were no minimum standards for those types of activities or for the leasing of land to allow for the construction of corporate hangars for other than commercial aviation purposes. On

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December 1, 1998, by Resolution No. A98-428, the Board approved Airport Regulation No. 98-17 Establishing Minimum Standards for Non-Commercial Aviation Operators.

Under Board Regulation No. 98-17, Non-Commercial Aviation Operators who wish to establish a base of operation at the Airport have the option to negotiate an agreement with an existing authorized fixed base operator or other licensed commercial operator. A Non-Commercial Aviation Operator who wishes to establish a base of operation independent of an existing fixed base operator or commercial operator, is required to enter into a ground rental lease with the Airport for the leased premises. Under the regulation, any Non-Commercial Aviation Operator who constructs an aircraft fueling facility on their leased premises is precluded from dispensing fuel into any aircraft that is not wholly or partially owned or leased and used by the entity that is obligated under the lease.

A Non-Commercial Aviation Operator is strictly prohibited from engaging in the business of providing for compensation any aviation, aeronautical, or air transportation related activity. The Non-Commercial Aviation Operator is also required to pay normal fuel flowage fees paid by other general aviation users of the Airport.

On August 23, 1999, by Roll Call No. 99-2676, the City Council approved a Non-Commercial Aviation Operator Lease with Meredith Corporation. By a prerequisite and separate action, the City Council has been asked to approve the reduction in the Meredith Corporation Lease. This narrow parcel of land between Meredith Corporation and the proposed Principal leased premises is to be transferred from Meredith to Principal as part of a pre-arranged amendment to the Meredith lease to accommodate the Principal hangar and a blast fence between the two leaseholds. Principal has proposed certain parking lot improvements for Meredith as part of this transfer and Meredith has agreed to this leasehold adjustment.

Construction of Principal's corporate aircraft maintenance and storage facility is required to be in accordance with all federal, state, and local laws, regulations, ordinances, and codes. The lease contains provisions to protect the Airport for environmental matters with the provisions surviving the expiration or termination of the lease for a period equal to the statute of limitations or, in the absence of such statute of limitation, a period of not less than five years. Ownership of all buildings and improvements constructed on the leased premises by Principal will remain with Principal during the lease term and be subject to ad-valorem taxes. Ownership of the improvements will revert to the City (Airport) at the expiration or termination of the lease.

Additionally, the lease provides that Principal will, at their expense, (1) remove and relocate Building #61, field maintenance storage building to the south side of the Airport; and (2) construct a telephone building to house the Airport's north side telecommunications facilities removed from Building #61.

The Lease Agreement is subordinate to any requirements of our existing or future bond resolutions.

On July 1, 2003, by Resolution No. A03-170, the Airport Board approved recommending approval of the Non-Commercial Aviation Operator Lease with Principal Life Insurance Company to the City Council.