

**CITY COUNCIL
COMMUNICATION:**

03-446

AGENDA:

SEPTEMBER 8, 2003

SUBJECT:

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 —

Approval of a land lease with Principal Life Insurance Company (Principal) that will permit Principal to construct a new aircraft maintenance and storage facility on the Airport near Fleur Drive and McKinley Avenue. The proposed agreement will have an initial term of 20 years followed by two five-year options, subject to further approval by City Council.

Principal, operating under a Non-Commercial Aviation Operator Lease, will not be permitted to engage in commercial aviation activity as defined in Airport Regulation No. 98-17. Terms, conditions, and other general provisions in the proposed agreement are consistent with the provisions included in similar land lease agreements that have been previously approved by the City.

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 square feet), 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 square feet) is the option area, and if exercised by Principal can only be used for future, additional vehicle parking by Principal.

Before construction can begin, an existing building on the site must be relocated elsewhere on the Airport. Principal has agreed to relocate the existing building to the south side of the Airport. It will then be leased by the Airport for the hangaring of larger general aviation aircraft that are presently too big to fit in the T-Hangars.

FISCAL IMPACT —

The lease calls for rentals to be paid at a rate of 1.3 times the rate established by an 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.

Additionally, the lease provides that Principal will, at their expense (1)

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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.

RECOMMENDATION —

Approval.

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

Under Airport 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.

Minimum ground rental rates are established at 1.3 times the fair market rental value as determined by appraisal and requires that the lease include provisions for review and adjustment of the rental rates every five years during the term of the Agreement.

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

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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.

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.

