



Council Communication

Office of the City Manager

Date April 21, 2008

Agenda Item No. 64
Roll Call No. 08-
Communication No. 08-211
Submitted by: Craig Smith A.A.E.,
Aviation Director

AGENDA HEADING:

Approval of Long-term Lease Agreement with UPS Cartage Services, Inc. for Occupancy of an Air Cargo Warehouse Building at the Des Moines International Airport.

SYNOPSIS:

Recommend approval of a long-term lease agreement with UPS Cartage Services, Inc. ("UPS Cartage"), a wholly-owned subsidiary of United Parcel Service (Atlanta, GA; Scott Davis, Chief Executive Officer) for occupancy of an Air Cargo warehouse building located at 3025 Army Post Road at the Des Moines International Airport.

FISCAL IMPACT:

Amount: \$91,500 - base rent per year

Funding Source: Payments are due in monthly installments of \$7,625 and will be credited to Airport Operating Revenue (Fund EN002 ORG AIR040100) into a revenue account, which is yet to be established.

This agreement calls for UPS Cartage to pay the Airport \$91,500 in annual base rent through the term of the lease, including the two option periods. Additional tenant fees for telephone service, employee vehicle parking, and truck/trailer parking will be paid to the Airport on a monthly basis as well.

ADDITIONAL INFORMATION:

The Airport completed construction of Cargo Building No. 32 in 2006 and subsequently leased all space in the building to two tenants. FedEx leases 17,500 square feet at 3023 Army Post Road and Evergreen Aviation Ground Logistics Enterprises Inc. ("Evergreen") has occupied the remaining 10,000 square feet at 3025 Army Post Road.

Evergreen's operation at DSM revolved around a contractual relationship with the US Postal Service to sort and ground-handle all US mail inbound and outbound at Des Moines. Evergreen's warehouse space was ideal as it was designed specifically to accommodate a mail sorting operation. In addition, it was located next to FedEx in large part because nearly all mail is transported on FedEx aircraft, which park on the cargo apron adjacent to this building.

Because the US Postal Service renews all its contracts on a one-year or two-year basis and because nearly 100% of Evergreen's work at DSM is in support of the US Postal Service, it was imperative to Evergreen that they retain the option to abandon the leasehold if that contract was severed. Thus, the term of the Evergreen Agreement was structured to be only one year in length with two, one-year renewal options.

Airport Staff received written notice from Evergreen on March 7, 2008, that its contract with the US Postal Service was not renewed and thus, they wished to terminate the lease effective March 31, 2008. Staff also learned that the contract had been awarded instead to UPS Cartage and because the building's location was ideal, discussions led to strong desire from UPS Cartage to enter into a lease for this location.

Airport Staff has now negotiated all terms of a lease with UPS Cartage. The initial term of the lease is one year and eleven months beginning May 1, 2008, with two, two-year additional option periods. Because the overall term of the lease is greater than three years, it requires City Council approval.

Because UPS Cartage wished to move into the space prior to the commencement date of the lease, on April 1, 2008, the Airport Board approved a Temporary Access Agreement allowing UPS Cartage access to the premises during the month of April 2008. This temporary agreement allowed UPS Cartage access to the premises until the long-term Lease Agreement is approved by the City Council.

PREVIOUS COUNCIL ACTION(S):

Date: April 7, 2008

Roll Call Number: 08-569

Action: Set date of Hearing on approval of approval of the South Air Cargo Building Lease with UPS Cartage Services, Inc. for property at the Des Moines International Airport; (4-21-08). Moved by Mr. Vlassis to adopt. Motion Carried 6-0-0-1.

BOARD/COMMISSION ACTION(S):

Date: April 1, 2008

Resolution Number: Airport Board A08-066

Action: Recommend Approval to City Council of Cargo Building Lease Agreement with UPS Cartage Services, Inc. Moved by Mr. Gentry to adopt. Motion carried: 7-0-0-0.

Date: April 1, 2008

Resolution Number: Airport Board A08-067

Action: Approval of Temporary Access Agreement for Cargo Building with UPS Cartage Services, Inc. Moved by Mr. Gentry to adopt. Motion carried: 7-0-0-0.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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