

	<b>Council</b> <b>Communication</b> Office of the City Manager	<b>Date</b>	August 11, 2008
		<b>Agenda Item No.</b>	<b>31</b>
		<b>Roll Call No.</b>	<del>08-</del>
		<b>Communication No.</b>	<b><u>08-500</u></b>
		<b>Submitted by:</b>	<b>Craig Smith A.A.E.</b> <b>Aviation Director</b>

**AGENDA HEADING:**

Approval of amendment to the long term lease agreement with Signature Flight Support Corporation

**SYNOPSIS:**

The Airport and Signature Flight Corporation have agreed to Amendment No. 4 to the Fixed Based Operator Lease Agreement. This amendment allows the Airport to reclaim a portion of unimproved ground, now included in the leased premises. The Airport intends to develop additional employee parking in this area, which is located immediately adjacent to a current tenant-employee surface parking facility.

**FISCAL IMPACT:**

The parcel of land to be reclaimed is approximately 1.56 acres, or 10.1% of the total leasehold area. Signature is currently paying annual ground rent of \$71,053.08. In exchange for eliminating the parcel from the leased premises, the Airport would lower Signature’s rent by \$7,199.05 annually, beginning August 1, 2008. The Agreement allows for incremental increases to the rental payment based on the Consumer Price Index.

The resulting rental payments are due in monthly installments of \$5,321.17 and will be credited to the Airport's General Operating Revenue Fund (Fund EN002 ORG AIR040100 ACCT 475001).

**ADDITIONAL INFORMATION:**

On February 1, 1982, the City entered into an Amended Fixed Based Operator Lease Agreement ("Agreement") with Des Moines Flying Service, Inc. for certain premises, facilities, and rights, all of which relate to City’s ownership and operation of the Airport and the operations of Des Moines Flying Service thereon. Since that time, there have been three amendments to the Agreement to modify certain terms, to allow for certain facility and property to be constructed, and to allow for the removal of fuel containment systems. In addition, the lease has been assigned to different parties over its term; since 1998 the Agreement has been with Signature Flight Support Corporation ("Signature").

The original Agreement was due to expire on February 28, 2002, but allowed for two separate five-year options. The execution of each by Signature has extended the Agreement until February 29, 2012.

As a result of excess demand on close-in public parking over the past several years, Aviation Department Staff has examined a myriad of ways to expand public parking on a cost-effective basis. Because the Signature leasehold is located immediately north of the Passenger Terminal area, the Airport began discussions to possibly reclaim a currently-unused portion of Signature's leasehold to use for parking.

The parcel of ground considered is an unimproved area on the east end of Signature's leasehold, immediately north of the current "North Employee" parking area (see attached diagram; the area discussed is referenced as the reclaimed area). It needs to be noted that this parcel of land is generally unfit for use beyond leaving it unused or utilizing it for parking, because it previously served as the former site of Signature's underground fuel storage farm. According to the Airport Environmental Officer:

“The Signature Flight Support East Leasehold contains a Leaking Underground Storage Tank (LUST) site. This site, LUST # 7LTD84, has been assigned a ‘No Action Required’ classification by the Iowa Department of Natural Resources (Iowa DNR) based largely on a risk-based corrective action (RBCA) Tier 2 evaluation on conditions that existed in January 2004.

Iowa DNR reserves the right to change classification of the site if site conditions change. There are two options for utilizing the land without risking a change in classification. The first option is to leave the land as is. The second option is to cover the site with concrete. To do any development requiring the installation of water lines or sewer lines would risk the site being reclassified as high risk, requiring remediation.

At this time, the best use for the site would be to cap the site with a parking lot and let natural attenuation degrade the contamination that may be left at the site.”

The parties have agreed on all terms of the Amendment and effective August 1, 2008, Signature will relinquish this portion of the leasehold and the Airport will reduce the rent accordingly. Because the term of the Agreement is greater than three years, this Amendment requires ultimate approval from City Council.

#### **PREVIOUS COUNCIL ACTION(S):**

Date: December 21, 1998

Roll Call Number: 98-3934

Action: On Third Amendment to Airport East Leasehold Lease Agreement with Signature Flight Support Corporation, to allow for removal of existing facility and temporary above-ground storage until a consolidated aircraft fuel storage facility is completed. Moved by Hensley to adopt. Motion Carried 6-1. Absent: McPherson.

Date: September 24, 1990

Roll Call Number: 90-4292

Action: Approve assignment of Agreement from Van Dusen Airport Services Company, Limited Partnership, to Page Avjet Airport Services, Inc., whose name was subsequently changed to Signature Flight Support Corporation.

Date: September 26, 1988

Roll Call Number: 88-4353

Action: Approve Second Amendment to Agreement, which further modified its terms.

Date: June 15, 1987

Roll Call Number: 87-2632

Action: Approve assignment by Des Moines Flying Service of its interests in the Agreement to Van Duesen Airport Services Company, Limited Partnership, and First Amendment to Agreement in order to facilitate construction of a corporate hangar facility.

Date: February 1, 1982

Roll Call Number: 82-442

Action: Approve Fixed Based Operator Lease Agreement with Des Moines Flying Service, Inc.

**BOARD/COMMISSION ACTION(S):**

Date: August 5, 2008

Resolution Number: Airport Board A08-154

Action: Recommend Approval to City Council of Amendment No. 4 to the Agreement Moved by Mr. Gentry to adopt. Motion carried: 6-0-0-1.

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**

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