

 <p style="text-align: center;"><b>Council Communication</b> Office of the City Manager</p>	<b>Date</b>	April 26, 2010
	<b>Agenda Item No.</b> 37 <b>Roll Call No.</b> <u>10-</u> <b>Communication No.</b> <u>10-202</u> <b>Submitted by:</b> Don Smithey, Aviation Director	

**AGENDA HEADING:**

Approval of long term lease agreement extension with UPS Cartage Services, Inc. for occupancy of an Air Cargo warehouse building at the Des Moines International Airport.

**SYNOPSIS:**

Public Hearing for long term lease extension agreement with UPS Cartage Services, Inc. ("UPS Cartage"), a wholly-owned subsidiary of United Parcel Service for occupancy of an Air Cargo warehouse building located at 3025 Army Post Road at the Des Moines International Airport.

**FISCAL IMPACT:**

Amount: The agreement calls for UPS Cartage to pay the Airport \$91,500.00 in annual base rent through the term of the lease, including the two option periods. Payments are due in monthly installments of \$7,625.00 and will be credited to the Aviation Operating Revenue Fund (EN002 AIR040100 ACCT477026).

Additional fees for telephone service, employee vehicle parking, and truck/trailer parking will be paid to the Aviation Department on a monthly basis as well.

Funding Source: N/A

**ADDITIONAL INFORMATION:**

The Airport completed construction of Building No. 32 in 2006 and subsequently leased all space in the building to two tenants; FedEx occupies 17,500 square feet at 3023 Army Post Road and UPS Cartage occupies the remaining 10,000 square feet at 3025 Army Post Road.

The UPS Cartage operation revolves around a contractual relationship to support the United States Postal Service, where UPS Cartage sorts and handles all mail inbound and outbound. The leased space is designed specifically to accommodate a mail sorting operation and the location adjacent to FedEx is essential because nearly all US mail is transported via FedEx aircraft.

Because the US Postal Service renews its contracts on a one-year or two-year basis, it is imperative to UPS Cartage that they have the option to abandon their leasehold if that contract was severed. Thus, the term of the agreement with UPS Cartage has been structured to be only two years in length with two, two-year renewal options.

Aviation Department staff received written notice from UPS Cartage on February 25, 2010, that their contract with the U.S. Postal Service has been renewed so they are requesting to exercise the first two-year option on their lease agreement with DSM.

UPS Cartage wishes to exercise its first two-year lease option effective April 1, 2010, and the Airport Board has recommended that Council approve the lease extension.

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

Date: April 21, 2008

Roll Call Number: 08-735

Action: On South Air Cargo Building Lease with UPS Cartage Services, Inc. for property at Des Moines International Airport. (Council Communication No. 08-211) Moved by Hensley to adopt. Motion Carried 7-0.

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

Date: April 6, 2010

Resolution Number: A10-061

Action: The Airport Board recommended that the Council approve the first two-year lease extension with UPS Cartage Services, Inc. Moved by Mr. Gentry. Motion carried: 6-0-0-1.

#### **ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**

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