

Legislation Text

File #: BILL NO. 22-216, **Version:** 1

An Ordinance authorizing the execution of a ground lease agreement by and between the City of Lee's Summit and Dream in Flight, LLC for a period of 30 years with options for four additional five-year terms for the development of a Hangar located on the West side of the North Apron at the Lee Summit Municipal Airport and authorizing the Mayor to execute an agreement for the same. (BOAC 10/3/22 and PWC 10/10/22)

Issue/Request:

An Ordinance authorizing the execution of a ground lease agreement by and between the City of Lee's Summit and Dream in Flight, LLC for a period of 30 years with options for four additional five-year terms for the development of a Hangar located on the West side of the North Apron at the Lee Summit Municipal Airport and authorizing the Mayor to execute an agreement for the same.

Key Issues:

- Approval of this ordinance would authorize the execution of a Ground Lease Agreement between Dream in Flight, LLC on the West Side of the North Apron at the Lee's Summit Municipal.
- The hangar will be used to perform Aircraft airframe and Powerplant maintenance, inspections and Aircraft storage.
- The lease provides ground for the development of a 120' by 80' aircraft hangar, additional ramp, and automotive parking.
- Dream in Flight, LLC has agreed to a ground lease rate of \$0.43 per square foot for the Building and required setbacks and \$0.18 per square foot and additional ramp space.
- Dream in Flight, LLC initial annual rental rate will be \$8,079.00 for the first year with an increase of 3 percent to this rate per year during the 30-year term.
- The lease term is for an initial term of twenty (20) years with options for up to four (4) additional five (5) year renewal periods

Proposed Committee Motion:

I move to recommend to City Council for approval of an Ordinance authorizing the execution of a ground lease agreement by and between the City of Lee's Summit and Dream in Flight, LLC for a period of 30 years with options for four additional five-year terms for the development of a Hangar located on the West side of the North Apron at the Summit Municipal Airport and authorizing the Mayor to execute an agreement for the same.

Background:

The attached Lease Agreement is for the development of a 120 foot by 80 foot aircraft hangar on leased premises encompassing 21,263 square feet, or less. The tenant intends to perform Airframe and Powerplant maintenance operations under an existing FBO Agreement as MJ Aviation Innovations, LLC, and rent out space in the hangar to aircraft owners needing hangar space. The term of the lease is for 30-years plus four additional five-year renewal options. The ground rental rate will be \$0.43 per square foot for 17,719 square feet, and \$0.18 per square foot for 3,544 square feet for a total annual ground rental rate of \$8,079.00 with a 3 percent increase being administered to the annual rental rate each year over the term of the thirty-year lease. The ground lease rental encompasses the footprint of the building, additional ramp area, and automobile parking. This lease is part of a program at the Airport to develop existing airside property (e.g. hangars, Terminal building, and fixed base operator (FBO) facilities) on the airport that will generate additional revenue for the airport and help support the Council's goal of a financially self-sustaining Airport.

The Lease is substantively the same terms and conditions as other ground lease agreements that have been approved in the past. Currently there are four other privately developed aircraft hangar storage facilities located on the Airport. The Lease contains comprehensive indemnification and insurance provisions, as well as detailed termination provisions, which allows the City to terminate the Lease if Dream in Flight, LLC defaults on its payments to the City.

Impact/Analysis:

Increase in annual ground lease revenues. Provides the ability to add additional based aircraft at the Airport, increase fuel sales, and improve the services offered at the Airport.

Timeline:

Start: Construction will begin Spring 2023

Finish: Late Fall 2023

Other Information/Unique Characteristics:

FAA Airspace Study has been completed. MODOT has been advised of the development. On Call Airport engineering consultant will update the FAA Exhibit A.

Joel Arrington, Airport Manager

Recommendation: The Board of Aeronautical Commissioners voted unanimously 5-0 (Chairman Townsend and Commissioners Towns and Haley absent), to recommend to City Council approval of an Ordinance authorizing the execution of a ground lease agreement by and between the City of Lee's Summit and Dream in Flight, LLC for a period of 30 years with options for four additional five-year terms for the development of a Hangar located on the West side of the North Apron at the Summit Municipal Airport and authorizing the Mayor to execute an agreement for the same.

Committee Recommendation:

A motion was made by Councilmember Lovell, seconded by Commissioner Mall, to recommend to City Council approval of an Ordinance authorizing the execution of a ground lease agreement by and between the City of Lee's Summit and Dream in Flight, LLC for a period of 30 years with options for four additional five-year terms for the development of a Hangar located on the West side of the North Apron at the Summit Municipal Airport and authorizing the Mayor to execute an agreement for the same. The motion carried unanimously 5-0. (Chairman Townsend and Commissioners Towns and Haley absent).

The Public Works Committee voted unanimously 4-0 to recommend to City Council approval of an Ordinance authorizing the execution of a ground lease agreement by and between the City of Lee's Summit and Dream in Flight, LLC for a period of 30 years with options for four additional five-year terms for the development of a Hangar located on the West side of the North Apron at the Lee Summit Municipal Airport and authorizing the Mayor to execute an agreement for the same.