

## Legislation Text

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**File #:** BILL NO. 20-140, **Version:** 3

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An Ordinance authorizing the execution of a lease agreement by and between the City of Lee's Summit and Sallee Real Estate Investments, LLC for a period of 20 years with options for four additional five-year terms for the development of Hangar V at the Lee's Summit Municipal Airport. (PWC 8/3/20)

### Issue/Request:

An Ordinance authorizing the execution of a lease agreement by and between the City of Lee's Summit and Sallee Real Estate Investments, LLC for a period of 20 years with options for four additional five-year terms for the development of Hangar V at the Lee's Summit Municipal Airport

### Key Issues:

- Approval of this ordinance would authorize the execution of a Ground Lease Agreement between Sallee Real Estate Investments Investments, LLC at Building Site "V" at the Lee's Summit Municipal Airport.
- The lease provides for the Sallee Real Estate Investments, LLC for the development of a 125 by 95 aircraft hangar with attached office to store aircraft.
- Sallee Real Estate Investments, LLC has agreed to a ground lease rate of \$.038 per square foot.
- Sallee Real Estate Investments, LLC annual rental rate would be \$13,839.00 for the first year with an increase of 3 percent to this rate per year during the 20-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 City Council Motion:

FIRST MOTION: I move for a second reading of an Ordinance approving an Ordinance authorizing the execution of a lease agreement by and between the City of Lee's Summit and Sallee Real Estate Investments, LLC for a period of 20 years with options for four additional five-year terms for the development of Hangar V at the Lee's Summit Municipal Airport.

SECOND MOTION: I move for adoption of an Ordinance approving an Ordinance authorizing the execution of a lease agreement by and between the City of Lee's Summit and Sallee Real Estate Investments, LLC for a period of 20 years with options for four additional five-year terms for the development of Hangar V at the Lee's Summit Municipal Airport.

### Background:

The attached Lease Agreement is for the development of a 125-foot by 95-foot aircraft storage building on leased premises encompassing thirty six thousand four hundred nineteen (36,419) square feet, or less. The tenant intends to rent out space in the hangar to aircraft owners needing hangar space. The term of the lease is for 20-years plus four additional five-year renewal options. The ground rental rate will be \$.38 per square foot for the entire 36,419 area for a

total annual ground rental rate of \$13,839.00 with a 3 percent increase being administered to the annual rental rate each year over the term of the twenty-year lease. The ground lease rental encompasses the footprint of the building, attached office, automobile parking area and hangar drive to the taxiway. 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 operation at the 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 Sallee Real Estate Investments, LLC defaults on its payments to the City.

Impact/Analysis:

Increase in annual ground lease revenues. Provides ability to add additional based aircraft at the Airport and increase fuel sales. Approval of this agreement will make this the seventh groundlease agreement currently in place at the Airport.

Timeline:

Start: \_\_\_\_

Finish: \_\_\_\_

Other Information/Unique Characteristics:

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John Ohrazda, Airport Manager

Recommendation: Staff recommends approval of an Ordinance authorizing the execution of a lease agreement by and between the City of Lee's Summit and Sallee Real Estate Investments, LLC for a period of 20 years with options for four additional five-year terms for the development of Hangar V at the Lee's Summit Municipal Airport

Committee Recommendation: The Public Works Committee voted unanimously 4-0 to recommend to City Council approval of an Ordinance authorizing the execution of a lease agreement by and between the City of Lee's Summit and Sallee Real Estate Investments, LLC for a period of 20 years with options for four additional five-year terms for the development of Hangar V at the Lee's Summit Municipal Airport.