

STAFF REPORT

For Meeting of Dec. 11, 2017

MAYOR AND MEMBERS OF THE CITY COUNCIL

Agenda Item #

NO. 2017-

SUBJECT:

Airport Land Lease

Subject

This action would approve a 20-year ground lease at the airport for a developer, Denis Hyatt, to build a 5,250 square foot hangar building. The Airport Advisory Committee recommends approval of the lease.

Summary and Background

A top priority of the Airport Advisory Committee has long been to obtain additional hangar space on the airport. All city-owned enclosed hangars are currently fully occupied, and there is a waiting list. However, staff has long been hesitant to build additional city-owned hangars due to declining General Aviation participation nationwide, and the uncertainty that current waiting list members would actually commit to long term leases to fill a potential new facility.

Hyatt began considering building a hangar at Hermiston in order to store his own airplane, but was considering building additional units for lease. Staff developed several "incentive" rates on a declining basis to incentivize the development of more rental spaces. Ultimately, Hyatt has chosen to build a 4-plex hangar which can be added on to in the future if demand warrants.

Consistent with the adopted Airport Layout Plan, the developer will locate the new facility north of the existing line of hangars and build several new taxilanes. A general layout of the development site is attached. A final professional survey will be completed prior to execution of a lease.

Fiscal Information

The incentive rate to facilitate construction of additional rental units is \$0.12/SF, slightly less than the current standard lease rate of \$0.15/SF. This rate will be in effect for the first five years of the lease, before reverting to the then-current standard lease rate in 2023.

Alternatives and Recommendation

Alternatives

1. Approve the ground lease.
2. Deny the ground lease and direct staff to renegotiate certain terms.

Recommendation

1. Approve the ground lease.

Requested Action/Motion

Motion to authorize the City Manager to execute a ground lease substantially similar to what has been presented, pending a final survey of the site.

Reviewed by:

Department Head- Mark Morgan, Assistant City Manager

Mark Morgan

City Manager Approval

Byron D. Smith

HERMISTON MUNICIPAL AIRPORT Ground Lease

The City of Hermiston (City) entered into this agreement with Denis Hyatt (tenant), as follows:

1. Premises: City leases to Tenant and Tenant takes the space described in Exhibit A.
2. Term: The term of this lease is 20 years from January 1, 2018 to December 30, 2037
3. Deadline for Improvements: The intention of this ground lease is to facilitate the construction and operation of an approximately 5,250 square foot hangar building. This agreement shall automatically terminate on December 31, 2019 if the hangar building is not fully completed and occupied by then.
4. Rent: The annual rent is \$0.12 per square foot, or \$630, which shall be paid at City Hall on or before the first day of January each year. The rent is subject to adjustment as negotiated every five years, with the next adjustment to be negotiated in November, 2022.
5. First Refusal: At the end of the term this lease is terminated. If, in the City's sole discretion, the premises are to be offered for sale or lease, Tenant or successors in interest shall be allowed the right to match the best acceptable offer. The right must be exercised and executed with 60 days of notice by City.
6. Option to Renew: Upon the keeping of all the terms of this agreement, Tenant shall have the option of renewing this lease for one additional ten-year term if City receives a written request for renewal from Tenant no earlier than 5 years before the expiration of the lease, and no later than six months before the expiration of the lease. The renewal shall be on terms to be agreed; however, any changes shall be consistent with this lease.
7. Title to Improvements: Upon expiration or termination for cause or otherwise of the lease or any extensions, title to all structures and improvements shall be vested in Tenant. For this reason it is expressly agreed by Tenant that the structures will be removed and the property cleared within 90 days of any termination date.
8. Alterations: Tenant will make no alterations in or additions to said premise or building, including painting, without first obtaining the written consent of the City in order that an overall plan may be followed.
9. Conformance with Law: Tenant will not use or permit in premises anything that would violate any City or State or Federal law, code ordinance, or administrative rule.
10. Taxes and Assessments: If by reason of this lease the real property occupied by Tenant becomes taxable under the laws of the State of Oregon, the obligation to pay the taxes shall be added to the rental obligation of Tenant. The amount to be included in a written notice given

Tenant once each year. At present under Oregon law the land is exempt from property taxation.

11. Use of Premises: Tenant agrees that the premises shall be used for the storage of aircraft. Items of personal property used in the business may be stored temporarily when such storage in no way interferes with the normal storage area of the aircraft inside the hangar, and does not otherwise violate this agreement. Tenant further agrees not to store any flammables or explosives within the premises. For the purpose of this agreement, "flammables or explosive" shall not apply to fuel or other flammables contained within the tanks or normal portions of any airplane or automobile placed in said hangar.
12. Assignments or Sublease: This may be done only with prior written consent of the City. Including major ownership change in business entity.
13. Right of Entry: The City may enter the premises in case of emergency. The City shall log any such entry at the Airport Manager's office during normal working hours and notify Tenant.
14. Ground Maintenance: The Tenant shall maintain the grounds and premises in and around the rental area in reasonably neat, clean, and orderly condition.
15. Rules and Regulations: The Tenant agrees to abide by the Airport Rules and Regulations, as they now exist or may hereafter be amended in any way by the City. Attached are General Specifications which are incorporated by reference.
16. Continued Airport Operation: City does not agree that it will operate and maintain this airport continuously in the future.
17. Airport Security: Tenant must provide for security of the property and City expressly assumes no duty to provide security.
18. Corrective Action by City: In the event of damage by Tenant other than wear and tear the City may make repairs or take any other corrective action necessary for the protection of the property and operation of the lease. City shall first give Tenant ten days written notice and demand for correction except in case of emergency when no notice will be required. Tenant shall pay City for all costs and expenses incurred in curing the defaults or repairs upon presentation of a bill therefore, as additional rent.
19. Insurance: Tenant shall carry premises liability insurance with limits of \$500,000.00, in the aggregate; and agrees to adjust the amounts and coverages to meet standards set up in Airport Rules and Regulations and State and Federal Rules, present and future, and to include City as an additional insured. (Not less than maximum set in Oregon Tort Claims statute.)
20. Indemnifications: Tenant shall indemnify and hold harmless the City, officers, agents, and employees from and against any and all claims, demands, loss or liability of any kind or nature

Draft Outline of Proposed Hyatt Lease.

