



Legislation Text

File #: 14-1441, **Version:** 1

Resolution to Approve a Lease Agreement between the City and Bijan Air Inc. for a Corporate Hangar at the Ann Arbor Municipal Airport **(8 Votes Required)**

Attached for your consideration is a resolution to approve a Lease Agreement between the City and Bijan Air Inc., for the corporate aircraft hangar located at 747 Airport Drive, for a ten year term

The original 1994 lease agreement with Bijan Air is set to expire on November 1, 2014. The tenant constructed the building and has leased it for the last 20 years for his rotary aircraft business and for the University of Michigan Survival Flight operations. Bijan Air has expressed their desire to lease for another ten years. Staff concurs that Bijan Air's operation is beneficial to the City and aviation community.

Budget/Fiscal Impact: The first full year of the land and building lease will generate net revenue of \$60,503.00 from the lessee. The FY15 Airport Fund operating budget included this anticipated revenue.

The building will soon need capital maintenance. The lease has been structured so that the tenant will be responsible for these listed improvements at his sole cost. The tenant will also be responsible for the cost of all maintenance and utilities for the building and grounds as part of this Agreement. At the end of this ten year Agreement, the ownership of the building reverts to the City.

Lease rates for both the land and building are consistent with current rates being charged at the Ann Arbor Airport. Like all airport land leases, the land rate is subject to an annual CPI based adjustment. The building rate is consistent for the entire term of the Agreement and has been adjusted to recognize the capital investment being required by the tenant over the term of the Agreement.

The Airport Advisory Committee has been apprised of the proposed Agreement and recommends its approval by Council.

Prepared by: Matthew J. Kulhanek, Fleet & Facility Manager

Reviewed by: Craig Hupy, Public Services Area Administrator

Approved by: Steven D. Powers, City Administrator

Whereas, Bijan Air Inc. entered into a 20 year lease agreement with the City in 1994 for the land in which they constructed an aircraft hangar at the Ann Arbor Municipal Airport;

Whereas, Bijan Air Inc. has expressed a desire to continue leasing the building for an additional 10 year term;

Whereas, The structure needs capital maintenance which will be required to be performed and funded by the tenant; and

Whereas, The Airport Advisory Committee and City staff have been apprised of this proposal and recommend that Council approve the Lease Agreement.

RESOLVED, That City Council approve the proposed Lease Agreement with Bijan Air Inc. for the corporate hangar located at 747 Airport Drive;

RESOLVED, That the revenue generated by this Lease Agreement be applied to the Airport Enterprise Fund;

RESOLVED, That the Mayor and City Clerk be authorized and directed to sign said lease agreement upon approval as to form by the City Attorney, and upon approval as to substance by the City Administrator; and

RESOLVED, That the City Administrator be directed to take the necessary administrative actions to implement this resolution.