



Legislation Text

File #: 19-1199, **Version:** 1

Resolution to Approve a Lease with Enterprise Leasing Company of Detroit LLC for Facilities at the Ann Arbor Municipal Airport

Attached for your approval is a lease agreement with Enterprise Leasing Company of Detroit LLC ("Enterprise") for office, garage and parking spaces at the City's airport. Enterprise has leased office and parking spaces at the terminal building since 1999 and garage space since 2015. The lease has expired. The lease this resolution proposes is for a five-year term with up to three, five-year options.

Enterprise is a national car rental agency that operates both the Enterprise and National brands at the airport. It's one of the few car rental locations in the Ann Arbor area that's open seven days a week and it provides visitors arriving through the airport and residents and students in the area a rental option.

The office space in the lease is the office and counter Enterprise now occupies in terminal. The parking area is Enterprise's dedicated lot, which is located on the east side of Airport Boulevard just north of Airport Drive. The garage space is a portion of the old maintenance building located at 718 Airport Drive.

This lease obligates Enterprise to complete significant improvements, at their sole cost, to the garage space that will revert to the City at the end of the lease. These costs include water and sanitary sewer connection fees, installation of utility leads, site restoration, an addition of a restroom, oil/grease separator, floor drain connections and other improvements so that Enterprise can perform on site vehicle washing and preparation in the garage. Enterprise will also pay to relocate airport gate number 3, overhead lighting, access keypads, signage, install fencing and an access drive to our building. These improvements add value and usefulness to our building at the Lessee's expense.

This lease's rates are consistent with current rates being charged at the airport. Like all airport land and office leases, the rate is subject to an annual CPI based adjustment. Through our grant assurances, the Federal Aviation Administration requires that comparable rates be charged for comparable spaces at the airport.

The long-term lease duration is common at the airport, especially when a Lessee is required to make significant capital improvements to our facilities. The longer term gives them time to fully depreciate their investment, usually since it is a sunken cost. The airport currently has six box hangars, a corporate hangar and eight private hangars all in 20 year leases. Another corporate hangar just came off a 20 year lease and we are working on the future use of that facility. A different corporate hangar recently came off a 20 year lease and we renewed for 10 years (we would have went longer but the tenant requested 10 since he is retiring after that). Council approved a 15 year lease for office space to a tenant last fall. Since the airport has to be financially self-sustaining, this long term lease stability plays an important role in accomplishing that.

The Airport Advisory Committee has approved the terms of the proposed Agreement and

recommends its approval by Council.

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

Reviewed by: John Fournier, Assistant City Administrator

Approved by: Howard S. Lazarus, City Administrator

Whereas, Enterprise Leasing Company of Detroit LLC (“Enterprise”) entered into a lease agreement with the City in 1999 for space to provide car rental services at the Ann Arbor Municipal Airport;

Whereas, Enterprise wants to continue leasing space for these services; and

Whereas, The Airport Advisory Committee has approved the terms of this proposal and recommends that Council approve the proposed Lease Agreement.

RESOLVED, that City Council approve the proposed lease agreement with Enterprise for office, garage and parking spaces at the Ann Arbor Municipal Airport;

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.