Legislation Details (With Text)

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File created:	8/15/2022			**In control:**	City Council
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Title: Resolution to Approve the Second Amendment and Extension to the Lease Agreement between the City and Avfuel Corporation for a Corporate Hangar Located at the Ann Arbor Municipal Airport

Sponsors:

Indexes:

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Attachments: 1. AvFuel lease.pdf, 2. AVFuel First Amendment to Lease - 903 Airport Executed.pdf, 3. Avfuel Second Amendment to Lease - 903 Airport 080122.pdf

Date	Ver.	Action By	Action	Result
8/15/2022	1	City Council	Approved	Pass

Resolution to Approve the Second Amendment and Extension to the Lease Agreement between the City and Avfuel Corporation for a Corporate Hangar Located at the Ann Arbor Municipal Airport
Attached for your review and approval is a resolution to approve the Second Amendment and Extension to the July 1, 2000 lease agreement between the City of Ann Arbor and Avfuel Corporation for the corporate aircraft hangar located at 903 Airport Drive.

The original 2000 lease agreement with Avfuel expired on June 30, 2020. City Council approved the First Amendment and Lease Extension with Avfuel for the hangar in 2020 which extended the lease until June 30, 2021 and provided for three additional one-year options. The City owned building needs some significant work and an agreement was reached to complete that work as part of a new lease extension. The tenant has leased the facility for its corporate flight department and has renovated the office area to provide additional space for their growing corporate office staff.

The lease extension would eliminate the two remaining one-year options from the First Amendment and replace it with a three-year term ending June 30, 2025. The Lessee would also have the option to extend the lease for up to two additional one-year periods beginning July 1, 2025 and 2026 respectively. All other terms and conditions of the original 2000 lease agreement, the First Amendment and Extension, unless specifically changed in the Second Amendment and Extension, would still be in force.

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 increase. The building rate is consistent for the initial term and all subsequent options available under this Second Amendment and Extension.

Under the existing lease, the airport is responsible for several components of the building, including the building shell. The building shell includes the roof and walls. The building roof is in very poor

condition and our efforts to repair it have met with mixed results. In addition, the building exterior has not been painted in nearly two decades and needs work. The west wall of the building needs repairs to keep the surface water during rain events from entering the building.

A quote to replace the hangar roof has been secured and approved by the Airport Manager. Avfuel will have this work completed before the winter weather causes additional leaks into the office area of the building. Since this is an airport responsibility under the lease, a monthly rent credit for the cost of this work will be provided to Avfuel and spread over the three-year term of the lease. The water sealing work is minimal cost and is already underway. Staff has solicited quotes for the exterior painting and this work will be paid directly by the airport.

Budget/Fiscal Impact: Adequate funding for the required building improvements is available in the FY23 Airport Fund Operations and Maintenance budget. Reduced revenue from the rent credit will be spread over multiple years of the lease and will be budgeted in future years. The continued lease of this corporate hangar has a positive impact on the Airport's Operating and Maintenance budget.
Prepared by: Matthew J. Kulhanek, Fleet & Facilities Manager
Reviewed by: John Fournier, Deputy City Administrator
Approved by: Milton Dohoney Jr., City Administrator
Whereas, Avfuel Corporation entered into a 20-year lease agreement with the City in July, 2000 for land and a corporate hangar building located at the Ann Arbor Municipal Airport;

Whereas, Avfuel Corporation and the City extended that lease agreement in 2020 with approval of the First Amendment and Extension effective July 1, 2020;

Whereas, Avfuel Corporation has expressed a desire to continue leasing the building for an additional period and has requested certain capital maintenance expenses from the City consistent with the lease agreement; and

Whereas, The Second Amendment and Extension of the existing lease agreement provides for a short-term extension and reimbursement of capital maintenance expenses which were performed and funded by the tenant.

RESOLVED, that City Council approve the Second Amendment and Extension to the Lease Agreement with Avfuel Corporation for the corporate hangar located at 903 Airport Drive;

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.