



Legislation Text

File #: 22-1509, **Version:** 1

Resolution to Approve a Lease Agreement between the City and Great Lakes Air Repair d/b/a Beacon Aviation for a Corporate Hangar Located at the Ann Arbor Municipal Airport
Attached for your review and approval is a resolution to approve a lease agreement between the City of Ann Arbor and Great Lakes Air Repair d/b/a Beacon Aviation for the corporate aircraft hangar located at 719 Airport Drive.

The corporate hangar at 719 Airport Drive has been a privately-owned hangar on a long-term land lease with the City since the 1960s. The building has always been privately-owned and was most recently owned by Aviation Center, an airport fixed base operator (FBO), since the mid-1980s. Aviation Center's lease expired on November 30, 2018 and they have continued on a month to month basis since. Per the land lease, the building ownership reverts to the City at the end of the lease agreement.

After completion of an engineering condition assessment on the building and a Phase 1 Environmental Site Assessment on the grounds, the City issued RFP #19-30 to solicit proposals for the redevelopment of the building. The Airport Advisory Committee and staff evaluated the submitted proposals and selected a preferred proposal to move forward to the due diligence phase of the process. During the due diligence phase, the COVID pandemic struck and the proposer eventually withdrew the proposal.

After considering other potential options for the redevelopment of the building, it was decided to update and issue RFP #21-19. A new preferred proposal was selected by the Airport Advisory Committee and moved forward into due diligence. That proposal also withdrew due to economic issues. The airport received additional interest from other potential tenants during this time and they were encouraged to submit proposals. Beacon Aviation was one of these proposals. After re-evaluating the RFP proposals and the newly submitted Beacon Aviation proposal, Beacon Aviation was selected for a due diligence evaluation which was successfully completed. At their July 20, 2022 meeting, the Airport Advisory Committee unanimously recommended that City Council approve the 30-year (20 +10) lease and proposal for Beacon Aviation.

The City Attorney's Office has structured the proposed lease so that the City would continue ownership of the building, but the tenant would be responsible for building and ramp improvements, insurance, utilities, maintenance work (mowing, snowplowing, etc.) and any taxes/assessments on the structure. The Beacon Aviation proposal includes nearly \$200,000.00 worth of required improvements based on the building condition assessment done by the City. With the required improvements, ongoing maintenance and the fact that the tenants will not have a building they can sell at the end of the lease, they have requested a 20-year lease with a 10-year option. The other tenant requested modification would include a right of first refusal to develop vacant land immediately to the west of the building if their business grows.

Beacon Aviation is owned by Dale Foerschler and Brian Herron and is a full service FBO. They will

be increasing the services available to the local aviation community by adding avionics, aircraft painting and upholstery repairs in addition to the traditional FBO services. Mr. Foerschler is currently operating a successful FBO (Great Lakes Air Ventures) in Mason Michigan. Brian Herron is a longtime airport tenant, local businessman and the owner of the Herron Aviation Group which handles aircraft sales.

Budget/Fiscal Impact: The lease rate for the land is the same that the current tenant pays so the project is revenue neutral. Like all airport land leases, the lease rate is subject to an annual CPI based increase. There is no additional rent generated from the building, currently or proposed, because of its very poor condition, the initial required capital investment and ongoing maintenance costs by the tenant. Unlike other airport owned buildings, the airport has no ongoing financial responsibilities for the building, aircraft ramp or grounds. 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, The current lease for the corporate hangar located at 719 Airport Drive expired on November 30, 2018 and the tenant has continued on a month to month basis;

Whereas, The City solicited redevelopment proposals for the site and the proposal from Great Lakes Air Repair d/b/a Beacon Aviation was unanimously approved by the Airport Advisory Committee on July 20, 2022 for consideration by City Council; and

Whereas, Lease rates for the proposed 20-year lease with a 10-year renewal option are the same as the current lease rates for the site, comply with our economic grant assurances from the Federal Aviation Administration and include an annual CPI based increase making the new lease revenue neutral.

RESOLVED, That City Council approve the proposed Lease Agreement with Great Lakes Air Repair d/b/a Beacon Aviation for the corporate hangar located at 719 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.

Sponsored by: Mayor Taylor