



TO: Mayor Shaun Sipma
Members of the City Council

FROM: Rick Feltner, Airport Director

DATE: August 5, 2019

SUBJECT: MONTH-TO-MONTH LEASE TERMINATION, AVIATION SERVICES

I. RECOMMENDED ACTION

It is recommended that the Council

1. Adopt the recommendation of the Airport Director to terminate the month-to-month land lease with Aviation Services, Inc., and;
2. Direct the Airport Director to move forward with all actions necessary to terminate the lease and reacquire the subject property.

II. DEPARTMENT CONTACT PERSONS

Rick Feltner, Airport Director

857-4724

III. DESCRIPTION

A. Background

Aviation Services, Inc., whose contact is Mr. Fred Andersen, leases land located at the Minot International Airport (MOT), identified more specifically as Westside Lot 49, on a month-to-month basis. The original term of the lease expired in 2008. Under terms of the original agreement, the Airport owns the land, and Aviation Services owns the improvements, which include an airplane T-hangar. The current monthly rent for the land is \$32.33 per month (\$387.91 per year).

The hangar currently houses one non-serviceable aircraft (the aircraft has no wings and is otherwise in a state of disrepair), as well as large amount of non-aeronautical related items kept in storage. This non-aeronautical use of federally obligated and rent-subsidized property is specifically forbidden by the FAA, and endangers past and future Airport Improvement (AIP) Grants. By accepting grant money, the Airport and the City are required to enforce a number of obligations with regard to specific aeronautical uses that promote aviation and aeronautical use.

Additionally, the Airport firmly believes that this property could be used for a true aeronautical use, rather than the indefinite storage of a non-operational aircraft and assorted non-aeronautical household items. As the economy continues to improve, there is demand for hangar space located adjacent to other aviation related services on the field such as fueling, maintenance, flight instruction, etc.

Finally, the Airport endeavors to be consistent and fair in all of its lease arrangements. All other tenants are held to this standard of aeronautical use. It is apparent that this property is not actively used for any aviation related activity.

Inspections of all 27 land leases at the Airport were conducted in May 2019. The inspections consisted of building condition and maintenance; compliance to fire code; and compliance with the terms of the Airport lease. Of the 27 leases, 23 appeared to be in full

compliance or required only minimal remediation. Two properties require extensive structural repair and, per the requirements of those current leases, Airport staff has notified the tenants of those issues and demanded compliance. Finally, there is Aviation Services and one other tenant whose leases have or are about to expire, and which the Airport is recommending termination and non-renewal of the leases.

B. Proposed Project

City staff's recommendation to terminate the lease stems from a desire to promote aeronautical activity at the Airport, utilize the Airport's limited real estate resources for the highest and best use, and apply fair and consistent terms to all land lease tenants at the Airport.

C. Consultant Selection

N/A

IV. IMPACT:

A. Strategic Impact:

By not renewing this lease, the Airport will be able to market this property to a tenant with an aeronautical purpose which is consistent with the FAA regulations and more closely aligned with the Airport's stated goal to promote aviation and aeronautical business.

B. Service/Delivery Impact:

Other Airport tenants and aviation enthusiasts will benefit from attracting an aeronautical enterprise which both provides, and purchases, aviation related services.

C. Fiscal Impact:

The current income from the lease of this property is \$32.33 per month (\$387.91 per year). Properly marketed to an approved aeronautical enterprise, the airport anticipates being able to significantly increase rental revenue.

V. ALTERNATIVES

Should the Council decide not to allow the Airport Director to send a letter to Minot Aviation stating the intention to not renew or extend the lease the Airport would be out of compliance with FAA Grant Assurances, there would not be a fair and consistent application of lease terms vis-à-vis the other Airport tenants, and the highest and best use of the property would not be realized.

VI. TIME CONSTRAINTS

As the lease has been in a month-to-month status for a number of years, there is no specific time constraint – but in an effort to maintain compliance with FAA Grant assurances, city staff recommends terminating the lease and re-acquiring the property as soon as is practicable.

VII. LIST OF ATTACHMENTS

- A. Letter to Aviation Services, Inc.
- B. Inspection Report
- C. Lease
- D. Location Photo