



TO: Mayor Shaun Sipma
Members of the City Council

FROM: Rick Feltner, Airport Director

DATE: August 5, 2019

SUBJECT: EXPIRING LAND LEASE WITH MINOT AVIATION

I. RECOMMENDED ACTION

It is recommended that the Council

1. Adopt the recommendation of the Airport Director not to renew or extend Minot Aviation’s current land lease, which expires on January 31, 2020; and
2. Direct the Airport Director to move forward with all actions necessary to wind up the present lease with Minot Aviation.

II. DEPARTMENT CONTACT PERSONS

Rick Feltner, Airport Director 857-4724

III. DESCRIPTION

A. Background

Minot Aviation, also known as “Aeroport Hobby Shop”, leases Lot 1, Block 1 (Westside S 40’ Lot 4, N 60’ Lot 5) located at the Minot International Airport (MOT). The term of the current lease expires on January 31, 2020. Per the terms of the current lease, the City is required to notify Minot Aviation at least 120 days in advance, prior to the expiration of the base lease, if it does not intend to renew or extend. Under the current lease, the City owns the land, and Minot Aviation owns the improvements, which includes an airplane hangar and attached commercial space. The current monthly rent for the land is \$250 per month (\$3,000 per year).

The primary business function at Minot Aviation appears to be the retail sales of hobby type models and various radio controlled vehicles. Although there are several aircraft located in the hangar portion of the property, they are inactive (the Airport does not know if they are airworthy or not, but it is certain that the aircraft have not been out of the hangar in many years). There are many non-aviation related items stored in the hangar, as well as apparent living quarters. This non-aeronautical use of federally obligated and rent-subsidized property is specifically forbidden by the FAA, and endangers past and future Airport Improvement Program (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 which promote aviation and aeronautical use.

Additionally, the Airport firmly believes that this property could be used for a true aeronautical use, rather than the retail establishment currently in operation. 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. A retail hobby shop is not

consistent with the overall plan for promoting aviation. Likewise, the hangar area containing non-active aircraft is not an optimal use of this resource.

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 Minot Aviation 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 \$250 per month (\$3,000 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 year-to-year options outlined in Section 3 of the lease (attached) become relevant. 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

If the lease is not going to be renewed, the Airport must give Minot Aviation 120 days notice, which is October 30, 2019. By acting on this matter now, both the Airport and Minot Aviation can plan for a transitional period at the conclusion of the lease. Section 7 of the attached lease outlines the available options. 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 Minot Aviation
- B. Inspection Report
- C. Lease
- D. Location Photo