



TO: Mayor Shaun Sipma
Members of the City Council

FROM: Rick Feltner, Airport Director

DATE: January 21, 2020

**SUBJECT: GROUND AGREEMENT, MINOT AVIATION UPDATE ON
NEGOTIATIONS/STAFF RECOMMENDATION**

I. RECOMMENDED ACTION

1. City Staff recommends that the City Council authorize City Staff to accept the essential terms of the contract as set forth in this memo; and
2. Direct City Staff to draft an agreement memorializing these essential terms; and
3. Pending regulatory approval, authorize the execution of a Concurrent Use Ground Agreement; and
4. Authorize the Mayor to sign any applicable documentation.

II. DEPARTMENT CONTACT PERSONS

Rick Feltner, Airport Director

857-4724

III. DESCRIPTION

1. Background

Minot Aviation, also known as the “Aeroport Hobby Shoppe”, leases real estate from the Minot International Airport (MOT). The City Council elected not to renew their lease at their August 5th meeting, and the City Attorney’s Office mailed notification of the City’s election to not renew the lease to Minot Aviation and their Attorney on August 9, 2019. The lease will terminate on January 31, 2020.

On December 13, 2020, City Staff received a proposed Concurrent Use Agreement and Ground Lease from Minot Aviation and the Aeroport Hobby Shoppe’s attorney, Robert Martin. Their proposed lease agreement (Agreement) proposes the following:

1. The Aeroport Hobby Shoppe is added as a party to the Agreement, while the prior agreement was only between Minot Aviation and the City of Minot.
2. The Agreement has a base term of 12 months, and gives the Lessees options to renew on an annual basis.
3. Rent during the base term will be \$0.40/square foot per annum. The total square footage of the Premises is 10,000 square feet, for a total of \$4,000/year. Rental rates on the renewal option must be negotiated prior to each renewal.
 - a. In addition to the rental rate based upon square footage, the Aeroport Hobby Shoppe will also pay a sales commission to the City in the amount of 2% of their Gross Revenues each month.

City Staff finds these lease terms to be a reasonable and higher/better use for the property than in the past. City Staff recommends that the City Council consider accepting these essential terms but recommends that the City Council request a 2% commission on all of the Lessee's gross business revenues conducted on the Premises, not just the revenues received from the Aeroport Hobby Shoppe.

City Staff further recommends that the City Council direct City Staff to draft an agreement memorializing these essential terms, and authorizing the Mayor to enter into a Concurrent Use Ground Agreement.

2. Consultant Selection
N/A.

IV. IMPACT:

1. Strategic Impact:
Accepting the proposal would allow a long-time tenant to continue their operations at MOT in compliance with state, local, and federal regulations and increase revenue at MOT.
- B. Service/Delivery Impact:
Accepting the proposal would allow a long-time tenant to continue their operations at MOT in compliance with state, local, and federal regulations and allow their patrons to continue
- C. Fiscal Impact:
The proposal increases the property rental rate by 33% and adds a 2% commission from the sales made by the Lessee.

V. ALTERNATIVES

- Alt 1. The Council could reject the proposal and direct City staff to begin actively marketing the property.
- Alt 2. The Council could offer a counter-proposal or amendments to the proposal received from the Aeroport Hobby Shoppe and Minot Aviation.

VI. TIME CONSTRAINTS

The present lease with Minot Aviation expires on January 31, 2020.

VII. LIST OF ATTACHMENTS

- A. Minot Aviation/Aeroport Hobby Shoppe Lease
- B. Minot International Airport 2nd Addition Legal Descriptions