



TO: Mayor Shaun Sipma
Members of the City Council

FROM: Rick Feltner, Airport Director

DATE: April 28, 2020

SUBJECT: **NEW LEASE TERMS AND CONDITIONS FOR SCOTT AVIATION/WILSON SCOTT**

I. RECOMMENDED ACTION

City Staff recommends that the City Council review the proposed Ground Lease and Hangar Development Agreement and authorize the Mayor to enter into the agreement.

II. DEPARTMENT CONTACT PERSONS

Rick Feltner, Airport Director 857-4724

III. DESCRIPTION

A. Background

Wilson Scott, also known as “Scott Aviation”, currently leases real estate from the Minot International Airport (MOT). On March 16, 2020 the City Council authorized notice be served to Mr. Scott that he was in default of the terms of his lease. This notice was given nearly one year after an initial inspection of the leased property and improvements indicated that the building was in a severe state of disrepair, and that the requirement of an aeronautical purpose for the property was not being met.

Since that the initial inspection, some minor repairs have been done to the building. The fact remains however that the most recent inspection by the City on April 23, 2020 indicated that the structure was still not compliant to code. Moreover, there remains no aeronautical purpose. The current lease will expire on May 5, 2020 and Mr. Scott has requested to take advantage of the 20-year renewal option.

In response, the Airport has drafted terms and conditions it would deem acceptable in order to renew the lease for an additional 20 years. These include a detailed timeline requiring repair of the structure and a verifiable aeronautical purpose. As of the drafting of this memo, the City has received a response from Mr. Scott’s counsel, indicating that he finds the terms of this lease acceptable, and that he is currently anticipating subleasing the property to an individual that will assist with making the recommended repairs to the building. Any such sublease would need to come before the City Council for approval before becoming effective.

B. Proposed Project

The current lease provides a renewal clause stating, “It is hereby understood and agreed that the Lessee has, and is hereby given, an option to renew a ground lease at the Minot International Airport for an additional 20 years under the terms and conditions set by the City Council at the time of renewal.” City Staff have drafted an updated ground lease

agreement and finds the proposed lease terms to be a reasonable and better use for the property than in the past. City Staff recommends that the City Council consider accepting these essential terms and further authorize the Mayor to enter into a ground lease agreement.

- C. Consultant Selection
N/A

IV. IMPACT:

- A. 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:
N/A

- C. Fiscal Impact:

The property is currently being rented at \$61.33/month, or approximately \$0.123/square foot. The new rental rate as designated by the published Rates and Charges is \$0.30/square foot. The property is a total of 5,986 square feet, which will bring in \$1,795/year, or \$149.65/month. Further, once the property is compliant with aeronautical use standards, the general aviation community and the Airport will benefit from the ancillary revenue generated.

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 Mr. Scott and Scott Aviation.

VI. TIME CONSTRAINTS

The present lease was terminates on May 5th, 2020.

VII. LIST OF ATTACHMENTS

- A. Draft of new Ground Lease and Hangar Development Agreement;
- B. Exhibit A – South Half Block 1, Lot 4 Minot International Airport 2nd Addition Legal Description