



COUNCIL DECISION REQUEST

SUBJECT: Airport Lease Payment Waiver Request

MEETING DATE: 9-17-15

SUBMITTED BY: LaRon G. Garrett,  Acting Town Manager

SUBMITTAL TO AGENDA
APPROVED BY TOWN MANAGER

AMOUNT BUDGETED: \$0

EXPENDITURE REQUIRED: \$0



EXHIBITS (If Applicable, To Be Attached): Letter of Request from Lessee

POSSIBLE MOTIONS:

I move to approve the request to waive the land rental cost for the new aircraft and vehicle parking areas installed by MPG East from October 1, 2015 through September 30, 2018 as requested by MPG East.

Or

I move to deny the request from MPG East to waive the land rental cost for the new aircraft and vehicle parking areas.

SUMMARY OF THE BASIS FOR POSSIBLE MOTION:

In December of 2013 the Town awarded an airport fueling contract to MPG East. They installed a new self-fueling operation at the airport. As part of the agreement, MPG East constructed several upgrades to the Town's fuel farm to enhance the self-fueling operation. All improvements installed by MPG East are owned by the Town. The contract between the Town and MPG East provides that the leased area may be adjusted from time to time through negotiations with the Town Manager. The contract also includes MPG East paying the Town \$0.36 per square foot of leased area annually and a fuel flowage fee of \$0.05 per each gallon of fuel sold. Recently, MPG East paid for an additional 1,000 square feet of concrete to be constructed in the fueling area to make the operation more accessible to larger aircraft.

MPG East has now proposed that they install an additional aircraft parking ramp near the fueling operation and a vehicle parking area. These areas would become part of the leased area. The improvements will consist of a 45'x 45' concrete pad with tie down anchor and a concrete walkway to a 6'x 10' concrete storage pad, a 20'x 20' vehicle parking pad, lighting for both pads, a water spigot, and a locked man gate in the fence. The cost of these improvements is estimated to be \$24,000. Per the lease, the improvements will belong to the Town when they are completed. The leased area will increase 3,601 square feet to encompass these improvements.

MPG East is requesting that the Town waive the land rental cost for this additional leased area for 3 years. That leased cost at \$0.36 per square foot is \$1,296.36 annually. The three year total is \$3,889.08. At the end of the three year period MPG East will either release the improvements to the Town for our use, or begin paying the standard lease payments on the increased area.

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PROS: This will provide additional upgrades to the Town of Payson Airport at no financial cost to the Town.

CONS: The Town Airport revenue will be decreased by \$1,296.36 annually for the next 3 years.

FUNDING:

Acct:	Budget:	Available:	Expense:	Remaining:
Acct:	Budget:	Available:	Expense:	Remaining:
Acct:	Budget:	Available:	Expense:	Remaining:

FM:

Date:

MPG EAST
Payson Airport KPAN
Payson, Arizona

Town Of Payson
LaRon Garrett – Town Manager

August 31, 2015

Ref: MPG East lease expansion

MPG East has requested a lease expansion from the Town – dated Aug. 28, 2015.

MPG East has recently made an improvement to Town property adjacent to the leased area. The improvement was 1000 square feet of 6 " concrete at a cost of \$10,000. No additional lease extensions were requested.

MPG East now plans to make additional improvements for the lease extensions in the amount of \$24,000. Site plans and design have been submitted Aug 28, 2015.

MPG East is requesting that the Town waive rental cost for the additional leased area for a period of 3 years, starting October 1, 2015. After the 3 year period, MPG East requests the right to transfer the lease extension over to the Town OR pay the rate specified in the existing lease and add the square footage to the existing lease. The new extension will be approximately 3000 square feet.

Thanks you for your consideration,



Margie Oldenkamp
MPG EAST
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787 742-0352 c