



STAFF REPORT

DATE: June 1, 2021

TO: Kent Cagle, City Manager

FROM: Mike Wilson, Executive Director of Aviation

SUBJECT: CSI AVIATION LEASE AGREEMENT APPROVAL

BACKGROUND AND FINDINGS:

In 2019 and 2020, the City received two grants through the Federal Aviation Administration's (FAA) Military Airport Program (MAP) for the purpose of building a commercial hangar to accommodate the expansion of a current tenant, CSI Aviation. At that time, the Aviation fund did not have the available funding needed for the required match of \$375,000. CSI agreed to fund the match with a cash contribution through a performance agreement signed by both parties in December of 2019. The intent was for the City to repay CSI the \$375,000 plus interest in the form of rent abatements for the first five years of the lease.

Staff has negotiated a lease agreement with CSI Aviation, Inc. to lease a 22,646 square foot hangar and office space at Killeen-Fort Hood Regional Airport (KFHRA). The term of the lease agreement is for a period beginning February 1, 2022 and ending January 31, 2032. The agreement will authorize the tenant to conduct air transportation and related general aviation operations, including but not limited to passengers, charter, air cargo, medical flight services, aircraft maintenance and fixed base operations services at KFHRA. The lease also authorizes the City to repay CSI for the current amount of cash contributions they have made plus interest, in the amount of \$50,730.15 and terminate the performance agreement signed in 2019. Aviation now has adequate funding to pay the match requirement, thus keeping us from paying any further interest and allowing us to receive the full rent amount once the building is built and occupied.

THE ALTERNATIVES CONSIDERED:

Alternatives considered were: (1) leave the facility vacant while continuing to solicit for other aviation business that may provide a better benefit to the airport, or, (2) move forward with this company's request to occupy the facility and begin aviation business operations on the airport.

Which alternative is recommended? Why?

Staff recommends alternative 2. Aviation staff determined the lease terms and conditions for the facility are at market rate, the services expected to be provided by the company are appropriate and in line with the airport master plan, approving the lease will result in additional jobs for the community, and that further delays in executing a lease agreement would likely result in a loss of revenue to the airport.

CONFORMITY TO CITY POLICY:

Yes

FINANCIAL IMPACT:

The lease agreement provides that the tenant will pay rental fees at a monthly rental rate of \$13,429.17, not including various monthly security, telephone, and information technology fees within the lease. This will provide annual revenue to the airport of \$161,150.00. Revenues will be deposited in the KFHRA enterprise fund account 525-0000-344.03-01. The activities of this tenant are also expected to have a positive effect on aviation fuel sales and landing fees. This lease will require the City to repay CSI Aviation, Inc. \$50,730.15 for cash contributions previously paid to the City plus interest. These funds are available in the Aviation Fund.

What is the amount of the expenditure in the current fiscal year? For future years?

CSI Aviation, Inc. has contributed \$49,619.58 in cash contributions toward the grant match for the Airport Hangar project. The Aviation Fund now has sufficient funds to cover the 10% grant match. The Aviation Fund will reimburse the cash contributions of \$49,619.58 plus \$1,110.57 in interest to CSI Aviation, Inc. for a total reimbursement of \$50,730.15.

Is this a one-time or recurring expenditure?

One-time

Is this expenditure budgeted?

Upon approval of the ordinance amending the FY 2021 Annual Budget, funds will be available in account #524-0515-521.50-89, Designated Expense.

If not, where will the money come from?

N/A

Is there a sufficient amount in the budgeted line-item for this expenditure?

Upon approval of the ordinance amending the FY 2021 Annual Budget.

RECOMMENDATION:

City Council approve the lease agreement with CSI Aviation, Inc. for a ten (10) year period beginning on Feb 1, 2022 and authorize the City Manager or designee to execute same. Additionally, authorize the City Manager or designee to execute all addenda and lease actions to the agreement, including termination, to the extent allowed by the City Charter and the laws of the state of Texas.

DEPARTMENTAL CLEARANCES:

Finance

Legal

ATTACHED SUPPORTING DOCUMENTS:

Agreement

Certificate of Interested Parties