



City of Killeen

Legislation Text

File #: RS-24-094, Version: 1

Consider a memorandum/resolution approving a Ground Lease Agreement at Skylark Field Airport with Aeroserve, LLC.

DATE: June 4, 2024

TO: Kent Cagle, City Manager

FROM: Mike Wilson, Executive Director of Aviation

SUBJECT: Authorize a ground lease agreement with Aeroserve, LLC, at Skylark Field

BACKGROUND AND FINDINGS:

Airport Staff have negotiated a lease agreement with Aeroserve, LLC, in order to lease vacant ground space at Skylark Field. The vacant land includes the former site of the Killeen Municipal Airport terminal building that was demolished in 2023. The Agreement requires Aeroserve to construct multiple hangars for the storing of aircraft and potential commercial aviation related operations. The term of the lease agreement is thirty (30) years, with two thirty (30) year renewal options, which will commence upon completion of construction of the first aircraft hangar.

As part of the Agreement, Aeroserve agrees to use the Premises solely for aviation-related purposes and grants Aeroserve the right to sublease hangars to various third parties for aviation-related purposes, provided that all such arrangements for subleases with a term greater than five (5) years will be subject to City approval.

Aeroserve, will also be responsible for the installation and use of all utility services to all portions of the land and for all other related utility expenses, including expenses required for the installation of meters. Aeroserve is also responsible for all maintenance and repair expenses related to the land and hangars that it constructs on the land.

This lease provides additional aircraft storage capacity and revenue for the Aviation Department and has the potential to attract aviation related businesses that would create jobs, generate economic growth, and increase property value.

Pursuant to Section 145 of the City Charter for the City of Killeen, the Lease Agreement will become effective thirty (30) days following the passage of the resolution affecting it.

THE ALTERNATIVES CONSIDERED:

N/A

Which alternative is recommended? Why?

N/A

CONFORMITY TO CITY POLICY:

This item conforms to City policy.

FINANCIAL IMPACT:

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

The lease agreement generates revenue for the Aviation Fund through a ground rate paid by the tenant following the completion of each hangar's construction. The ground rate will be as follows: \$0.15 per square foot for the first 24 months of the agreement, \$0.20 per square foot for months 25 to 59, and \$0.30 per square foot from month 60 onward for the remainder of the agreement. Assuming each hangar is approximately 1,500 square feet and the construction of 2 to 3 hangars, the estimated revenue would be from \$5,400 to \$8,100 annually.

Commencing sixty (60) months from the effective date and every fifth (5th) year thereafter for the remainder of the initial term, and any subsequent renewal term, the ground rate shall be adjusted each period based on changes in the Consumer Price Index.

Revenues will be deposited in the Aviation Fund account 525-0000-344.08-01 (Land Lease Tenants).

Is this a one-time or recurring revenue/expenditure?

Recurring revenue

Is this revenue/expenditure budgeted?

N/A

If not, where will the money come from?

N/A

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

N/A

RECOMMENDATION:

Staff recommends that the City Council approve the lease agreement with Aeroserve, LLC, and authorize the City Manager or designee to execute same as well as any and all amendments and lease actions requires and as allowed per federal, state, or local law.

DEPARTMENTAL CLEARANCES:

Purchasing
Finance
Legal

ATTACHED SUPPORTING DOCUMENTS:

Lease Agreement
Certificate of Interested Parties
Presentation