



Where Life is Sweet

Mayor and Members of the City Council
STAFF REPORT
For the Meeting of June 26, 2023

Title/Subject

Authorizes a Lease/Option Agreement with Kayak Public Transit on “Lot 7” at the Airport for the purposes of facilitating construction of a Bus Barn.

Summary and Background

This action would authorize an agreement with Kayak Public Transit to lease approximately 1 acre of light-industrial land north of Airport Way located on the Airport.

The 2020 Airport Master Plan calls for all area north of Airport Way as being available for non-aviation related development. Since 2018 there have been three new commercial/industrial users locate north of Airport Way, on lots 4, 5, and 6. Aside from helping facilitate continued community/economic development, leasing-out this ground helps generate sustainable long-term revenue to assist with the costs of maintaining the airport.

City staff has been in contact with KAYAK for several years about their interest in constructing a bus maintenance/storage facility on the west end of Umatilla County, with specific interest in locating at the airport. KAYAK is now positioned to seek grant funding to construct that facility, and although they are well positioned for the funding, it is never guaranteed. Therefore, this lease is structured in a way to allow for a four year option to lease the area. This allows KAYAK to show funding agencies that they have a site under control, without committing to a full 30-year lease.

This option agreement allows KAYAK four years to exercise the option or walk away, which is equivalent to two funding cycles for transit facility grant funding. In the event that they walk away, then they will owe an amount equal to their rent for the time that they optioned it. In the event that they exercise their option, then this agreement allows KAYAK to recognize the value of the rent from the option-period as Local Match toward their capital facility grant application. Upon exercising the option, KAYAK would begin owing rent the same as other similar current tenants at the Airport.

Lot #7 at the airport is adjacent to all water, sewer, street, power, etc., but will require extending all of those services along it's frontage in Airport Way to it's eastern boundary. This agreement clearly makes those obligations of the development. However, there is additional light industrial land (lots 8, 9, etc.) further to the east, which could garner interest during the option period. Therefore, this agreement expressly states that, in the event that additional

development occurs to the east, and extends those services past Lot #7, then KAYAK would be required to compensate the other development in an amount proportional to the cost of improvements fronting on Lot #7.

The final exact dimensions of Lot #7 are being surveyed by Anderson Perry currently, and will be added as Exhibit A in a form substantially similar to what is shown in the current planned airport lot layout configuration.

The Airport Advisory Committee reviewed this proposed lease at its June 7, 2023 meeting, and unanimously recommended City Council approval.

Tie-In to Council Goals

City Facilities: Public facilities that meet the community needs of today and the future

Fiscal Information

1. If KAYAK chooses not to exercise their option, they would owe up to \$9,860.
2. If KAYAK chooses to exercise their option, they would owe \$2,465 per year through 2032; \$2,958 per year from 2033 through 2037; and \$3,451 per year after that, for a total of \$59,406 over 20 years.
3. For context, \$2,465 would increase the Airport's total annual revenue by approximately 1%, and would increase the Airport's lease revenue by approximately 4%.

Alternatives and Recommendation

1. Approve the lease as presented.
2. Request staff to negotiate revisions to the proposal.
3. Reject the lease.

Recommended Motion

Motion to authorize staff to execute a ground lease with Kayak Public Transit for Airport Lot #7 in a form substantially similar to what has been presented.

Submitted By:

Mark Morgan