



Where Life is Sweet

Mayor and Members of the City Council
STAFF REPORT
For the Meeting of January 22, 2024

Title/Subject

Airport Ground Lease- Stratton

Summary and Background

This action will authorize the Airport to execute a ground lease with the Michael and Loy Stratton Living Trust to construct a new box hangar at the airport.

This hangar will be located on the west-end of the airport, adjacent to the recently completed Kilgore Hangar. The terms and conditions of this lease are similar to all existing ground leases at the airport with the exception of price.

Due to this hangar's location immediately adjacent to all utilities, and in the interest of maximizing revenue to reduce the airport's reliance on a General Fund subsidy, the price per square foot for this lease will begin at \$0.35; which is nearly double the current rate for most other existing ground leases at the airport. It is anticipated that as other existing leases expire, the rate for those will also be renegotiated to be closer to this new rate.

Tie-In to Council Goals

Goal 3.4: Sustainable Funding

Fiscal Information

This lease will generate between \$1,470 and \$1,638 per year over the first 20 years.

Airport lease rates are a unique real estate niche due to their access to a unique piece of infrastructure. For context, this price is equivalent to \$326,000 per acre over 20 years.

A review of ground lease rates at similar airports across Oregon in Spring, 2023 indicates that this lease rate is on the high-end of those rates currently being charged.

Alternatives and Recommendation

Alternatives

1. Approve the lease as presented.
2. Reject lease.
3. Table and request changes.

Recommended Action/Motion

Motion to approve lease as presented.

Submitted By:

Mark Morgan, Assistant City Manager