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City of Las Cruces[®]
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Council Action and Executive Summary

Item # 8 Ordinance/Resolution# 13-009

For Meeting of _____
 (Ordinance First Reading Date)

For Meeting of July 16, 2012
 (Adoption Date)

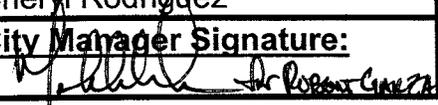
Please check box that applies to this item:

QUASI JUDICIAL LEGISLATIVE ADMINISTRATIVE

TITLE: A RESOLUTION AUTHORIZING THE TERMINATION OF LEASE FOR PARCEL 35 AT THE LAS CRUCES INTERNATIONAL AIRPORT AND APPROVING THE PURCHASE OF PERSONAL PROPERTY (HANGAR) BY THE CITY OF LAS CRUCES FROM THOMAS L. AND JULIA M. SMITH.

PURPOSE(S) OF ACTION:

To purchase a hangar.

COUNCIL DISTRICT: 4		
<u>Drafter/Staff Contact:</u> Cheryl Rodriguez	<u>Department/Section:</u> Transportation/Airport	<u>Phone:</u> 541-2471
<u>City Manager Signature:</u> 		

BACKGROUND / KEY ISSUES / CONTRIBUTING FACTORS:

Airport staff was recently approached by airport tenants Thomas L. and Julia M. Smith to purchase their private hangar as they are selling their aircraft and no longer have a need for hangar space. Mr. and Mrs. Smith currently have a long-term land lease (30 years) with the City for a 10,000 square foot parcel of land known as Parcel 35 and addressed as 725 White Lightning Drive. The Smiths entered into the lease pursuant to Resolution No. 09-178 on February 3, 2009. They are asking \$120,000 for the hangar.

The hangar is a 60-foot by 60-foot (3,600 square feet) single open bay structure in excellent condition. The hangar has additional amenities such as four skylights, a small kitchenette, and enclosed bathroom with a sink, toilet, and stall shower. The concrete floors within the hangar have an epoxy coating. The hangar is not heated or cooled which is not unusual for buildings of this type.

If the City decides to purchase the hangar, Airport staff anticipates its use as follows:

- Primary lessee would be U.S. military, specifically, the U.S. Navy for their annual training detachment(s) to the City of Las Cruces;

(Continue on additional sheets as required)

- Short-term rental for corporate entities or transient aircraft owners wishing their aircraft to be hangared; and
- Law enforcement agencies wishing to hangar aircraft for security purposes.

The U.S. Navy has expressed an interest in pursuing a long-term lease for detachment exercises at our airport. A City-owned hangar would provide an incentive for the Navy to return on an annual basis. Currently, the Navy is dependent on the availability of private hangars at the airport. If a hangar is not available when the Navy needs one, it may prevent them from returning to Las Cruces.

Airport staff is also approached on at least a weekly basis by aircraft owners, often transient pilots who are not permanently based at our airport, who are seeking a hangar to store their aircraft on a temporary basis. With a City-owned hangar available for such short-term storage, this may allow for additional needed revenue for the Airport. Not only could this reduce General Fund subsidy to the Airport, it will assist the City in remaining compliant with FAA grant assurance No. 24 which requires that the airport be as self-sustaining as possible.

The 2008 Airport Action Plan (prepared by Molzen-Corbin & Associates) detailed the aircraft storage requirements/needs for our airport. It was noted that the demand for aircraft storage hangars is largely dependent upon the number and type of aircraft expected to be based at the airport (see Attachment "A"). Landside planning considerations in the 2008 Airport Action Plan recommends the provision of additional hangar capacity. This need is further supported in the Airport's Capital Improvement Plan, which has identified the design and construction of a City hangar as a need for many years. The estimated cost for construction of a new hangar is approximately \$300,000.

There are 25 large sized "conventional" hangars located at the Airport. While the City of Las Cruces owns two of the 25 hangars, the two hangars are currently under long-term lease to Southwest Aviation and the National Guard and not available for the City's use. The rest of the hangars are privately owned. Having a City owned hangar would not only provide revenue but would also provide flexibility and operational benefits for Airport staff in their efforts to effectively manage the airport.

Funding for the hangar will come from balance available in Fund 1010, Airport Operations. It is estimated that with industry standard hangar rental rates ranging from \$100-250 a night (and up) and the potential for at least one Navy training detachment per year, the City should not only be able to reimburse the fund and recover the purchase price of the hangar within 2-5 years, but also potentially reduce the City's General Fund transfer to the Airport Operations Fund on a permanent basis. A hangar lease fee schedule is in the process of being developed by Airport staff.

The Airport Advisory Board unanimously recommended approval of the purchase of the hangar and termination of the land lease at their June 21, 2012 regular meeting. In order to purchase the hangar from Mr. and Mrs. Smith, the City of Las Cruces must first terminate their existing land lease.

(Continue on additional sheets as required)

SUPPORT INFORMATION:

1. Resolution.
2. Exhibit "A", Agreement for termination of lease and sale of personal property.
3. Attachment "A", Section 3.11 Hangars from 2008 Airport Action Plan.
4. Attachment "B", Minutes from June 21, 2012 Airport Advisory Board meeting.

SOURCE OF FUNDING:

Is this action already budgeted?	Yes *	<input checked="" type="checkbox"/>	See fund summary below
	No	<input type="checkbox"/>	If No, then check one below:
	<i>Budget Adjustment Attached</i>	<input type="checkbox"/>	Expense reallocated from: _____
	<input type="checkbox"/>	Proposed funding is from a new revenue source (i.e. grant; see details below)	
	<input type="checkbox"/>	Proposed funding is from fund balance in the _____ Fund.	
Does this action create any revenue?	Yes	<input type="checkbox"/>	Funds will be deposited into this fund: _____ in the amount of \$_____ for FY_____.
	No	<input checked="" type="checkbox"/>	There is no new revenue generated by this action.

BUDGET NARRATIVE

* Funding to purchase the hangar will come from available balance in Fund 1010, Airport Operations. Rental revenue from the hangar will be used to reimburse the fund.

FUND EXPENDITURE SUMMARY:

Fund Name(s)	Account Number(s)	Expenditure Proposed	Available Budgeted Funds in Current FY	Remaining Funds	Purpose for Remaining Funds
Airport Operations (1010)	10323020-852100	\$120,000	\$120,000	\$0	N/A

OPTIONS / ALTERNATIVES:

1. Vote "Yes"; this will allow the City of Las Cruces to purchase a 3,600 square foot hangar in the amount of \$120,000 as well as terminate the existing land lease with Thomas L. and Julia M. Smith for Parcel 35 located at 725 White Lightning.
2. Vote "No"; this will not authorize the purchase of a hangar nor terminate the existing land lease with Thomas L. and Julia M. Smith and the City will not have a hangar to meet operational needs.

(Continue on additional sheets as required)

3. Vote to "Amend" the Resolution as deemed appropriate.
4. Vote to "Table" and direct staff accordingly.

REFERENCE INFORMATION:

The resolution(s) and/or ordinance(s) listed below are only for reference and are not included as attachments or exhibits.

1. Resolution No. 09-178

(Continue on additional sheets as required)

RESOLUTION NO. 13-009

A RESOLUTION AUTHORIZING THE TERMINATION OF LEASE FOR PARCEL 35 AT THE LAS CRUCES INTERNATIONAL AIRPORT AND APPROVING THE PURCHASE OF PERSONAL PROPERTY (HANGAR) BY THE CITY OF LAS CRUCES FROM THOMAS L. AND JULIA M. SMITH.

The City Council is informed that:

WHEREAS, Thomas L. and Julia M. Smith currently lease Parcel 35, also referred to as 725 White Lightning, at the Las Cruces International Airport; and

WHEREAS, Parcel 35 currently contains a 3,600 square foot hangar which is the personal property of Thomas L. and Julia M. Smith; and

WHEREAS, Thomas L. and Julia M. Smith desire to terminate their lease and to sell their hangar to the City of Las Cruces; and

WHEREAS, the 2008 Airport Action Plan for the Las Cruces International Airport recommends the provision of additional hangar capacity to meet the aircraft storage requirements at the airport.

NOW, THEREFORE, Be it resolved by the governing body of the City of Las Cruces:

(I)

THAT the Mayor of the City of Las Cruces is hereby authorized to sign the Agreement for Termination of Lease and Sale of Personal Property attached hereto as Exhibit "A" and made a part of this Resolution.

(II)

THAT City staff is hereby authorized to do all deeds necessary in the accomplishment of the herein above.

DONE AND APPROVED this _____ day of _____, 20_____.

APPROVED:

Mayor

ATTEST:

City Clerk

(SEAL)

Moved by: _____

Seconded by: _____

APPROVED AS TO FORM:



City Attorney

VOTE:

Mayor Miyagishima: _____

Councillor Silva: _____

Councillor Smith: _____

Councillor Pedroza: _____

Councillor Small: _____

Councillor Sorg: _____

Councillor Thomas: _____

**AGREEMENT FOR
TERMINATION OF LEASE AND SALE OF PERSONAL PROPERTY**

This Agreement is made this ____ day of July, 2012 between the City of Las Cruces, a New Mexico municipal corporation, having its offices at 700 N. Main, Las Cruces, New Mexico 88001 ("Buyer/Lessor"), and Thomas L. and Julia M. Smith, husband and wife, of 7889 Lion Den Canyon Way, Las Cruces, New Mexico 88011 ("Seller/Lessee"), together called the "Parties".

RECITALS

A. Seller/Lessee currently leases Parcel 35, also referred to as 725 White Lightning, at the Las Cruces Airport from Buyer/Lessor. The parcel currently contains a hangar which is the personal property of the Seller/Lessee. Seller/Lessee desires to terminate their lease and to sell the hangar.

B. Buyer/Lessor has need for hangar space in order to continue future airport development and use.

C. The Parties have negotiated, at arms length, an agreement to terminate the lease and to sell the hangar in order to achieve both of the Parties' objectives.

D. Seller/Lessee is aware that the Las Cruces City Council must approve this transaction before payment may be rendered, and ownership of the hangar and termination of the lease can be accomplished.

In consideration of the matters described above, and of the mutual benefits and obligations set forth in this Agreement, the Parties agree as follows:

SECTION ONE.

GOVERNING LAW; MERGER

A. Governing Law.

Seller/Lessee and Buyer/Lessor acknowledge and agree that the laws of New Mexico will control all aspects of this Agreement and its interpretation.

B. Integrated Agreement.

The terms contained in this Agreement are intended by both Buyer/Lessor and Seller/Lessee as a final expression of the terms of their Agreement and are a complete and exclusive statement of those terms.

SECTION TWO.**DESCRIPTION OF PROPERTY**

The personal property that is the subject matter of this Agreement is a metal hangar consisting of approximately thirty six hundred (3600) square feet including restroom facilities and any other fixtures located on Parcel 35, also known as 725 White Lightning, at the Las Cruces Airport.

SECTION THREE.**DISCLAIMER OF WARRANTIES**

Buyer/Lessor acknowledges and represents that Buyer/Lessor is buying the hangar, which is the subject of this Agreement, "as is." Seller/Lessee makes no warranty or representation about the about its present state of repair, about its condition or maintenance, or about its ability to function in any respect. In executing this Agreement, Buyer/Lessor has not relied on or been induced by any statements or representations, other than those expressly set forth in this Agreement, of any person in respect to the physical condition of the used hangar or the execution of this Agreement. Buyer/Lessor acknowledges that no such representations not embodied in this Agreement have been made. Buyer/Lessor has relied solely on the representations made in this Agreement and on such investigations, examinations, and inspections as Buyer/Lessor has made. Seller/Lessee has afforded Buyer/Lessor the opportunity for full and complete investigations, examinations, and inspections.

**SECTION FOUR.
PURCHASE PRICE; PAYMENT**

A. Total Price.

The price for the personal property that is the subject matter of this Agreement is: One Hundred and Twenty Thousand Dollars (\$120,000.00).

B. Payment for Personal Property.

Payment for the personal property is due from Buyer/Lessor on tender of delivery by Seller/Lessee.

**SECTION FIVE.
DELIVERY**

A. Transfer of Ownership.

After the Las Cruces City Council has approved this transaction by Resolution, the transfer of Ownership will occur at the time of the delivery of payment to the Seller/Lessee. At that time, the lease between the Parties will also terminate.

B. Right to Inspection.

Buyer/Lessor has the right to inspect the personal property before delivery is considered complete under this Agreement. The inspection may take place only at the place and time for delivery.

**SECTION SIX.
REMEDIES AND LIABILITIES**

A. Allocation of Risk.

Any risk associated with the sale of the personal property rests with Seller/Lessee up to the time Buyer/Lessor completes a proper inspection without rejecting the hangar and takes control of the hangar. After delivery and inspection, the risk is with Buyer/Lessor including any risk associated with returning the hangar to Seller/Lessee. After Buyer/Lessor has returned control of the hangar to Seller/Lessee, any risks associated with the personal property revert to Seller/Lessee.

B. Rejection of Hangar.

Any rejection of the hangar must be made by Buyer/Lessor at the time of delivery and inspection by Buyer/Lessor.

C. Exclusive Remedy of Buyer/Lessor.

The exclusive remedy of Buyer/Lessor under this Agreement is to return the hangar and the return of the purchase price for the hangar.

D. Exclusive Remedy of Seller/Lessee.

The exclusive remedy of Seller/Lessee under this Agreement is to have the hangar returned.

SECTION SEVEN.

ASSIGNMENT

Neither Seller/Lessee nor Buyer/Lessor may assign any portion of this Agreement without the prior written consent of the other, which consent shall not be unreasonably withheld.

SECTION EIGHT.

BINDING EFFECT; CONSTRUCTION

A. Parties Bound.

This Agreement shall be binding on and inure to the benefit of the Parties and their respective heirs, executors, administrators, legal representatives, successors, and assigns when permitted by this Agreement.

B. Legal Construction.

In case any one or more of the provisions contained in this Agreement are held to be invalid, illegal, or unenforceable in any respect, the invalidity, illegality, or unenforceability shall not affect any other provision and this Agreement shall be construed as if the invalid, illegal, or unenforceable provision had never been contained in it.

TABLE 3-5
GENERAL AVIATION TERMINAL BUILDING
LAS CRUCES INTERNATIONAL AIRPORT

	Currently Available	Short Term Need	Intermediate Term Need	Long Term Need
General Aviation Design Hour Itinerant Passengers	65	109	126	161
General Aviation Building Space (s.f.)	6,300	9,800	11,300	14,500

3.11 Hangars

Utilization of hangar space varies as a function of local climate, security, and owner preferences. The trend in general aviation aircraft, whether single or multi-engine, is toward more sophisticated (and consequently, more expensive) aircraft. Therefore, many aircraft owners prefer enclosed hangar space to outside tie-downs.

The demand for aircraft storage hangars is dependent upon the number and type of aircraft expected to be based at the airport in the future. For planning purposes, it is necessary to estimate hangar requirements based upon forecast operational activity. However, hangar development should be based upon actual demand trends and financial investment conditions. While a majority of aircraft owners prefer enclosed aircraft storage, a number of based aircraft will still tie-down outside (due to the lack of hangar availability, hangar rental rates, and/or operational needs). Therefore, enclosed hangar facilities should not be planned for each based aircraft. At Las Cruces International Airport, approximately 90 percent of the based aircraft are currently stored in enclosed hangar facilities. In the future, it is estimated that the percentage of based aircraft stored in hangars will increase to 95 percent by the end of the planning period.

Approximately 70 percent of hangared aircraft at Las Cruces International Airport are currently stored in T-hangars/shade hangars. All of these aircraft are single engine. Current T-hangar/shade hangar space equals approximately 116,606 square feet. A planning standard of 1,200 square feet per based aircraft has been used to determine future T-hangar/shade hangar requirements.



The remaining 30 percent of hangared aircraft at Las Cruces International Airport are stored in executive/conventional hangars. These types of hangars are designed for multiple aircraft storage. As the trend towards more sophisticated aircraft continues throughout the planning period, it is important to determine the need for more executive/conventional hangars. Currently, there is approximately 180,000 square feet of executive/conventional hangar space; however, not all of this space is available for aircraft storage. Approximately 40 aircraft are currently stored in 100,000 square feet of available space. A planning standard of 1,200 square feet was used for single engine aircraft, while a planning standard of 3,000 square feet was used for multi-engine aircraft and helicopters.

Since portions of conventional hangars are also used for aircraft maintenance and servicing, requirements for maintenance/service hangar area were estimated using a planning standard of approximately 15 percent of the total hangar space needs.

Future hangar requirements for the airport are summarized in Table 3-6. As shown in the table, additional hangar area could be supported through the planning period. Adequate area should also be planned for maintenance area.

TABLE 3-6
AIRCRAFT STORAGE REQUIREMENTS
LAS CRUCES INTERNATIONAL AIRPORT

	Future Requirements			
	Currently Available	Short Term Need	Intermediate Term Need	Long Term Need
Aircraft to be Hangared	135	159	186	228
Single Engine Positions				
Multi-Engine, Jet, & Helicopter Positions	95 40	128 31	144 42	173 55
T-hangar/Shade Hangar Area	127,600	133,800	156,200	191,500
Executive/Conventional Hangar Area	100,000	113,400	142,800	180,600
Total Maintenance Area	36,100	37,100	44,900	55,800
Total Hangar Area (s.f.)	263,700	284,300	343,900	427,900



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application requires City Council approval. It is anticipated that the request to apply for the grant will go before City Council on August 2, 2012.

Delta Project Manager Mike Harris reported that he anticipates completing the Taxiway "A" Project on time. He stated that the contractor is going to a six day work week to make up time, and that in certain phases of the project the contractor can double the manpower and therefore double the production.

Lease Application – Submitted by Lynco Electric, Co.: Mrs. Rodriguez stated that she received a Land Lease Application from Lynco Electric, Co., for Parcel 46 located south of Taxiway Alpha at the west end of the airport for the new construction of two private aircraft hangars. Mr. Nathan Wilcox, representing Lynco Electric showed layout plan drawings for the parcel and explained their plans for the hangars. Following discussion Mr. Darden moved, seconded by Mr. Flesher, to recommend approval of the land lease for Parcel 46 to Lynco Electric Co.; motion carried unanimously.

Proposal to Purchase Hangar Located at 725 White Lightning: Mrs. Rodriguez stated that the City is in the process of purchasing the hangar located at 725 White Lightning from Tom and Judy Smith. She explained that the City has wanted to purchase a hangar for some time to be used not only as a source of revenue, but to have the flexibility to accommodate the Navy or other military detachments. She said that if the Navy is unable to obtain a hangar for their maintenance operations, they may be forced to choose another airport. Mrs. Rodriguez stated that the hangar would also be used to hangar transient aircraft seeking a hangar on nightly, weekly, or monthly basis when the Navy is not leasing it. She stated that the cost of the hangar is \$120,000. Mr. Hahn asked if the City will bring the hangar up to commercial code standards since it will be used commercially. Mrs. Rodriguez said that the City will be looking into that issue, and may take the appropriate steps to bring it into compliance. **Mr. Darden moved, seconded by Mr. Zaklan, to recommend approval of the purchase of the Smith's hangar; motion carried unanimously.** Councillor Sorg asked that the City Council packet include a usage analysis and a break even cost analysis.

Review & Modify Policy for Parties/Events at Hangars: Tabled – To be placed on next month's agenda.

OTHER ITEMS OF INTEREST AND PUBLIC COMMENT:

With no further business to conduct, the meeting was adjourned at 1:25 PM.

Chair

Recording Secretary