



CITY OF MCKINNEY, TEXAS

Legislation Text

File #: 17-1198, **Version:** 1

Consider/Discuss/Act on a Resolution Authorizing the City Manager to Execute a Lease Agreement With Purchase Option at McKinney National Airport Between the City of McKinney, Texas and Westerntkileasing Inc.

COUNCIL GOAL: Maximize the Development Potential of the McKinney National Airport

MEETING DATE: December 5th, 2017

DEPARTMENT: McKinney National Airport

CONTACT: Jose Madrigal, Deputy City Manager

RECOMMENDED CITY COUNCIL ACTION:

- Staff recommends approval of the resolution.

ITEM SUMMARY:

- The City of McKinney's McKinney National Airport has the opportunity to enter into a Lease Agreement With Purchase Option at the McKinney National Airport with Westerntkileasing Inc. to develop a New Fixed Base Operator Terminal, Expanded Parking, Upgraded U.S. Customs Facility, 40,000 Square Foot Common Hangar at the McKinney National Airport.
- The term of the proposed Lease Agreement With Purchase Option between the City of McKinney and Westerntkileasing Inc. at the McKinney National Airport is approximately 20 years, and set to begin five (5) days after the substantial completion of the development improvements outlined in the agreement.
- The proposed Lease Agreement With Purchase Option includes the following construction obligations:
 - 39,000 square foot transient hangar;
 - 8,500 square feet of office space;
 - 3,100 square feet of enclosed parking spaces;
 - 17,000 square feet for a fixed based operations (FBO) terminal; and
 - 148 parking spaces

BACKGROUND INFORMATION:

- Throughout FY 2017 the City of McKinney's McKinney National Airport has worked with the McKinney Economic Development Corporation, McKinney Community Development Corporation, and private developers to create a plan to develop a New Fixed Base Operator Terminal, Expanded Parking, Upgraded U.S. Customs Facility, 40,000 Square Foot Common Hangar at the McKinney National Airport.

- McKinney National Airport staff initially presented to City Council a plan to develop the airport further on October 3rd, 2016. City Council was supportive of further development at McKinney National Airport, and directed staff to evaluate more options, including the private sector participation.
- During the spring and summer of 2017, the City of McKinney secured project grant funding in the amount of \$4 million from the McKinney Economic Development Corporation and \$4 million from the McKinney Community Development Corporation. These funds were added to a financial commitment from the private sector of \$8 million in construction financing and construction to develop a New Fixed Base Operator Terminal, Expanded Parking, Upgraded U.S. Customs Facility, 40,000 Square Foot Common Hangar at the McKinney National Airport.
- The previously presented Ground Lease agreement and the proposed Lease Agreement With Purchase Option will allow the process of the mentioned development project to begin at McKinney National Airport.

FINANCIAL SUMMARY:

- The lease payments collected shall not exceed \$16,000,000.00, and shall be calculated to take into account all of the Lessor's cost for services for:
 - materials;
 - travel;
 - construction financing costs (not to include interest accumulating after the commencement date);
 - developer's development fee of 10% of costs incurred;
 - legal;
 - accounting;
 - permits and fees; and
 - any other costs related to the construction of the Premises
- The lease payments will be calculated upon the Commencement Date referenced within the agreement, and will be payable monthly.
- The lease rate factor was derived by amortizing the Total Development Cost at 4.75% interest amortized over the 20-year agreement period.
- The City of McKinney shall have the option to purchase the Premises from Westerntkileasing Inc. with 60 days written notice from the City of McKinney to Westerntkileasing Inc.

BOARD OR COMMISSION RECOMMENDATION:

- N/A