
COMMUNITY DEVELOPMENT

MEMORANDUM

Planning,
Zoning,
Building Safety,
Construction Inspection Services,
Public Health,
Housing Inspections,
Code Enforcement

To: Mayor and City Council Members

Cc: Gregg Mandsager, City Administrator
Dave Gobin, Director of Community Development

From: Adam Thompson, Community Development Coordinator

Date: September 16, 2015

Re: Approval of GPC Hangar Lease at the Muscatine Municipal Airport

INTRODUCTION: All Corporate Hangars at the Muscatine Municipal Airport are constructed by the entity leasing the hangar and upon completion of the hangar the building is turned over to the city and is city property. For their investment a lease is given to the entity for an agreed term. Attached hereto please find the proposed lease agreement with Grain Processing Corporation (GPC) for the use of a Corporate Hangar at the Muscatine Municipal Airport.

BACKGROUND: GPC has a current lease agreement with the City of Muscatine for the use of a Corporate Hangar that they have constructed and maintained at the Muscatine Municipal Airport. Approximately 17 years are left on the current hangar lease agreement. GPC is significantly expanding their Hangar to accommodate aircraft needs. A new lease agreement is being requested by GPC to support the significant investment they are making to expand the Hangar.

RECOMMENDATION/RATIONALE: It is staff's recommendation to approve the Lease agreement with GPC effective upon the completions of the hangar expansion and final Certificate of Occupancy is given.

1. Hangar Lease Agreement with Grain Processing Corporation

LEASE

The Lease is made and entered into this _____ day of _____, 2015, between the City of Muscatine, Iowa (City) and Grain Processing Corporation, an Iowa corporation with its principal place of business at 1600 Oregon Street, Muscatine, Iowa 52761 (GPC).

WHEREAS, the City owns, manages and controls the Muscatine Municipal Airport pursuant to the laws of the State of Iowa and the ordinances of the City of Muscatine and desires to lease to GPC certain premises upon the terms and conditions set forth herein; and

WHEREAS, GPC has constructed and improved an airplane hangar for the purpose of storage, operation, maintenance and repair of aircraft owned, leased or operated by GPC and its parent and affiliated companies.

NOW, THEREFORE, the City and GPC agree as follows:

1. Premises. In consideration of the undertakings of GPC hereunder, City grants and leases to GPC and GPC leases and takes from the City the premises marked on Exhibit A (need to attach the exhibit) attached hereto and incorporated by reference, which premises are located at the Muscatine Municipal Airport in Muscatine County, Iowa.
2. Improvement of Hangar. GPC has spent approximately \$100,000 in outside improvements and has spent an additional \$488,000 in improvements to the hangar originally constructed by GPC located on the premises.
3. Term. The term of this Lease shall be for 25 years from the date hereof. GPC shall have the first option to extend this Lease for a term or terms and at rates to be established by the City prior to the expiration of this Lease by giving the City at least one hundred eighty (180) days advance written notice.
4. Rent. GPC shall pay City as rent for the premises the sum of One Dollar (\$1.00) per year, payable on the first day of the term of this Lease and on the same day of each succeeding year thereafter. As additional rent, GPC shall pay to the City annually an amount equal to the insurance premium paid by the City to insure the hangar. GPC shall be responsible for providing and paying for all its utilities to the hangar.
5. Hangar and Adjacent Property. GPC shall be responsible for the construction, maintenance and repair of the hangar, parking areas and aprons immediately adjacent to the leased premises. City shall keep the ramp, apron and parking areas adjacent to the hangar free and clear of snow, salt, stones, and other debris. As consideration for such maintenance by the City, GPC shall pay City a "Maintenance Fee" in the sum of Sixty Five Dollars (\$65.00) per month for the term of this Lease.
 - (a) Maintenance Fee Increase. To account for an increase in cost of services over time, the monthly "Maintenance Fee" will increase by Five Dollars (\$5.00) every 3 years.
 - (b) Billing. GPC shall be billed annually at the origination date of this lease agreement, in the amount of Seven Hundred and eighty Dollars (\$780.00), for such maintenance for the upcoming 12 months of maintenance, Subject to adjustment per 5(a) above.

6. **Building Changes.** No major modifications or changes to the hangar shall be made without first obtaining the City's approval of plans and specifications for such modification or change.
7. **Use of Premises.** GPC shall not maintain any commercial or industrial operation or business on the leased premises and shall only use the lease premises for the storage, operation, maintenance and repair of aircraft owned, leased, or operated by GPC and/or its parent or affiliated companies. GPC shall obey all ordinances of the City of Muscatine and all rules and regulations of the City or other governmental agencies in connection with its use of the leased premises.
8. **Ingress and Egress.** City grants to GPC a right-of-way for ingress to and egress from the leased premises by motor vehicle and agrees to maintain the right-of-way in passable condition. City shall not be precluded from changing the location of said access.
9. **Hangar Access.** City reserves the right allowing City staff internal access to the hangar to inspect for compliance with Lease Agreement, fire regulations, state, federal and local laws, ordinances or regulations. GPC shall be given no less than seventy two (72) hours' notice of the City's intent to access the hangar. A key to access the Hangar shall be kept with the Airport Fixed Based Operator.
10. **Fire or other damage.** If the premises shall be partially damaged by fire or any other cause covered under the City's insurance policy as set forth in Section 4 hereof, City shall repair same as rapidly as possible, due allowance being made for settlement of insurance claims or otherwise, but Rent shall not cease. If the premises are wholly destroyed or so badly damaged that substantially all of the leased premises shall be rendered unfit or unusable for storage, operation, maintenance or repair of aircraft, the Rent shall cease from the time of such damage. City shall commence rebuilding the hangar within 30 days. The rebuilt hangar shall be substantially similar to the hangar destroyed or damaged. The City's obligation to rebuild shall be limited to the amount of the proceeds received from the City's insurance policy on the hangar.

All other damage to the hangar not covered by City's insurance policy shall be repaired by GPC.

11. **Indemnification.** GPC shall indemnify and hold City harmless from any and all claims, causes of action, losses, liability, costs, damages, and expenses which shall in any way arise out of or result from any injury to any person or property on or about the leased premises or adjacent premises caused by any negligent act or omission of GPC, and its parent or affiliated companies, agents or employees. City shall indemnify and hold GPC harmless from any and all claims, causes of action, losses, liability, costs, damages, and expenses which shall in any way arise out of or result from any injury to any person or property on or about the leased premises or adjacent premises caused by any negligent act or omission of City, and its agents or employees.
12. **Insurance.** City shall maintain fire and extended coverage insurance on the hangar in an amount equal to the full replacement value of the hangar. GPC shall maintain fire and extended coverage insurance on its own property located on the leased premises. Notwithstanding any other provisions of this Lease, each party releases and waives its entire right of recovery against the other party for any loss to the leased premises or any other property on the leased premises regardless of the extent or amount thereof and whether or not caused by any negligent act or omission of either party hereto; provided, however, that this provision shall only apply to any loss resulting from any of the hazards or perils which are ordinarily covered by standard form policies of fire and extended coverage insurance.

At any time GPC is of the opinion that insurance coverage is inadequate, GPC may demand said coverage be increased or broadened and the City shall promptly comply with GPC's request. It shall be the responsibility of GPC to ascertain the sufficiency of the coverage.

13. General Provisions.

- (a) This Lease may not be assigned without the prior written consent of the City.
- (b) This Lease shall be governed by and construed in accordance with the laws of the State of Iowa.
- (c) This Lease shall not be amended or modified except in writing executed by the parties to this Lease.

CITY OF MUSCATINE

GRAIN PROCESSING CORPORATION

By _____
DeWayne Hopkins
Mayor

By _____
Name: John C. Thorpe
President

ATTEST:

ATTEST:

Gregg Mandsager
City Administrator

Name: John A. Kuhl
Asst. General Counsel