



City of Burlington
Burlington International Airport
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MEMO

TO: Board of Finance
FROM: Ryan Betcher, Burlington International Airport
DATE: December 9, 2013

SUBJECT: City Council Approval Request – Federal Express Lease Renewal

The Burlington International Airport seeks Finance Board and City Council approval to enter into an agreement with Federal Express Corporation for the operation of cargo services at the Burlington International Airport.

Federal Express first leased ground space at the Airport in 1986 and is seeking a renewal to the agreement with the first term beginning on January 1, 2014 with an expiration date of June 30, 2018. The agreement includes a renewal option for a term of five years, to be mutually agreeable between both parties. For both terms, Federal Express will be billed a ground rental rate for the 84,250 square feet occupied, to be adjusted annually based upon the July Consumer Price Index for all Urban consumers, by the U.S. Department of Labor, Bureau of Labor Statistics. In no event shall a new rate be lower than the immediately preceding rate. All such adjustments will be retroactive to the beginning of each new lease year.

With the expiration of the previous lease agreement, the building constructed by Federal Express in 1986 becomes the property of the Airport and is therefore a source of rental income for the Airport. All utilities, taxes and maintenance of the structure will remain the responsibility of the tenant. The annual fixed building rental for the first six months will be \$18,000, with the annual rate being adjusted to \$18,000 afterwards, and a renewal term an annual fixed building rental of \$20,340. Ramp space rental to be approximately \$31,155.45 per year. In addition to rental income, the Airport receives significant landing fees from the aircraft.

Please see the building rental fee schedule below for further clarification:

- Initial Term (4 years, 6 months):
 - January 1, 2014 – June 30, 2014: \$18,000
 - July 1, 2014 – June 30, 2015: \$18,000
 - July 1, 2015 – June 30, 2016: \$18,000
 - July 1, 2016 – June 30, 2017: \$18,000
 - July 1, 2017 – June 30, 2018: \$18,000

- Renewal Term (5 years):
 - July 1, 2018 – June 30, 2019: \$20,340
 - July 1, 2019 – June 30, 2020: \$20,340
 - July 1, 2020 – June 30, 2021: \$20,340
 - July 1, 2021 – June 30, 2022: \$20,340
 - July 1, 2021 – June 30, 2022: \$20,340

The agreement was reviewed by legal prior to being presented. The Airport Commission approved the terms of the agreement on March 18, 2013. In addition, The Board of Finance approved the terms of the agreement on November 25, 2013.

The City of Burlington's Livable Wage language was not included in the previous agreement with Federal Express.

Thank you for your consideration.

A draft resolution is included with this Request.