

DATE: March 31, 2017
TO: SAA Board of Directors
FROM: Tim Rogers and Shelli Swanson
SUBJECT: **April 5, 2017 SAA Special Board Meeting**

Enclosed are items for your review prior to Wednesday's meeting. Please note that the meeting will be held in the **second-floor conference room, Hangar 600, 2720 Arnold Ct.** A map showing the location of Hangar 600 is enclosed in your board meeting packet.

The meeting will be to consider a lease addendum with Universal Forest Products for additional manufacturing space at building B620 located at 1940 Arnold Avenue.

Please note the following agenda comments.

Agenda Item #4 – Consideration of Lease Addendum No. 2 to the Universal Forest Products, B620 Lease (Platten)

Universal Forest Products (UFP) has been in business for over 60 years and is a national leader in retail, construction, industrial packaging and agricultural wood products. The UFP holding company is listed on the NASDAQ as UFPI. The company's 2016 annual report shows net sales of \$3.2 billion and a gross profit of \$474 million. The UFP web site can be viewed at <https://www.ufpi.com>.

On February 29, 2012, the Airport Authority entered in to a lease with UFP subsidiary, UFP Harrisonville, LLC, for Unit A of Building B620. Unit A consists of 15,000 SF of space used by UFP to build engineered industrial packaging for sale to regional manufacturers that ship products and components to customers worldwide. UFP was one of the first businesses to fill space vacated by the demise of Beechcraft. In addition to providing a service to regional manufacturers, UFP created 16 new jobs.

The second addendum to the UFP base lease is intended to support an expansion of UFP's Salina operation. UFP has secured additional contracts for industrial packaging. UFP's expansion requires an additional 4,215 SF of space at B620. The expansion does require modifications to the southeast corner of B620. The work required includes adding exterior concrete paving and fencing at a total cost of \$14,219. The cost of the B620 modifications includes a SAA administration fee of 7.89% and will be recovered over the 36-month term of option period #3.

As provided for in Addendum #2, lease option period #3 will be from May 1, 2017 to April 30, 2020. We are extending UFPs' commitment an additional 18-months. Addendum #2 lease terms are as follows:

Term: 36 months, May 1, 2017 to April 30, 2020
Rental: \$5,620 per month
\$67,440 per year
\$3.50 per SF per year

Improvement Rental: \$395 per month
\$4,740 per year

CPI Adjustment: November 1, 2018

Options: One additional option for three (3) years; May 1, 2020 to April 30, 2023 with a CPI adjustment.

Recommendation: Approval of the proposed Lease Addendum #2 with Universal Forest Products.

Agenda Item #5 – Consideration of Contracts with T Roy Construction and Dellinger Fence Co. for building B620 Improvements (Rogers and Bieker)

The UFP Lease Addendum #2 provides that the SAA will complete concrete paving and fencing improvements at building B620. The improvements will support UFP's expansion into the southeast 4,215 SF of B620. Bids for the work were obtained and two contractors are ready to start work at B620.

T Roy Construction	Concrete paving, 231 SY, 6" depth	\$12,390
Dellinger Fencing	Two (2) 8 ft. Swing Gates	\$790

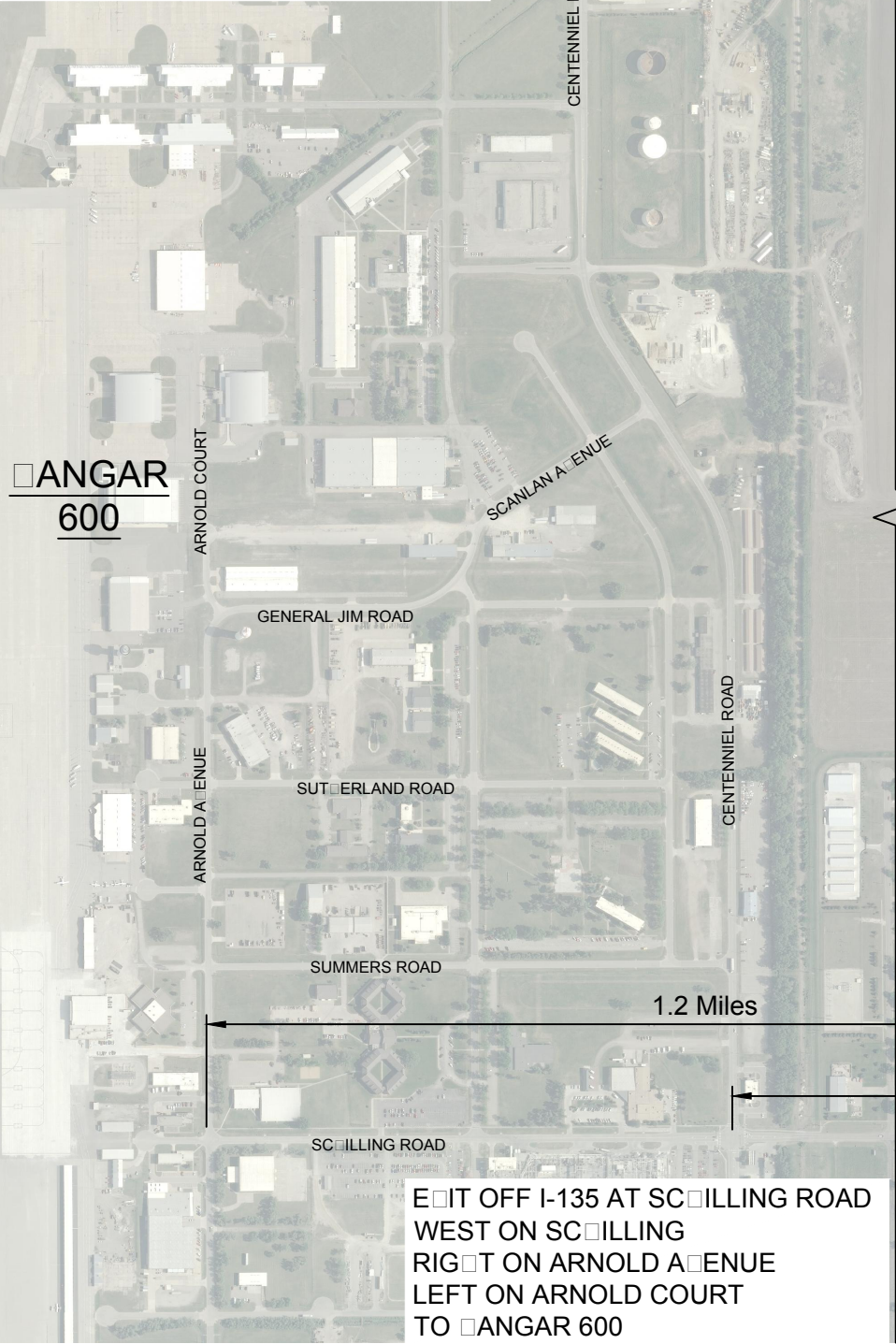
The cost of B620 improvements will be amortized over 36 months at a rate of \$395 per month, \$4,740 per year. Both contractors will be able to complete the improvements by June 1, 2017. UFP can begin setting up in the expansion space on May 1.

Recommendation: Approval of the expenditure of \$13,180 for concrete paving and fencing improvements at B620.

Please contact me if you have any questions or comments.

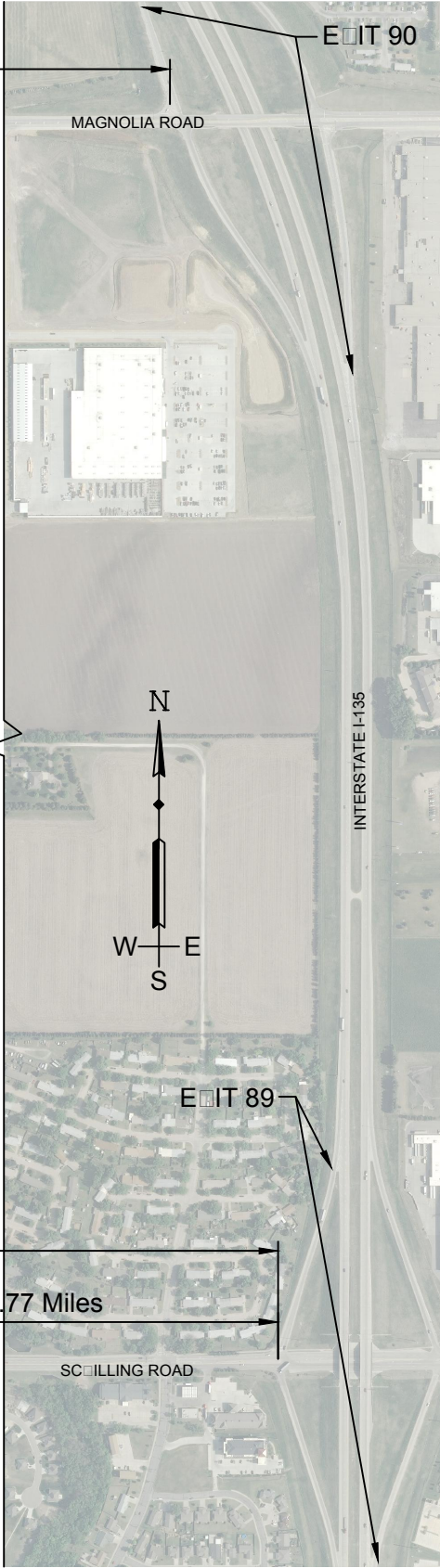
DIRECTIONS TO ANGAR 600 2720 ARNOLD COURT

EXIT OFF I-135 AT MAGNOLIA ROAD
 WEST ON MAGNOLIA
 LEFT ON CENTENNIAL
 RIGHT ON SCANLAN
 CONTINUE ON GENERAL JIM
 RIGHT ON ARNOLD COURT
 TO ANGAR 600



**ANGAR
600**

EXIT OFF I-135 AT SCILLING ROAD
 WEST ON SCILLING
 RIGHT ON ARNOLD AVENUE
 LEFT ON ARNOLD COURT
 TO ANGAR 600



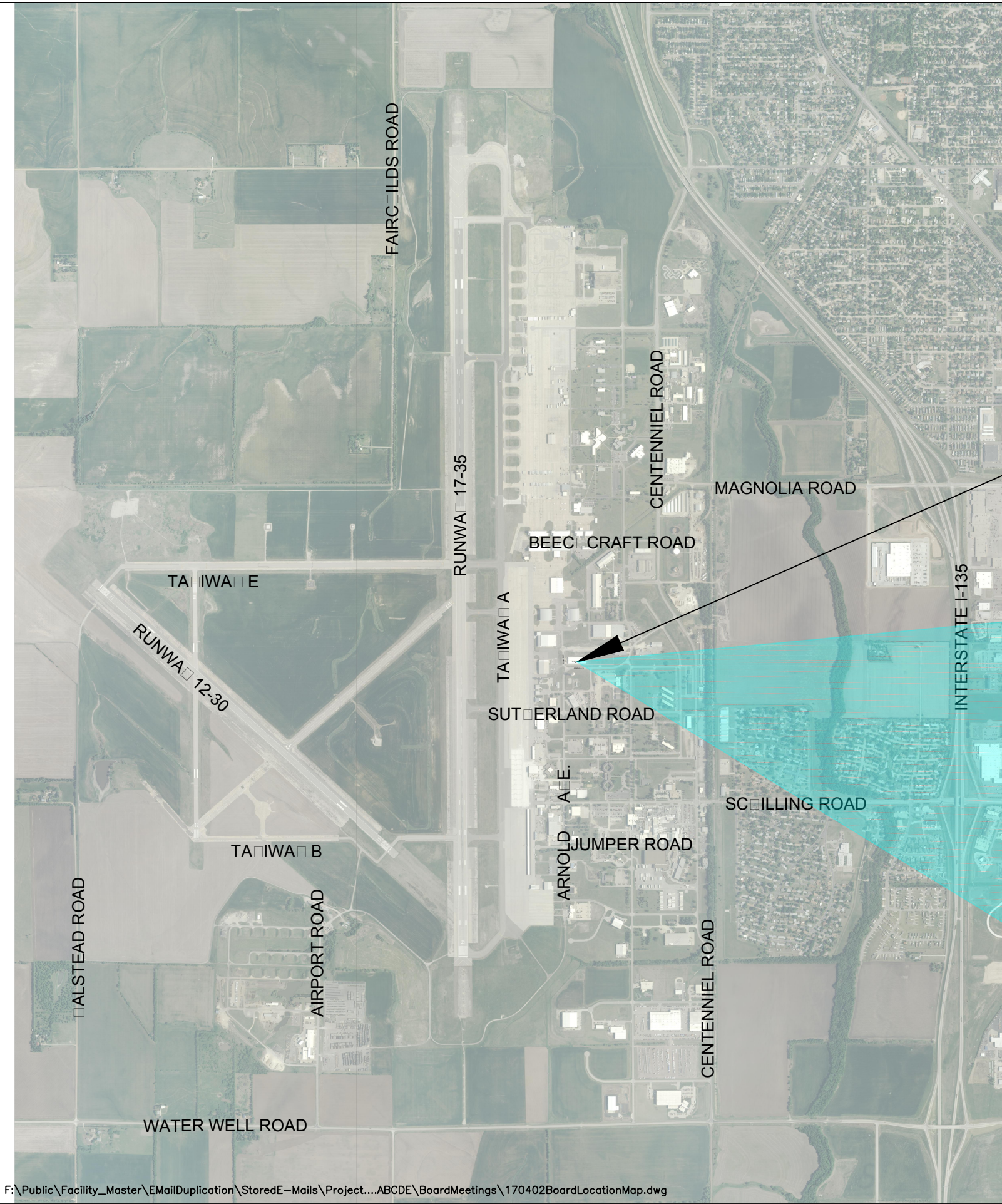
SALINA AIRPORT AUTHORITY SPECIAL BOARD MEETING
Hangar H600, Second Floor Conference Room
2720 Arnold Court
April 5, 2017 – 8:00 AM

AGENDA

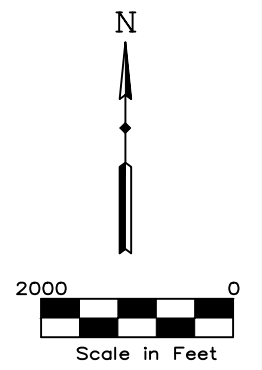
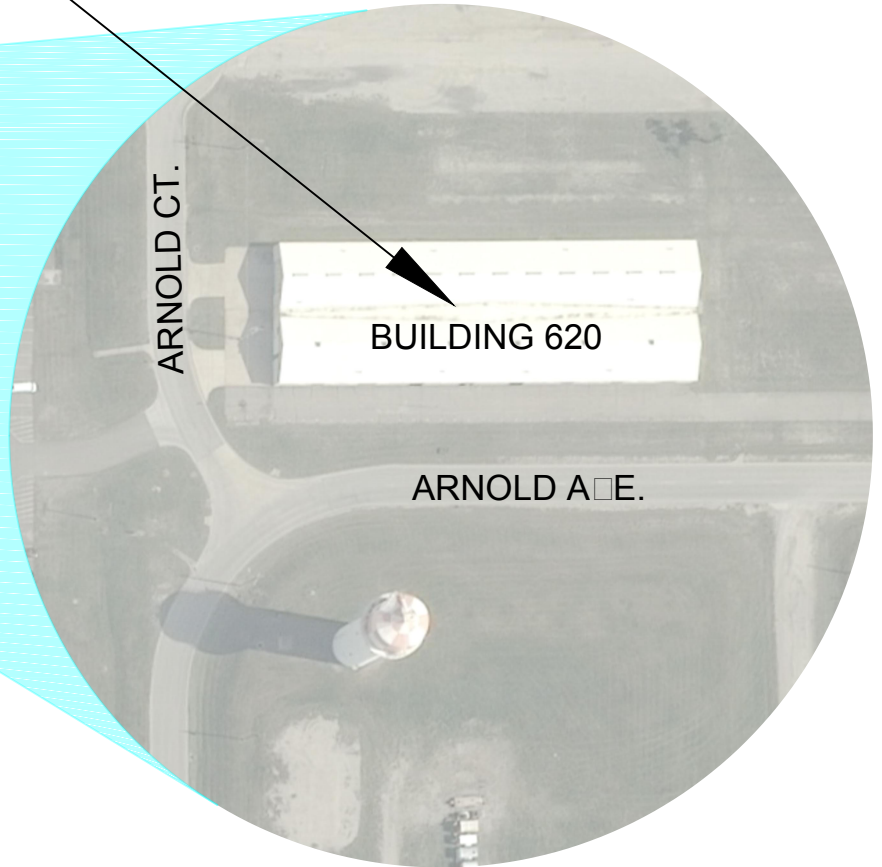
Action Items

1. Call to order and determine a quorum is present. (Platten)
2. Recognition of guests. (Platten)
3. Additions to the agenda. (Rogers)
4. Consideration of a lease addendum with Universal Forest Products for additional space at building B620, 1940 Arnold Avenue (Rogers and Swanson)
5. Consideration of contracts with T Roy Construction and Dellinger Fence Co. for building B620 improvements. (Rogers and Bieker)

Adjournment (Platten)



Building 620 Universal Forest Products



Drawing Number 2299-03-17



3237 ARNOLD, SALINA, KS 67401
 (785-827-3914 FAX: 785-827-2221)
 None : REVISIONS
 KRB : DESIGNED BY
 KRB : DRAWN BY
 1" = 2000' : SCALE
 3/29/17, 16:55 : DATE

SALINA AIRPORT AUTHORITY
 Board Meeting Location Map April 2017

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SECOND ADDENDUM TO LEASE AGREEMENT

This Second Addendum to Lease Agreement is made and entered into this ____ day of April, 2017, by and between the **SALINA AIRPORT AUTHORITY**, a Kansas public corporation, of Salina, Saline County, Kansas (the "Authority"), and **UFP HARRISONVILLE, LLC**, a limited liability company authorized to do business in Kansas, with principal offices located at 2600 Precision Drive, Harrisonville, MO 67401, ("Lessee").

RECITALS

- A. The Authority and Lessee entered in to a Lease Agreement, dated February 29, 2012 (the "Lease"), for Unit A of Building 620 along with approximately 1.219 acres of land all located at the Salina Airport Industrial Center located within the City of Salina, Saline County, Kansas (the "Premises").
- B. On April 22, 2015, the Authority and Lessee entered in to the First Addendum to Lease Agreement which amended the Option to Renew Section 19 of the Lease by providing renewal options that would extend the Lease until Oct. 31, 2021 and specifying the Basic Rental for each Option Period. The First Addendum also acknowledged Lessee's exercising of Option Period No. 1 under the Lease.
- C. The Lessee now desires to expand to the south side of Bldg. 620 and increase their leasehold Premises by adding an additional 4,215 sq. ft. of building space. Additionally, the Lessee requests a first right of refusal to lease the remaining area in Bldg. 620 at such time the facility is vacated by the current tenant.
- D. The Lessee also desires to amend the term of the Lease and Option Periods.
- E. Lastly, in support of the Lessee's growth and expansion, the Lessee requests and the Authority is willing to construct certain improvements "Site Improvements" to the Premises that would allow greater utility of the site and access to the expanded leasehold Premises.
- F. Now therefore, the parties desire to amend the Lease as follows.

THE PARTIES therefore covenant and agree:

1. Section 1 of the Lease is amended as follows:
 1. Property Description.

1.1. Description of Leased Premises. The Authority in consideration of the rents, covenants, agreements, and conditions hereinafter agreed to be paid and performed by the Lessee, leases unto the Lessee the following described premises:

A portion of Building 620 containing approximately 19,215 sq. ft. of space and approximately 72,836 sq. ft. of adjacent land.

together with any improvements to be constructed thereon and the appurtenances thereunto belonging, as depicted on the attached Exhibit A (the "Premises").

2. Section 5.2 is added to the Lease as follows:

5.2 Upon the current tenant's vacating of the remaining portion of Bldg. 620, the Authority offers to Lessee a first right of refusal during the term of this Lease, or any extension thereof, to Lease said remaining area containing approximately 10,000 sq. ft. The Authority's granting of this first right of refusal to Lessee is applicable only to leasing opportunities greater than 30 days. Upon receipt from the Authority of a written notice describing a potential tenant and the terms of the proposed lease, Lessee will have up to 30 days to determine if it will exercise its right of first refusal. If Lessee so decides to exercise its right, it will notify the Authority prior to the end of the 30-day period, and if Lessee exercises its right, then an appropriate lease or amendment to the current lease will be entered into on the terms presented to Lessee (unless otherwise mutually agreed). If Lessee declines to exercise its right or if it fails to notify the Authority of its decision within the 30-day period, then the Authority may enter into a lease with the third party but only terms no more favorable to the tenant than presented to Lessee. If the Authority does not execute a lease with the third party within 60 days after the end of Lessee's 30-day period (aggregate of 90 days), then the above described property will once again become subject to Lessee's right of first refusal.

3. Section 19 of the Lease is amended as follows:

19. Option to Renew. Lessee is hereby given the option to renew the Lease of the Premises for one additional term of six (6) months followed by one term of eighteen (18) months and two (2) additional terms of three (3) years each at the expiration of the primary term of this Lease. Lessee shall notify the Authority in writing of Lessee's desire to exercise the option periods no later than sixty (60) days prior to the end of each expiring term. Lessee and Authority acknowledge that as of the date of this Second Addendum to Lease Agreement, Lease Options One and Two have been exercised and will expire on April 30, 2017.

19.1. The Basis Rental for each option period shall be as follows:

19.1.1. <u>Option Period One</u> - May 1, 2015 – Oct. 31, 2015	\$4,370 per month
19.1.2. <u>Option Period Two</u> - Nov. 1, 2015 – April 30, 2017	\$4,395 per month
19.1.3. <u>Option Period Three</u> – May1, 2017 – April 30, 2020	As follows:

19.1.3.1. The Basic Rental for the first eighteen (18) months of Option Period Three (May 1, 2017 through Oct. 31, 2018), shall be \$5,620 per month.

19.1.3.2. The Basic Rental for months nineteen (19) through thirty-six (36) (Nov. 1, 2018 through April 30, 2020) shall be adjusted and determined by increasing the Basic Rental of the prior 36-month period by the same percentage as the percentage of increase in the U.S. Government Consumer Price Index (C.P.I.) over the same prior 36-month period. If the C.P.I. over the same prior 36-month period has not shown a net increase, the Basic Rental for the option period shall remain the same as the Basic Rental for the prior 36-month period. The C.P.I. shall be the statistical report prepared and published by the Bureau of Labor Statistics for the United States for all items for all urban consumers or such other index or report substituted therefore by the U.S. Government. The reference basis for the C.P.I. shall be 1967 equals 100 or the most current index base as established by the Bureau of Labor Statistics. The difference between such index nearest to the first day of the prior 36-month and the latest available index to the last day of the prior 36-month period divided by such index nearest to the first day of the prior 36-month period will determine either the percentage of increase in the Basic Rental or that the Basic Rental will remain the same as the prior 36-month period, as provided above.

19.1.4. Option Period Four – May 1, 2020 – April 30, 2023 As follows:

19.1.4.1. The Basic Rental for the Option Period Four shall be adjusted and determined by increasing the Basic Rental of the prior 18-month period by the same percentage as the percentage of increase in the U.S. Government Consumer Price Index (C.P.I.) over the same prior 18-month period. If the C.P.I. over the same prior 18-month period has not shown a net increase, the Basic Rental for the option period shall remain the same as the Basic Rental for the prior 18-month period. The C.P.I. shall be the statistical report prepared and published by the Bureau of Labor Statistics for the United States for all items for all urban consumers or such other index or report substituted therefore by the U.S. Government. The reference basis for the C.P.I. shall be 1967 equals 100 or the most current index base as established by the Bureau of Labor Statistics. The difference between such index nearest to the first day of the prior 18-month and the latest available index to the last day of the prior 18-month period divided by such index nearest to the first day of the prior 18-month period will determine either the percentage of increase in the Basic Rental or that the Basic Rental.

19.2. Improvement Rental. In consideration of the Authority's financing and construction of the improvements depicted on the attached Exhibit B (the "Improvements"), the Lessee agrees to pay the Authority an Improvement Rental on the Premises in the sum of Three Hundred and Ninety-Five (\$395.00) per month during the 36-month Option Period No. 3. The Improvement Rental shall be due and payable on the first day of each month for that month and past due according to the same terms and conditions as the Basic Rental. The

Improvement Rental and amortization of the cost of Improvements are defined on the attached Exhibit C. The Improvement Rental shall not be subject to any increase in the CPI. Construction of the Improvements will be begin on or about April 24, 2017 and will be completed no later than June 2, 2017. The Authority agrees that all services and work performed in connection with the Improvements will be done in a good and workmanlike manner using only new material and will be performed in material compliance with all applicable laws, regulation, and ordinances. The Authority agrees that all services and work performed in connection with the Improvements will not materially interfere with Lessee's operations outside of the construction areas

4. Exercise of Option Period. Lessee hereby exercises its right to renew the Lease for Option Period Three, and the Authority acknowledges and agrees that it has received sufficient and appropriate notice for such exercise. Lessee and the Authority agree that the Lease will terminate on April 30, 2020, subject to Lessee's further rights to exercise options to renew.
5. Other Terms. All of the terms and conditions of the Lease, except as amended by this Addendum, are hereby ratified and shall be in full force and effect.
6. Binding Effect. This Addendum shall be binding upon the heirs, beneficiaries, personal representatives, successors, and assigns of the Authority and the Lessee.

SALINA AIRPORT AUTHORITY

By: _____
Katherine M. Platten, Board Chairman

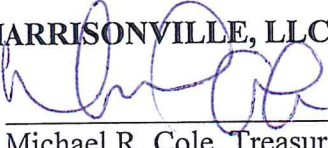
Date: _____

ATTEST

By: _____
Alan Eichelberger, Treasurer

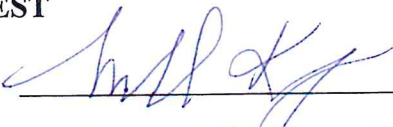
Date: _____

UFP HARRISONVILLE, LLC

By: 
Michael R. Cole, Treasurer

Date: March 28, 2017

ATTEST

By: 
MICHAEL KLING, STAFF COUNSEL
Name, Title

Date: 3/28/2017