

DATE: March 29, 2016
TO: SAA Board of Directors
FROM: Tim Rogers and Shelli Swanson
SUBJECT: **March 30, 2016 Special Board Meeting**

Enclosed are items for your review prior to Wednesday's special 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.

I expect that meeting will adjourn by 8:30 AM.

Please note the following agenda comments.

Agenda Item #4 – Review of Airport and Airport Industrial Center business and organizations (Rogers)

The Airport Authority's economic impact survey results indicated that Airport and Airport Industrial Center jobs fall into the following categories:

Industry Job Contributions	
Industry	% of Jobs
Manufacturing	63.96%
Education	7.61%
Social Services	7.13%
Military	5.27%
Construction	4.96%
Commercial	4.36%
Government	1.95%
Shipping	1.48%
Aviation	1.28%
Transportation	1.06%
Environmental	0.61%
Mini Storage	0.17%
Telecommunications	0.11%
Religious	0.03%
Real Estate	0.03%
Non-Profit	0.00%

Agenda Item #5 – Consideration of a lease agreement with Interstates Construction Services, Inc for building B394 (Rogers and Swanson)

Interstates Construction Services, <http://www.interstates.com/>, has agreed to the following lease terms for building B394 (3,951 SF) located at the intersection of Centennial Rd. and Schilling Rd. Interstates will use the building as a regional office for engineers and technicians involved in design and construction of industrial electrical projects.

- Lease term – 3 years
- Basic rental - \$2,230 per month; \$26,760 per year, \$6.77 per SF per year

- Security deposit - \$2,230
- Option to renew – one additional term of 3 years at \$2,305 per month (3.4% increase)
- Effective date – June 1, 2016

The rental rate is a bit less than our target of \$7.55 per SF per year. The negotiated rate results in a \$3,060 decrease from our targeted annual rental of \$29,820. The building was vacated by OCCK in October, 2015. Monthly holding costs for B394 are \$750 per month, \$9,000 per year. The SAA's 2016 budget did not include B394 rental in our operating revenue projections.

The proposed lease does provide for a mutual indemnification that was requested by Interstates' legal counsel. Interstates accepted the following limited indemnification provision that was drafted with Greg Bengtson's assistance. The Authority's indemnification provision is a departure from the SAA's base lease and should be considered as a onetime exception to the SAA's base lease.

The Authority acknowledges the Lessee's uniquely passive use of the Premises for the sole purpose of housing Lessee's engineering and construction management offices. Under those circumstances, subject to the limitation further set forth in this Subparagraph, the Authority shall indemnify and hold harmless the Lessee, its affiliates and its officers, directors, employees, agents, representatives, guests and invitees ("Lessee Indemnitees") from and against all claims, damages, losses, liabilities, fines, penalties, costs, and expenses (including attorney's fees, consultant costs, environmental investigation, remedial or removal costs and natural resource damages) to the extent caused by (i) failure by Authority to provide to Lessee quiet possession of the leased premises, except as otherwise allowed by this Lease; (ii) any breach of this Lease by the Authority; (iii) any leak, spill or other release or disposal of or exposure to (A) any goods while being transported or delivered by Authority or (B) any other materials, substances or chemicals that Authority or any of its independent contractors bring onto the Premises; and/or (iv) the acts, omissions, negligence or willful misconduct of any persons used or employed directly or indirectly by the Authority or any independent contractor. The indemnification obligations under this Subparagraph shall not exceed the limitation upon liability of a governmental entity for claims within the scope of the Kansas Tort Claims Act (currently \$500,000 as established by K.S.A. 75-6105) for any number of claims arising out of a single occurrence or accident, which limitation shall not be modified by any contract of insurance entered into by the Authority.

Recommendation - Approval of the proposed lease agreement with Interstates Construction Services, Inc. for building B394.

Agenda Item #6 – Consideration of a lease agreement with Miller Pipeline, LLC for building H506-1 (Rogers and Swanson)

Miller Pipeline, <http://www.millerpipeline.com/>, is under contract with Kansas Gas Service to replace NG service lines in Salina. The company is just completing Abilene and will start work in Salina this April. The Salina work will take three to four years to complete. Hangar H506-1 (4,900 SF) is being vacated on March 31 by the Kansas Highway Patrol. Miller Pipeline can move in on April 1 which means no interruption in lease revenue for the Airport Authority. Basic lease terms are as follows:

- Lease term – 3 years
- Basic rental - \$1,985 per month; \$23,820 per year, \$4.86 per SF per year
- Security deposit - \$1,985
- Option to renew – one additional term of 1 year at \$2,075 per month
- Effective date – April 1, 2016

The Miller Pipeline lease comes at a good time since the H506-1 lease was terminated on short notice from the Kansas Highway Patrol. The holding costs for H506-1 would have amounted to \$750.00 per

month, \$9,000 per year. The SAA's 2016 budget did not project the termination of the KHP's lease which was paying \$1,295 per month. As non-aeronautical user, Miller Pipeline will be paying a premium.

The Miller Pipeline lease will take H506-1 out of the SAA's inventory for hangar space. At the present time we still have hangar 506-2 (4,900 SF) available for rent and over 166,000 SF of hangar space in hangars H509, H600, H606 and H959. Hangar H506-1 will be returned to the SAA's inventory of hangar space after Miller Pipeline completed its Kansas Gas Service contract.

Recommendation – Approval of the proposed lease agreement with Miller Pipeline, LLC for building H506-1.

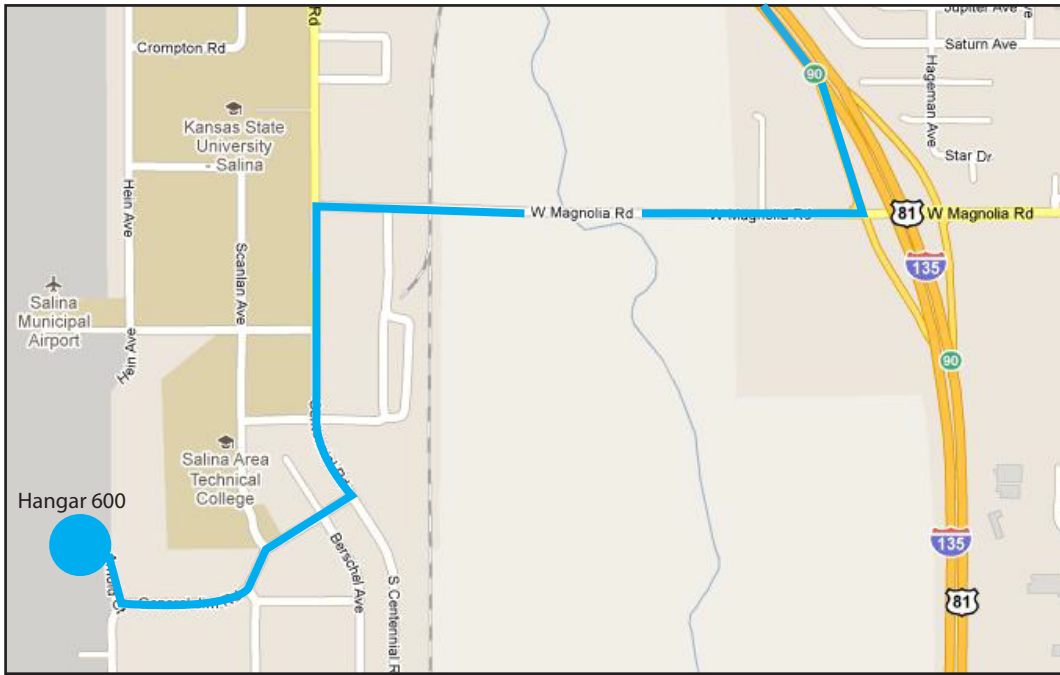
Please contact me if you have any questions or comments.

Hangar 600

driving directions

2720 Arnold Ct., Salina, Kan.

Traveling I-135 South Bound



Take Exit 90

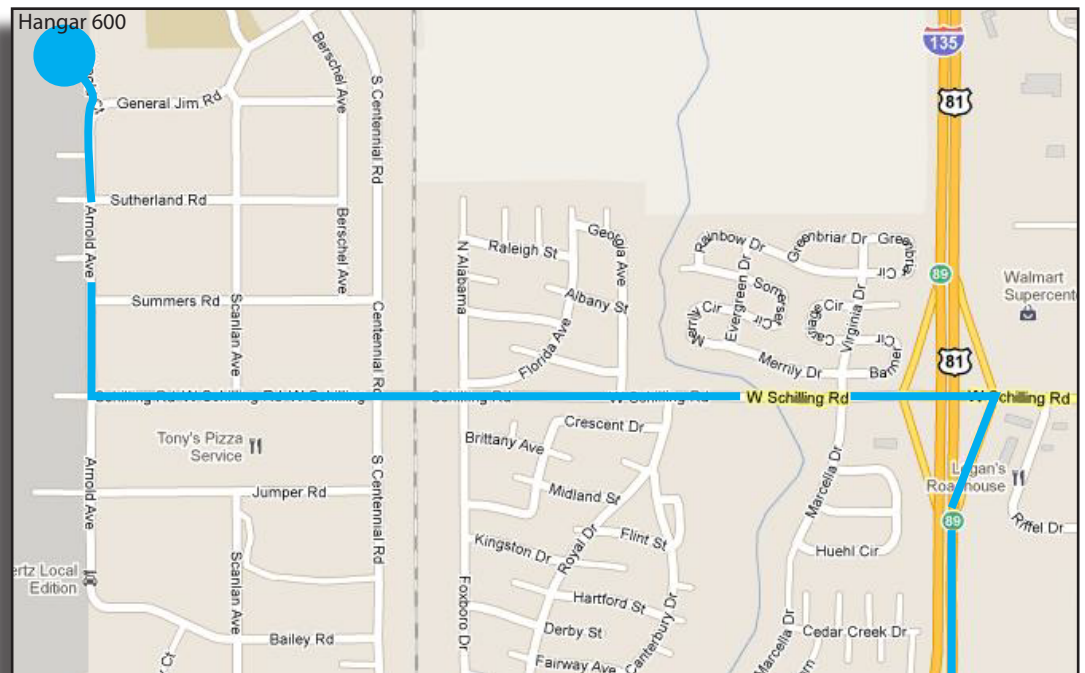
Turn right on Magnolia Rd.

Turn left on Centennial Rd.

Turn right on Scanlan Rd.

Turn right into Arnold Ct.

Traveling I-135 North Bound



Take Exit 89

Turn left on Schilling Rd.

Turn right on Arnold Ave.

Turn left into Arnold Ct.

SALINA AIRPORT AUTHORITY SPECIAL BOARD MEETING
Hangar H600, Second Floor Conference Room
2720 Arnold Court
March 30, 2016 – 8:00 AM

AGENDA

Action Items

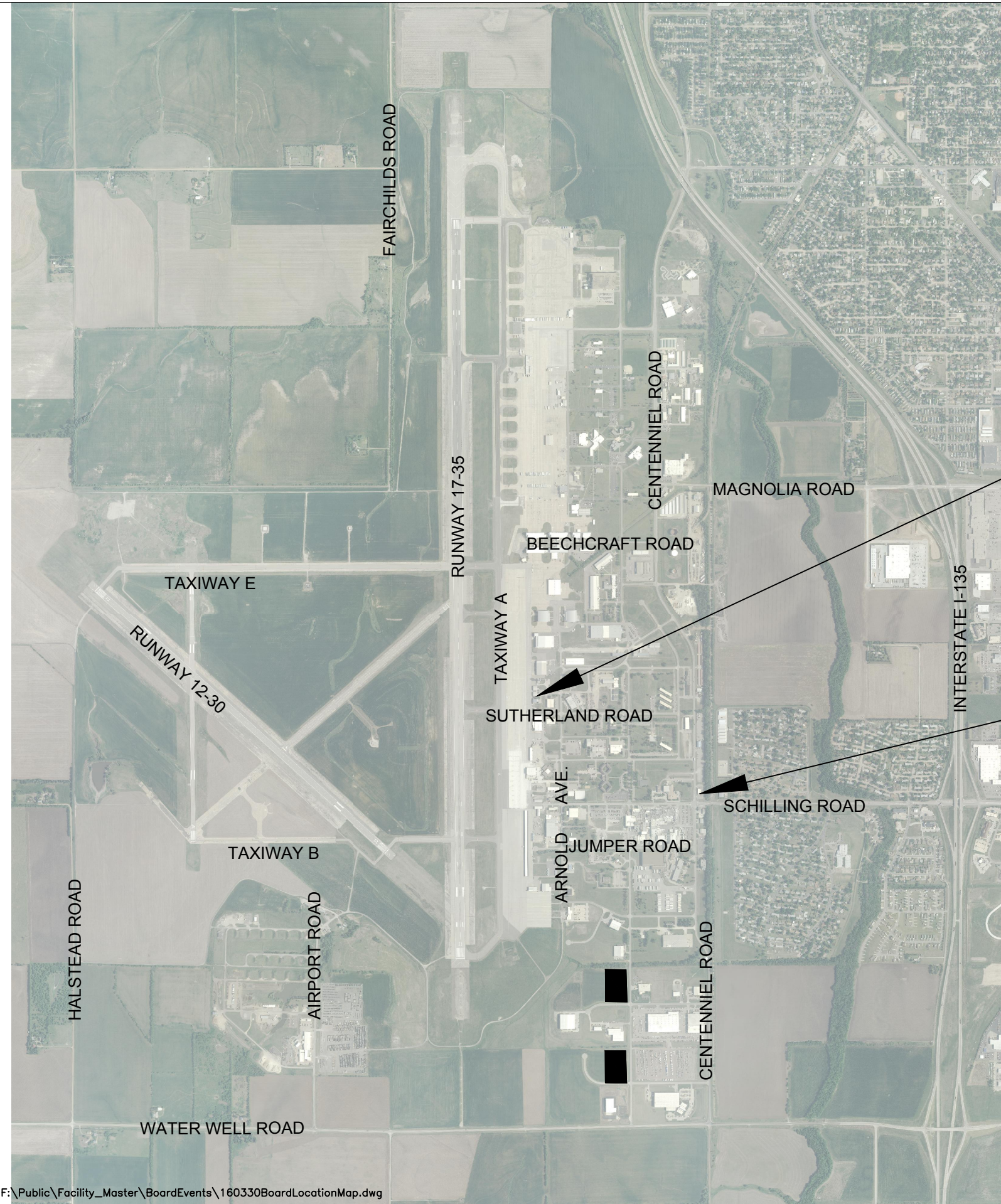
1. Call to order and determine a quorum is present. (Vancil)
2. Recognition of guests. (Vancil)
3. Additions to the agenda. (Rogers)
4. Review of Airport and Airport Industrial Center business/industry classifications. (Rogers and Swanson)
5. Consideration of a lease agreement for SAA building B394. (Rogers and Swanson)
6. Consideration of a lease agreement for SAA building H506-1. (Rogers and Swanson)

Directors' Forum (Vancil)

Visitor's Questions and Comments (Vancil)

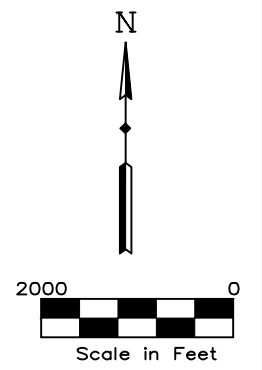
Adjournment (Vancil)





Building 506-1

Building 394



Drawing Number 2141-16-16



3237 ARNOLD, SALINA, KS 67401
(785-827-3914 FAX: 785-827-2221)

None : REVISIONS
KRB : DESIGNED BY
KRB : DRAWN BY
1" = 2000' : SCALE
3/29/16, 11:03 : DATE

SALINA AIRPORT AUTHORITY
 Special Board Meeting Location Map March 30, 2016

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