

MINUTES OF THE CITY OF WICHITA
WICHITA AIRPORT ADVISORY BOARD

Monday, July 8, 2019

Present: Ron Ryan (Chairman), Charles Fletcher (Vice Chairman), Robert Benton, Tim Bonnell, Paul Davis, Joseph Ellzey, Randy Frazer, Dwight Greenlee, John Hennessy, Jr., Karyn Page, Dr. Thom Rosenberg, Brent Wooten.

Airport Staff: Victor White, Director; Brad Christopher, Assistant Director; Jean Zoglman, Finance Manager, Valerie Wise, Air Service and Marketing Manager; Traci Nichols, Properties and Contracts Manager; Brian Cowles, Operations Manager; Kriscia Palacios, Clerk.

City Staff: Jay Hinkel, Deputy City Attorney

Guests: Barbara Autry, Midwest Corporate Aviation (MCA); Brian Strunk, MCA; Andy Bodine, CMT; Lonny Wright.

Chairman Ryan called the meeting to order at 3:03 p.m. and asked if anyone was present to speak on the public agenda. No one came forward to speak.

Approval of Minutes

Motion by Mr. Wooten and second by Ms. Page to approve the minutes of the July 8, 2019 Wichita Airport Advisory Board meeting (WAAB). Motion carried unanimously.

Director's Report – Victor White:

Now that the lease amendments with Koch have been completed, a new lease with Customs & Border Protection (CBP) will be developed. Once that's completed, we will be free to move forward with the renovations and remodeling that have been requested by CBP to meet their new design standards and guidelines. We will be advertising a Request for Proposals to select an architect to do the design work.

Dan Deaver and Jennifer Towns of our Airport Operations division both recently received their Certified Manager status from the American Association of Airport Executives (AAAE).

Air Service Presentation

Valerie offered a brief recap on the year in travel at the Airport thus far – numbers have increased mostly due to bringing Frontier's service to Denver.

American Airlines has announced seasonal non-stop service to Phoenix beginning in December 2019.

Yingling Aircraft, Inc. Use and Lease Agreement

Brad Christopher presented a PowerPoint to the Board

Motion for approval by Mr. Greenlee, 2nd by Mr. Bonnell, all in favor. [see attachment for presentation materials]

Wichita Eisenhower Hotel, LLC Concession and Lease Agreement

Victor White presented a PowerPoint to the Board.

Motion for approval by Mr. Greenlee, 2nd by Mr. Rosenberg, all in favor. [see attachment for presentation materials]

Project Updates

Brad Christopher spoke on behalf of John Oswald and gave us an update on the Runway Rehab project – everything is moving along nicely and consistent with the expected timeline.

Motion by Mr. Fletcher, second by Mr. Ryan, that the Wichita Airport Board recess into executive session for consultation with legal counsel on matters privileged in the attorney-client relationship relating to potential litigation. The board will return from executive session no later than 4:30 pm and reconvene in this board room.

The Airport Advisory Board recessed for Executive Session at 4:07 pm.

The Airport Advisory Board reconvened at 4:23 pm. No action was taken in the Executive Session.

Other Business

The next WAAB meeting will be Monday, August 5, 2019 at 3:00 p.m.

Motion to adjourn at 4:25 p.m. by Mr. Ryan, 2nd by Mr. Greenlee. Motion carried unanimously.

Kriscia Palacios, Clerk

Yingling Aircraft, Inc.

Use & Lease Agreement

**Wichita Airport Authority
Department of Airports**

July 8, 2019



Background

- **In December 1975, Beechcraft Corp. leased facilities for a Fixed Base Operator (FBO) at Eisenhower Airport**
- **Over time, the facilities expanded to over 104,000 SF of hangars, vehicle and aircraft parking, customer service areas, shops, offices and a paint hangar**
- **In July 2008 the lease was assigned to Signature Flight Support**
- **Beechcraft retained its service center under a sublease with Signature**

Background

- **In 2018, Textron Aviation (Beechcraft/Cessna/Hawker) moved its service center to the east side of ICT and co-located with existing Textron maintenance facilities**
- **Signature desired to reduce its leasehold due to the departure of Textron**
- **The WAA lease with Signature expired on April 30, 2019 and was approved by the WAA for a smaller leasehold on a month-to-month basis until a new lease can be executed on a long-term basis**

Background

- **Yingling desires to lease space from the WAA for the facilities removed from the Signature leasehold**
- **This will include Bay 1/Paint Hangar, Bays 2 and 3, and offices, shops, and other areas, as well as aircraft ramp and vehicle parking**
- **Yingling will use the space for aircraft paint prep, painting, and storage as an expansion of its FBO and Maintenance, Repair & Overhaul (MRO) service center operations**

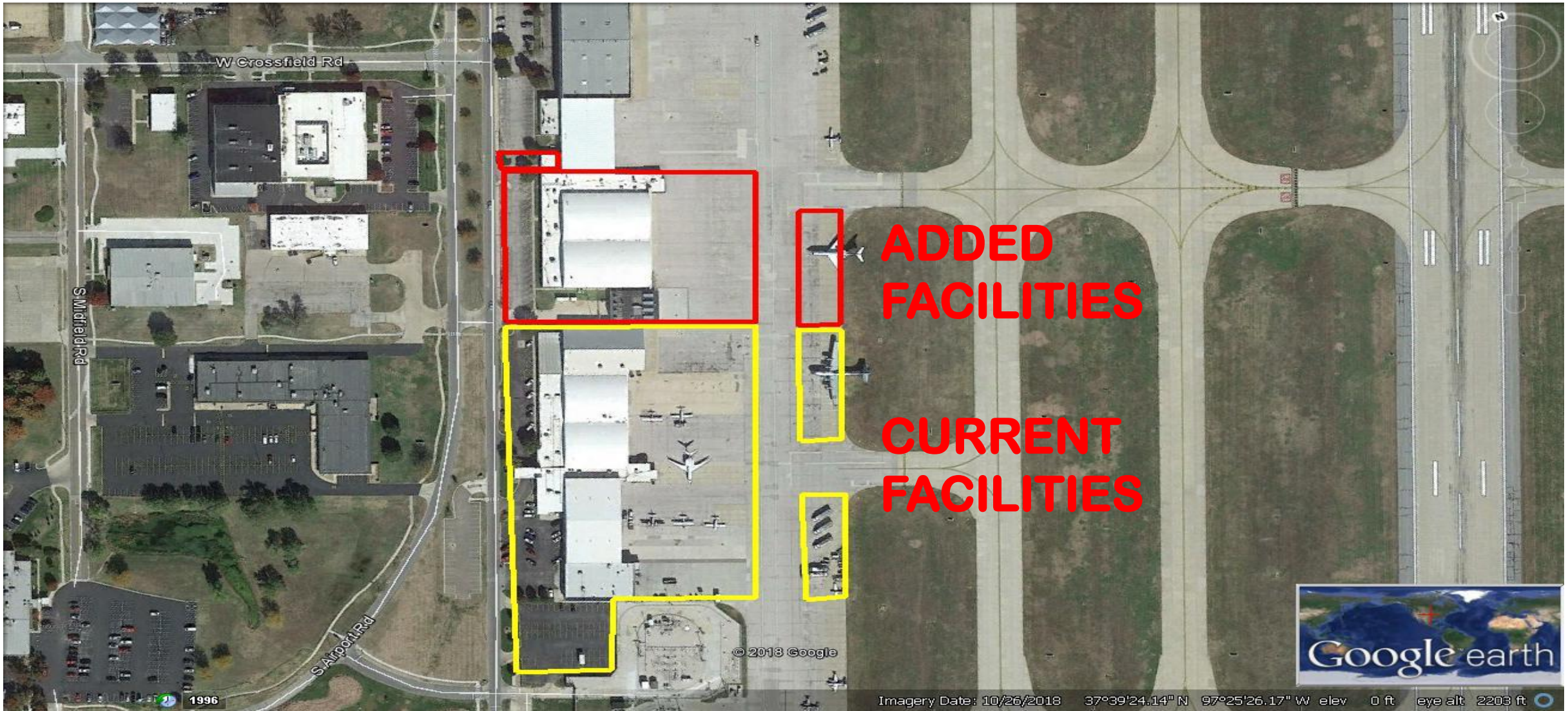
Key Financial and Business Terms

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- The lease term will be 30 years, with two five-year mutual renewal options
- The lease will be effective May 1, 2019
- Land rental rate will be $\$.41 \text{ PSFPY} \times 153,583 \text{ SF} = \$62,969$
- Bay 1/Paint Hangar rate will be $\$7.20 \text{ PSFPY} \times 5,436 \text{ SF} = \$39,139$
- Bays 2 & 3 rate will be $\$2.75 \text{ PSFPY} \times 46,034 \text{ SF} = \$126,594$
- First year WAA revenue = \$228,702
- Annual rate escalation of 2%
- Yingling will invest a minimum of \$2 million of private funds in improvements, upgrades, replacements, renovations, or alterations of the leased facilities

Approximate Location of Facilities

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Recommendation

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**Approve the Use and Lease Agreement and
authorize the necessary signatures**

Yingling Aircraft, Inc.

Use & Lease Agreement

Wichita Airport Authority

Department of Airports



Wichita Eisenhower Hotel, LLC Concession & Lease Agreement

**Wichita Airport Authority
Department of Airports**

July 8, 2019



Background

- **In 2017, an unsolicited request was received from a known qualified developer to build and operate a hotel at Eisenhower Airport north of the Hampton Inn & Suites**
- **In accordance with the Right of First Refusal (ROFR) provision in the lease agreement with the DoubleTree hotel, notification was provided on September 6, 2017 which was acknowledged by the DoubleTree**
- **The ROFR provision gave the DoubleTree one year to respond and execute a lease if it chose to develop its own hotel**

Background

- **If the DoubleTree wished to exercise its ROFR, it would have to meet or exceed the proposed terms and conditions, and execute a lease within 12 months from September 6, 2017**
- **During the one-year ROFR period, Airport staff had discussions with DoubleTree management, and they were invited to make a presentation to the Wichita Airport Advisory Board if they wanted to object to the proposed development**
- **They did not make a presentation to the WAAB, nor did they exercise the ROFR within the one-year period, or at any time thereafter**

Background

- **As specified in the DoubleTree lease, if they fail to exercise the ROFR, the WAA is free to negotiate with the other party for development of a hotel**
- **Staff entered into negotiations with the developer and completed the effort this May and prepared a lease agreement**
- **The minimum business and financial terms contained in the DoubleTree ROFR are being met or exceeded by the developer and are included in the proposed lease agreement**

Background

- **The minimum business terms included in the notification to DoubleTree for the proposed development were:**
 - Provide an earnest deposit in escrow with WAA for \$2 million which would be returned upon completion of the facility roof
 - Lease a minimum of 130,000 SF of land
 - Lease term of not more than 30 years, with two 10-year renewal options
 - Rental payments at the rate of \$.4118 PSF for the first three years
 - Thereafter, a concession fee based upon an escalated percentage of gross sales with a minimum annual guarantee
 - Title to all improvements vesting with WAA immediately

Background

- **The developer is Wichita Eisenhower Hotel, LLC (WEH)**
- **The principal is Mitesh Patel**
- **Partners in the company have constructed, or have owned or operated several new hotel properties in the region**
- **The proposed hotel flag has not been designated, but will be announced upon award of a national brand franchise**

Key Financial and Business Terms

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- **WEH will lease approximately 264,000 SF of land on which to build a hotel of the Select/Upscale category**
- **30 year initial lease term with two 10-year renewal options**
- **Land rental for the first three years at the rate of \$.4118 PSF (\$108,715 annually)**
- **Thereafter, a concession fee of 1% of gross revenues or a Minimum Annual Guarantee (MAG) of \$130,944, whichever is greater, for two years**
- **Starting in 2024, the concession fee will be the greater of 1% of gross or a MAG equal to 85% of the previous year**
- **The percentage of gross escalates up to 3.5% in the final years of the lease, and increases up to 5% in the option periods**

Key Financial and Business Terms

- **WEH will provide a \$2 million irrevocable letter of credit in favor of the WAA to ensure timely construction of the hotel**
- **The funds will be released upon completion of the hotel roof**
- **WEH will provide private funding anticipated to total approximately \$12 million for construction and for equipping and furnishing the property**
- **WEH may choose to seek Airport Special Facility Revenue Bond financing in order to obtain sales tax exemption for eligible construction items**
- **All facilities and improvements will be owned by the WAA immediately**

Construction

- **The location of the proposed hotel is north of the Hampton Inn & Suites, south of Kellogg, and west of Ridge Road**
- **Architectural and engineering design, FAA airspace approval processes, and finalization of hotel franchise application will begin upon approval of the lease**
- **Construction is expected to begin in the fourth quarter of this year, assuming all permitting has been approved**
- **Completion of the hotel is expected by the end of 2020**

Location of Hotel

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Recommendation

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Approve the Concession and Lease Agreement and authorize the necessary signatures

Wichita Eisenhower Hotel, LLC Concession & Lease Agreement

Wichita Airport Authority

Department of Airports

