



CITY OF NEW BEDFORD

JONATHAN F. MITCHELL, MAYOR

September 3, 2015

Council President Brian K. Gomes
Members of the City Council
City Hall
133 William Street, Room 215
New Bedford, MA 02740

Dear Council President Gomes and Honorable Members:

At the request of the Airport Commission, I am resubmitting herewith for your consideration, a proposed Order authorizing the Mayor and the Chairman appointed by the Airport Commission to execute a Lease with Claremont Aviation LLC on behalf of the City for approximately 45,600 sq. ft. of Airport property in conjunction with Claremont's construction of a 12,000 sq. ft. hangar.

It is my assessment that the merits of this lease were not articulated with the level of detail and explanation that the Council deserved when the Council considered this measure recently.

I have instructed the Airport and Solicitor's Office staff to be fully prepared when the matter is next considered in a public meeting and to make themselves available on an individual basis prior to the meeting as Councillors may find helpful.

The benefits of the lease arrangement negotiated by the Airport Commission are myriad, and are summarized below:

Federal and State Grant Support

The lease is a key part of the Airport strategy for securing greater federal and state infrastructure investments. Large jet operations are very important in attracting state and federal airport funding, so the presence of these aircraft using the new hangar will greatly improve the long-term competitiveness of state and federal grant applications submitted by the Airport. The larger the class of aircraft, the more infrastructure is needed, and the more funding will be eligible to the Airport.

The 2014 Airport Master Plan noted that while the Airport presently qualifies for a larger category primary runway and taxiway, our secondary runway and taxiway cannot justify larger infrastructure. Newly based corporate jets will offer the Federal Aviation Administration a new rationale for investment.

And, as our Airport is experiencing the same downturn in airline enplanements as many of the nation's regional airports, the presence of corporate aircraft operations will put our Airport well ahead of other general aviation airports competing for the same funding.

Business Development

The presence of the new aircraft and hangar will give a major boost to the Airport's ongoing business development efforts to attract additional corporate fleet aircraft, and other new business opportunities.

Financial Benefits

The lease provides much needed revenue (\$10,000 per year) for the continued growth and operation of the Airport, which will help ensure the Airport's continued self-sufficiency and strengthen the Enterprise Fund.

Claremont Aviation's practice of utilizing their aircraft's "down time" enhances the revenue potential from the new facility. The Airport expects a boost to its operations numbers if a corporate jet is based there, and is frequently arriving and departing. In addition, all of the maintenance, servicing, and fueling will be handled by airport-based tenants, which means even more business activity at the Airport.

Reasonable and Prudent Lease Provisions

The Lease is for a primary term of twenty (20) years with options for an additional thirty (30) years. This is consistent with the Airport's ongoing efforts to work with tenants, as existing leases expire, to establish new lease durations that are appropriate to the respective facility.

The "20/30" term is consistent with the nature of the facility being constructed. Unlike smaller, less substantial hangar facilities that have been built in the past, the large, 12,000 sq. ft. Claremont hangar has a lifespan in excess of fifty years, so the City will take possession of a capital asset of real value at the end of the term.

This lease also reflects the Airport's ongoing effort to align with the guidelines of the Federal Aviation Administration. FAA guidelines recognize the necessity of an investor's need to recapture the privately-financed cost of hangar construction over time. The approach allows the Airport to realize substantial capital improvements while avoiding the need for federal, state, or local capital funds. At the end of the lease, the hangar facility will become the property of the City of New Bedford.

Finally, the lease rate is set at an appropriate level. In comparison to other leases at the Airport, which graduate from a lower rate to a maximum rate over the 20-year term, the Claremont lease will be at the maximum level (\$0.21 per square foot) for the entire primary term. At this lease rate it will be the highest being paid by any on-field tenant at the Airport. When the primary term ends, the rate reverts to fair market value.

Thank you for your consideration in this matter.

Very truly yours,



Jonathan F. Mitchell
Mayor