



**City of Kingston
Report to Council
Report Number 15-405**

To:	Mayor and Members of Council
From:	Cynthia Beach, Commissioner, Corporate & Strategic Initiatives
Resource Staff:	Peter Huigenbos, Manager, Real Estate & Land Development
Date of Meeting:	October 20, 2015
Subject:	Lease Extension and Amending Agreement with Central Airways Ltd at Norman Rogers Airport

Executive Summary:

Central Airways Ltd has expressed a desire to extend their current land lease at the Kingston Airport set to expire on August 31, 2021. The proposed Lease Extension and Amending Agreement would extend the term for another nine (9) years at the annual land lease rate in accordance with the annually established "Schedule of Fees" for the Kingston Airport, terminating on August 31, 2030 and give Central Airways the option to extend the lease for a further ten (10) year term.

In addition to extending the current lease, this agreement would amend the lease to include a Right of First Offer and Option to Lease ("the Option") for adjacent land. The City has not sought a tenant for this land as it is relatively small in area. Central Airways has expressed an interest in expanding its operations at the Airport in the future. The Option for approximately 1,038 square metres of adjacent land provides the tenant the first opportunity to lease the land. The City benefits from additional income from Central Airways to retain this right as well as an invested interest in the expansion of a business that has served the Airport for almost 30 years.

Recommendation:

That Council authorize the Mayor and Clerk to execute a Lease Extension and Amending Agreement with Central Airways, to the satisfaction of the Director of Legal Services, for an extended term of nine (9) years, at the annual land lease rate in accordance with the annually established "Schedule of Fees" for the Kingston Airport, commencing on September 1, 2021 with an option to extend for another ten (10) years thereafter and for a Right of First Offer and Option to Lease for approximately 1,038 square metres of land located to the southeast of the current leased lands.

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Authorizing Signatures:ORIGINAL SIGNED BY COMMISSIONER**Cynthia Beach, Commissioner,
Corporate & Strategic Initiatives**ORIGINAL SIGNED BY CHIEF ADMINISTRATIVE OFFICER**Gerard Hunt, Chief Administrative Officer****Consultation with the following Members of the Corporate Management Team:**

Lanie Hurdle, Community Services	Not required
Denis Leger, Transportation, Facilities & Emergency Services	
Jim Keech, President and CEO, Utilities Kingston	Not required
Desiree Kennedy, Chief Financial Officer & City Treasurer	Not required

Options/Discussion:

Operating out of the Norman Rogers Airport since 1987, Central Airways Ltd provides a range of aviation services to the City and other clients at the airport. The current land lease between the City and Central Airways commenced on September 1, 2006 with a total leased area of 7,237 square meters of land being comprised of Pad 1 and a parking lot ('Leased Lands'). Central Airways owns the building, newly constructed in 2006.

Central Airways is seeking to pursue opportunities to expand its business at the airport and approached the City to extend and amend its lease now in advance of the end of the current term to secure its long-term interests. The current lease expires in September 2021 with an option to renew for another 10 years. The proposed Lease Extension and Amending Agreement extends the lease for another nine (9) year term commencing September 1, 2021 and expiring on August 31, 2030. Central Airways will have the option to extend the lease for another ten (10) year term beyond 2030 on terms and conditions to be negotiated. Further amendments to the lease include clarification of the permitted uses of the lands to align with those that are currently permitted at the airport.

The Lease Extension and Amending Agreement includes the addition of a Right of First Offer and an Option to Lease for a section of lands abutting the current Leased Lands to the southeast, being approximately 1,038 square metres, shown on Exhibit 'A' attached ('Extension Lands') to accommodate future expansion opportunities. The Right of First Offer stipulates that the City shall offer the lands to Central Airways before considering any other tenants in the event the City decides those lands are available for leasing. The Option to Lease may be exercised by Central Airways at any time should it wish to expand. Central Airways will pay an

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annual fee for this option, starting at \$400 in 2015, in addition to annual rent for the Leased Lands. This fee was established based on a percentage of the annual land lease unit rate. Should Central Airways exercise the right to these additional lands, rent will become payable at the then current lease rates according the Kingston Airport – Schedule of Fees.

Existing Policy/By-Law:

This agreement complies with the Revenue Leasing and Licensing Policy, last revised on December 20, 2011.

Delegated Authority By-law 2014-141 could not be used to execute this lease extension because the term exceeds the 10 year maximum term, including all renewals, as per section 3(c) of the by-law.

Notice Provisions:

N/A

Accessibility Considerations:

N/A

Financial Considerations:

Central Airways will continue to pay annual rent, plus property taxes, to be adjusted annually in accordance with the land leasing rates for Norman Rogers Airport established by the Fees and Charges By-Law, as amended.

The Right of First Offer and Option to Lease requires Central Airways to pay a \$400 annual fee, to be increased annually by 2%, in order to secure the Option to Lease. The additional revenue will be attributed to the airport budget.

Contacts:

Peter Huigenbos, Manager, Real Estate & Land Development

Other City of Kingston Staff Consulted:

David Snow, Airport Manager

Exhibits Attached:

Exhibit 'A' – Location Map

Report No. 15-405
Exhibit 'A' – Location Map
Central Airways Leased Premises at Kingston Airport



8,275 sq m. total area.
7,237 sq. m. from 2006 Lease
1,038 sq. m. subject to First Right of Offer and Offer to Lease (13m x 79.86m)