

**COUNTY OF MILWAUKEE
INTER-OFFICE COMMUNICATION**

DATE: February 3, 2012

TO: Lee Holloway, Chairman, Milwaukee County Board of Supervisors
Michael Mayo Sr., Chairman, Transportation, Public Works & Transit Committee

FROM: Frank Busalacchi, Director, Department of Transportation

SUBJECT: **NEW AGREEMENT WITH NORTHWESTERN MUTUAL LIFE INSURANCE COMPANY (NML), FOR LEASE OF LAND AT GENERAL MITCHELL INTERNATIONAL AIRPORT**

POLICY

County Board authorization is required to enter into long-term lease agreements at GMIA.

BACKGROUND

On June 8, 1983, Milwaukee County entered into an agreement with NML (Airport No. HP-806) for the lease of land at General Mitchell International Airport (GMIA) on which their hangar is located. The agreement has an initial term of five (5) years, commencing June 1, 1983, with four (4) additional renewal option terms of five (5) years. The agreement is currently in its fourth of four 5-year renewal options.

NML has now requested to expand its hangar facilities at GMIA and enter into a new agreement for a lease that adds approximately 39,467 square feet of land for a total leased area of 86,548 square feet on which NML will demolish their existing hangar and construct a new aircraft hangar in which to house their newer, larger aircraft and expanding aviation department.

RECOMMENDATIONS

Airport staff recommends that Milwaukee County terminate the agreement with NML (Airport No. HP-806) and enter into a new lease agreement with NML, for the lease of approximately 86,548 square feet of land at GMIA, under the standard terms and conditions for new corporate hangar construction of similar class and size, inclusive of the following:

1. The termination of the existing agreement with NML (Airport No. HP-806) and the terms of a new agreement shall be binding and take effect upon execution by all parties hereto (the "Effective Date"). The term and obligation to pay rent shall not commence until the Date of Substantial Beneficial Occupancy ("SBO"), which shall mean the date specifically designated in a written notice to Lessee from the Airport Director that the hangar is completed to the extent that it is usable, but no later than one (1) year after the effective date. Said notice shall be attached to and be deemed a part of this Agreement.

2. In recognition of the significant investment, the agreement shall be for an initial term of five (5) years, commencing on the date of SBO, with four (4) additional renewal option terms of five (5) years.
3. Commencing on the Date of SBO, Lessee agrees to pay Lessor the then-current land rental rate in effect for the approximate 86,548 square feet of land.
4. The rental rate shall be adjusted by Lessor each July 1, based on the percentage increase or decrease in the Consumer Price Index (All Urban Consumers) for the Milwaukee area as published by the U.S. Department of Labor, Bureau of Labor Statistics, or the generally accepted national replacement or successor index, as readjusted to the base month and computed by comparison of the then-current January index with the index of the preceding January.
5. The agreement shall contain the current standard insurance and environmental language for protection of the County as it pertains to hangar and lease agreements.

FISCAL NOTE

Land rental will be approximately \$27,115 per year, which is \$15,858 more than the current lease payment for land rental.

Prepared by: Steven A. Wright, A.A.E. – Airport Properties Manager

Approved by:

Frank Busalacchi, Director
Department of Transportation



C. Barry Bateman
Airport Director