



Milwaukee County

Legislation Text

File #: 11-432, **Version:** 1

From the Director, Department of Transportation and Public Works, and the Airport Director requesting authorization to enter into two lease agreements with Frontier Airlines, Inc., for the signatory lease of 8,991 square feet of space for air freight transactions and the month-to-month lease of 7,524 square feet of space for ground service equipment maintenance located in the air freight building at General Mitchell International Airport (GMIA).

POLICY

County Board approval is required for Milwaukee County to enter into lease agreements exceeding one year with tenants at General Mitchell International Airport.

BACKGROUND

Milwaukee County completed the construction of an Air Freight Building at General Mitchell International Airport (GMIA) (as defined in the Base Agreement of the signatory airlines in 1985) on the condition that more than one signatory airline shall enter into separate agreements representing commitments to lease at least 30,000 square feet of the building. Six initial carriers (Eastern Air Lines, Midwest Express, Northwest Airlines, Ozark Airlines, Republic Airlines, and United Airlines) entered into agreements with Milwaukee County for use of the Air Freight Building under the Airport's standard terms and conditions that included the following:

- The agreements became effective October 1, 1985 and expired December 8, 2008.
- The carriers paid Milwaukee County rentals, fees and charges that enabled the County to recover the cost of construction, operations and maintenance of the established Air Freight Building.

Midwest Airlines, Inc. ("Midwest") was the only airline that continued to occupy the building after December 8, 2008. Milwaukee County then entered into a month-to-month agreement not to exceed one year with Midwest to allow them the use of the facility under the same terms and conditions until December 8, 2009.

Midwest experienced significant transitional issues as it was purchased by Republic Airways Holdings, Inc. at the same time the holding company purchased Frontier Airlines, Inc ("Frontier"). Republic Airways Holdings chose Frontier to be its signatory air carrier at GMIA. The County submitted an agreement to Frontier on December 8, 2010 to address the use and occupancy of the Air Freight Building effective November 1, 2009. Frontier has not signed the lease, but has occupied the space and has paid all the appropriate rents during its occupancy of the Air Freight Building.

Frontier is now requesting that its rental of the Air Freight Building be divided into two separate lease agreements for two different uses of the building. Frontier uses half of its leased premises for air freight transactions and the other half for maintenance of ground service equipment. Frontier desires to enter into a longer term signatory lease for the space used for air freight transactions while renting the space used for ground service equipment on a month-to-month basis expiring upon thirty (30) days' advance written notice.

RECOMMENDATIONS

Airport staff recommends that Milwaukee County enter into two lease agreements with Frontier Airlines, Inc., for the lease of 16,515 square feet of space located in the Air Freight Building at GMIA inclusive of the following:

- The first agreement will be for a term of five and one-half years beginning November 1, 2009 and ending April 30, 2015, in order to allow the Air Freight Building agreement to be co-terminus with the adjacent Aero Milwaukee, LLC building leases (a third-party developer at GMIA). GMIA will assess rent based upon the fair-market rate of \$7.50 per square foot for air freight building/cargo/warehouse space for the lease of 8,991 square feet of space occupied by Frontier Airlines, Inc.
- The second agreement will be month-to-month, expiring upon thirty (30) days' advance written notice by either party with or without cause beginning November 1, 2009. GMIA will assess rent of \$10.00 per square foot for the non-signatory month-to-month rental of 7,524 square feet of space occupied by Frontier Airlines, Inc.

FISCAL NOTE

Annual airport revenue will be \$142,672.50 for use of the Air Freight Building at GMIA by Frontier Airlines, Inc.

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