



MEMORANDUM

To: Mayor and Members of the City Council

From: Rich Olson, City Manager

Date: July 19, 2019

Subj: Consideration – Addendum to Lease Agreement for Phase I in Aviation Park

BACKGROUND:

On May 1, 2009, the City of Elizabeth City entered into a lease agreement with DRS Technical Services, Inc. for 27.08-acres in Phase I of Aviation Park. The lease contracted two tracts: tract (1A), which consisted of 5.77-acres, and tract (1B), which consisted of 21.31-acres. The 5.77 – acres tract (1A) is the location of the existing parking lot, which was utilized by DRS. The 21.31-acre tract (1B) has remained undeveloped since it was leased to DRS. In August 2015, DRS assigned the lease to the U.S. Coast Guard (USCG). Section two of the lease agreement allowed DRS, and now the USCG, to terminate a portion of the lease if they provided the notice to the City at least 60-days prior to the 10th anniversary of the commencement date of the July 1, 2009 lease. The City has received a letter from the USCG that they wish to terminate part of the lease, which contains tract (1B) (21.31 acres). They would like to keep the 5.77-acre tract, which is where the parking lot is located. Annually, the City of Elizabeth City receives \$379,665.36 from the USCG in lease payments for the whole 27.08-acre parcel (tract 1A and 1B). The new lease payment for the USCG will be \$80,896.26. These funds will continue to be deposited into the Aviation account.

ANALYSIS:

This will be the first addendum to the lease agreement since August of 2015, when the lease was assigned to the USCG from DRS. The original lease runs from July 1, 2009 to June 30, 2025. The USCG can extend the lease for two 10-year terms. This addendum does not affect the biannual rate adjustment, which is scheduled to take place this month. It appears that the CPI adjustment will be 4.2% for this biannual period. This would raise the rent to \$84,266.12. All other terms and conditions included in the original DRS lease agreement will remain in place.

FINANCIAL:

The Finance Committee discussed this matter during its July 18, 2019 meeting. Upon motion made by Councilwoman Young, seconded by Councilwoman Hummer, the Committee unanimously recommended approval by the City Council.

STAFF RECOMMENDATION:

By motion, authorize the Mayor to execute the addendum to the lease agreement with the USCG for the 5.77-acres in Phase I in Aviation Park.

**ADDENDUM TO LEASE AGREEMENT
AND LANDLORD CONSENT AND ESTOPPEL CERTIFICATE**

THIS ADDENDUM TO LEASE AGREEMENT AND LANDLORD CONSENT AND ESTOPPEL CERTIFICATE, made and entered into this the 22 day of July _____ 2019, by and between the City of Elizabeth City, a Municipal Corporation organized and existing under the laws of the State of North Carolina (hereinafter called "Lessor"), and the United States of America, acting by and through the United States Coast Guard (hereinafter called "Lessee");

WITNESSETH:

THAT WHEREAS, Lessor and Lessee are parties to that certain Lease Agreement dated May 1, 2009, the terms of which are incorporated herein by reference as if set forth herein verbatim, as amended by and supplemented by that certain Landlord Consent and Estoppel Certificate and Amendments to Lease executed by the parties effective August 14, 2015, the terms of which are also incorporated herein by reference as if set forth herein verbatim; and

WHEREAS, the parties desire to amend and supplement the terms of the Lease further, and have agreed to execute this Addendum in order to memorialize their agreement;

NOW, THEREFORE, the parties agree as follows:

1. Effective July 1 _____, 2019, the leased premises shall consist of all of Tract 1A, containing 5.77 acres, as delineated on that certain plat entitled "Lease Plat For the Elizabeth City Aviation Center", and Lessee shall have no claim to, or rights associated with, Tract 1B, containing 21.31 acres, as delineated on said plat.

2. Effective July 1, 2019, the annual rental payment associated with Tract
1A shall be \$84,266.12 and shall be payable as follows:
in 12 monthly payments of \$7,022.18 and all such payments shall be payable in arrears on a monthly basis.

3. Execution of this document by the parties shall be deemed to constitute Lessee's
exercise of its right to continue the lease and its existing term, commencing July 1, 2019 and
ending on June 30, 2025.

Except as modified hereby, the terms of the Lease Agreement dated May 1, 2009 and the
Landlord Consent and Estoppel Certificate and Amendments to Lease dated August 14, 2015 shall
remain in full force and effect.

IN WITNESS WHEREOF, the parties have caused this instrument to be executed by their
duly authorized officials, this the ____ day of _____ 2019.

THE CITY OF ELIZABETH CITY

By: BETTIE J. PARKER, Mayor

ATTEST:

APRIL D. ONLEY, City Clerk

(CITY SEAL)

THE UNITED STATES OF AMERICA
BY: THE UNITED STATES COAST GUARD

BY: _____

Rank and Title: _ _ _ _ _