

23.4.19 ALEXANDRA AIRPORT COMMERCIAL HANGAR SITE REQUEST

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Public Excluded

Section under the Act	The grounds on which part of the Council or Committee may be closed to the public are listed in s48(1)(a)(i) of the <i>Local Government Official Information and Meetings Act 1987</i> .
Sub-clause and Reason:	s7(2)(h) and s7(2)(i) - the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities and the withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).

1. Purpose of Report

To consider approval of a new commercial hangar site lease at Alexandra Airport and proposed concept layout plan for future commercial hangar sites.

Recommendations

That the Council

- A. Receives the report and accepts the level of significance.
- B. Approves the proposed concept layout plan for future commercial sites at Alexandra Airport, shown as Figure 2 in the report.
- C. Agrees in principle to a commercial lease being issued for current market rental for site C1 shown on Figure 2 in report on similar terms and conditions as existing commercial hangar site lease at Alexandra Airport.
- D. Approves funding of up to \$60,000 for cost of development of site C1, shown on Figure 2 in the report and provision for pipework and ducting for power and water connections to future commercial sites to be funded by five year loan serviced by future rental from the sites.
- E. Agrees that delegated authority be granted to the Chief Executive to grant commercial leases over any of the sites on the concept plan shown as Figure 2 in the report, or sites modified as necessary to better accommodate specific buildings and/or specific use, while fundamentally keeping to the template. All leases to be for aeronautical commercial activities only and subject to the Airport Authorities Act 1966 and on terms and conditions similar to previous commercial hangar leases.
- F. Authorises the Chief Executive to do all that is necessary to give effect to the resolutions.
- G. Recommends that this report and resolutions are made available to the public once a lease is in place for the proposed new commercial hangar site at Alexandra Airport.

2. Background

The Alexandra Airport Masterplan (the Masterplan) was adopted by Council on 26 January 2022. The purpose of the Master Plan was to inform decisions on the future development of Alexandra Airport (the Airport).

Figure 1 below shows the proposed development plan from the Masterplan with the recommended location of future activities at the Airport. Area F has been identified as a future development area for proposed commercial activity such as an aircraft maintenance and repair company.

Alexandra Airport Master Plan

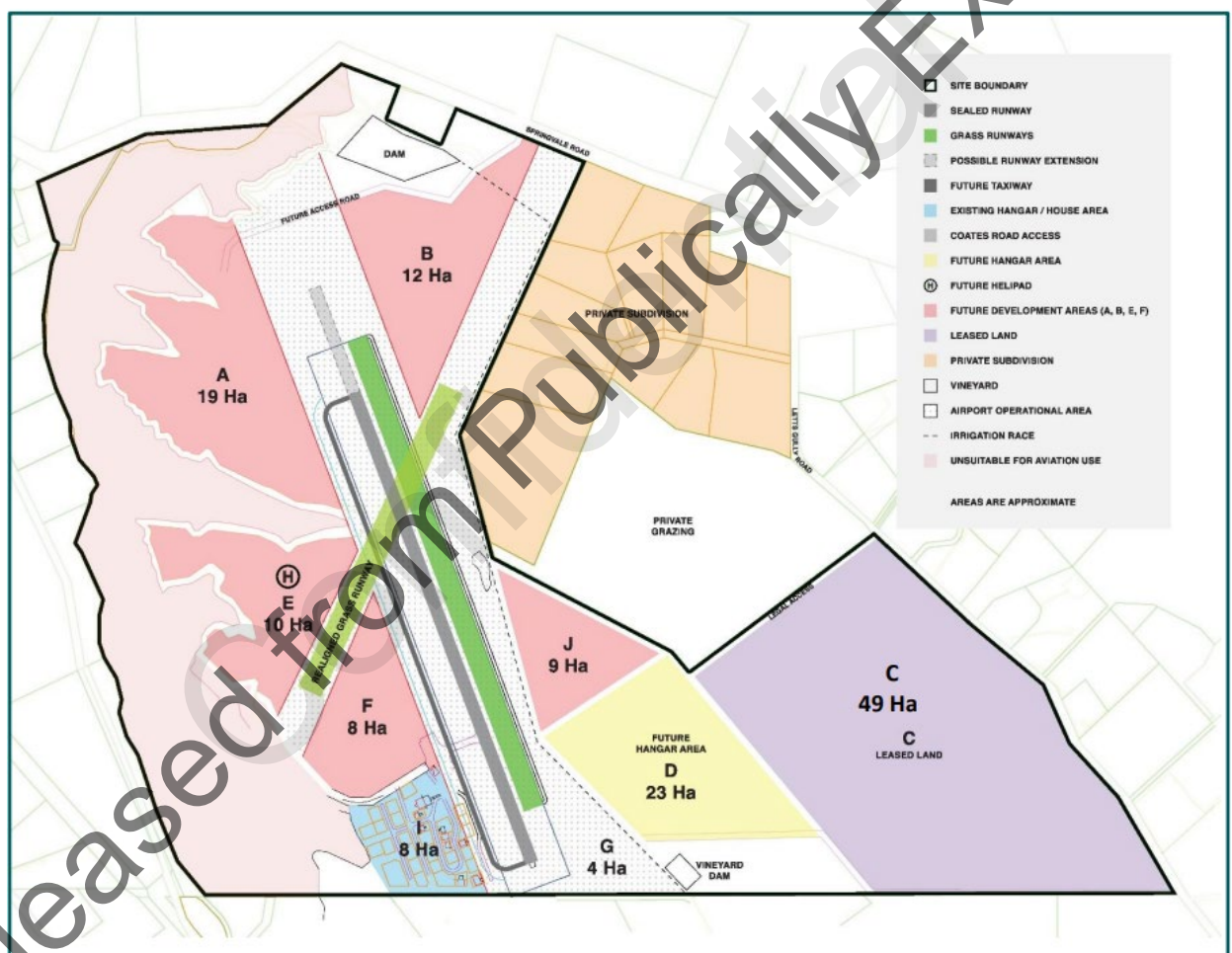


Figure 1 : Proposed location of future activities

A proposal has been received from Tin Shed Aviation Maintenance Ltd (Tin Shed Aviation) requesting a lease for a commercial hangar site to develop a purpose built facility offering aircraft maintenance and restoration services.

Tin Shed Aviation are very keen to sign an agreement to lease as soon as possible to enable them to start planning for their new hangar facility build. The business has projects to complete now and intend to temporarily sublease space in an existing hangar at Alexandra Airport until their new facility is complete.

Tin Shed Aviation has requested a suitable site to build a purpose-built hangar including workshop with attached customer area/waiting room, staff bathroom and kitchen, office space and parts and oil stores. The proposed overall building footprint is around 1000m² plus vehicle access, parking and apron access with a total site area of 3604m². A copy of the proposed facility concept plan is attached as Appendix 1.

The proposed aircraft maintenance activity is consistent with the designation of the Airport for airport purposes and with the intention of the Masterplan. The proposed facility concept plans are also considered appropriate for the designation.

In order to consider an appropriate location for the requested new commercial hangar site a concept layout plan has been prepared for Council by Calder Surveying, shown below as Figure 2. The concept plan provides a layout for potential future commercial sites in the location which is identified as Area F in the Masterplan for commercial activity such as aircraft maintenance, see future activity location plan in Figure 1 above.

Preparing a concept plan for all potential future sites in Area F which has been identified for commercial activity in the Masterplan allows Council to consider where infrastructure might be required such as power and water connections and sealed taxiways. Rather than consider one site in isolation it is important to look at the layout of the area as a whole so that any potential cost savings and/or provision for infrastructure for future sites can be considered.

The proposed site which meets the specific requirements requested by Tinshed Aviation is shown as site C1 on Figure 2.

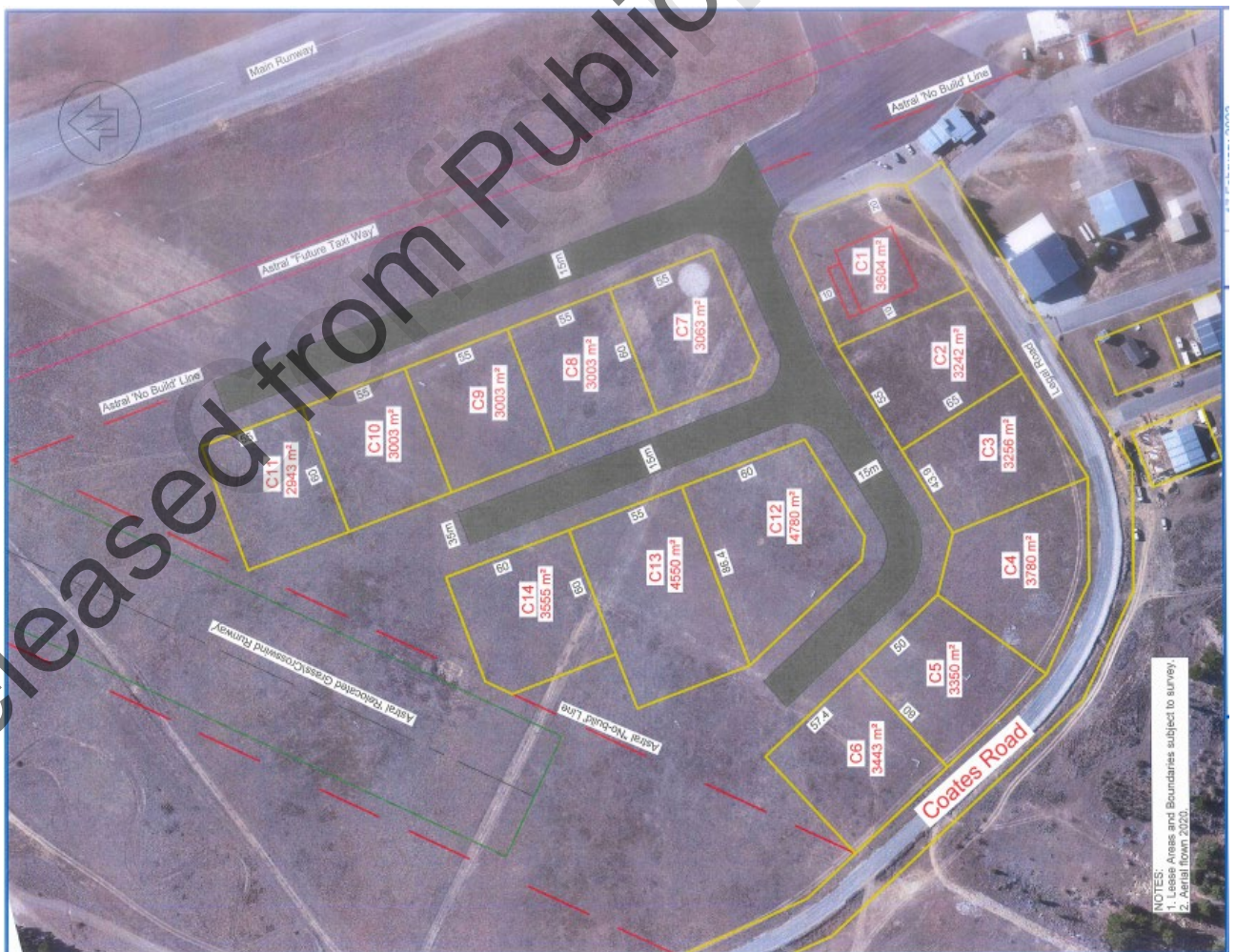


Figure 2 : Proposed layout for future commercial sites

The proposed site C1 is located closest to the existing water and power services in the current hangar precinct to minimise costs to develop the site and is adjacent to the existing apron so additional sealed taxiways are not required immediately.

There are currently no service connections in place for the proposed site location. The Alexandra town water supply is due to be connected to the Airport in the next few months and will need to be connected prior to a lease being issued to provide additional water supply capacity to the proposed site.

Town wastewater connections are not a feasible option at the Airport due to the pressure of the wastewater pipeline that runs along Dunstan Road so a septic tank will be required for the proposed site at the lessees cost. If there was future demand and the development of commercial sites progressed as per the concept plan a shared disposal field system may be required.

A market rental assessment has been obtained from a registered valuer for site C1 at \$13,750 plus GST per annum.

3. Discussion

Tinshed Aviation are an established business that is looking to expand and provide high quality outcomes for aircraft scheduled maintenance, repairs or restoration. They anticipate that within 12-18 months they will have 6 fulltime employees with the aim to provide superior aviation service and become the 'Aviation Service Provider of Choice'.

Their preference is to establish their facilities at Alexandra Airport which they feel is ideal for their needs. If Council does not agree to a lease at Alexandra Airport they will look elsewhere as they require a purpose built facility to expand their business.

An aircraft maintenance business at the airport will be an advantage in attracting more private hangar sites and airport related commercial activity in the future. The proposed site has been identified in the Alexandra Airport Masterplan as an area for potential commercial sites such as aircraft maintenance.

Further investigation is required to establish full costs associated with providing power and water connections to the proposed new site from the existing hangar precinct reticulated system. However, the high-level estimated cost for these connections is \$60,000. It is proposed that this will also include provision for pipework and ducting for future site connections.

It is proposed that these costs are funded by an internal loan to be serviced by hangar site rental.

A market rental assessment has been obtained from a registered valuer for site C1 at \$13,750 plus GST per annum. This annual rental is sufficient to service a five year loan for high level estimated cost of establishing power and water connections to the site. No taxiways will be required at this stage but can be considered in the future to be funded from rental income.

4. Financial Considerations

The estimated cost to provide water and power connections to the proposed new commercial hangar site is \$60,000. It is proposed that this will also include some pipework and ducting to allow for future site connections.

The proposed rental of \$13,750 plus GST per annum for site C1 is sufficient to service a five year loan for the \$60,000.

After five years the rental from these sites will add to the income stream for the airport.

5. Options

Option 1 – (Recommended)

Council agrees:

- To approve the proposed concept layout plan for future commercial sites at Alexandra Airport, shown as Figure 2 in the report.
- In principle to issue a commercial lease for an aircraft maintenance and restoration facility being issued for current market rental for site C1 shown on Figure 2 on similar terms and conditions as existing commercial hangar site lease at Alexandra Airport.
- To approve funding of up to \$60,000 for cost of development of site C1, shown on Figure 2 in the report and provision for pipework and ducting for power and water connections to future commercial sites to be funded by five year loan serviced by future rental from the sites.
- That delegated authority be granted to the Chief Executive to grant commercial leases over any of the sites on the concept plan shown as Figure 2 in the report, or sites modified as necessary to better accommodate specific buildings and/or specific use, while fundamentally keeping to the template. All leases to be for aeronautical commercial activities only and subject to the Airport Authorities Act 1966 and on terms and conditions similar to previous hangar leases but on commercial terms.

Advantages:

- Agreeing in principal to issuing of a commercial lease for aircraft maintenance and restoration as requested will mean Council has opportunity to receive additional rental income.
- An aircraft maintenance business at the airport will be an advantage in attracting more private hangar sites and airport related commercial activity in the future.
- Approving a concept plan that includes future commercial sites allows Council staff to proceed with further leases if there is demand. Council has previously approved concept plans for hangar sites which saves staff time and resource by allowing leases to be issued for hangar sites without further Council approval based on the concept plan and standard lease terms and conditions.
- The proposed area for the commercial sites is identified as Area F on the future development plan in the Alexandra Airport Masterplan for commercial activity such as aircraft maintenance.

Disadvantages:

- Development of the commercial site will require expenditure of approximately \$60,000 to establish power and water connections. However, the rental from the site is sufficient to service a five year internal loan to cover these costs.

Option 2

Council does not agree:

- To approve the proposed concept layout plan for future commercial sites at Alexandra Airport, shown as Figure 2 in the report.
- In principle to issue a commercial lease for an aircraft maintenance and restoration facility being issued for current market rental for site C1 shown on Figure 2 on similar terms and conditions as existing commercial hangar site lease at Alexandra Airport.
- To approve funding of up to \$60,000 for cost of development of site C1, shown on Figure 2 in the report and provision for pipework and ducting for power and water connections to future commercial sites to be funded by five year loan serviced by future rental from the sites.
- That delegated authority be granted to the Chief Executive to grant commercial leases over any of the sites on the concept plan shown as Figure 2 in the report, or sites modified as necessary to better accommodate specific buildings and/or specific use, while fundamentally keeping to the template. All leases to be for aeronautical commercial activities only and subject to the Airport Authorities Act 1966 and on terms and conditions similar to previous hangar leases but on commercial terms.

Advantages:

- If Council do not approve a commercial lease at Alexandra Airport it will not be necessary to spend \$60,000 to establish power and water connections. However, the rental from the site is sufficient to service a five year internal loan to cover these costs.

Disadvantages:

- Will result in a negative decision in terms of supporting development and the vision of the Alexandra Airport Masterplan.
- If Council do not approve a commercial lease for aircraft maintenance etc at this time Tin Shed Aviation will look elsewhere for a hangar site and the opportunity for additional rental and potential drawcard for future lessees and visitors will be lost. There have been other interested parties for aircraft maintenance businesses that have made enquiries previously but not followed through. This is the first business that has confirmed they are ready to build now.
- Not approving the concept plan for future commercial sites means Council staff will need to come back to Council every time there is enquiry for commercial site requiring more time and resource which could be utilised elsewhere.

6. Compliance

<p>Local Government Act 2002 Purpose Provisions</p>	<p>This decision promotes the social and economic wellbeing of communities, in the present and for the future by increasing income streams that will assist to fund Council core and non-core services in the future.</p>
<p>Decision consistent with other Council plans and policies? Such as the District Plan, Economic Development Strategy etc.</p>	<p>The Alexandra Airport is subject to designation D194 for 'Airport purposes' under the Central Otago District Plan. The underlying status is Rural Resource Area.</p>

	Erection of hangars in the rural resource area is a permitted activity under the district plan.
Considerations as to sustainability, the environment and climate change impacts	<p>An aircraft maintenance facility on site at Alexandra Airport will improve sustainability by reducing the distance local aircraft have to travel for maintenance.</p> <p>This will have a positive impact on the environment.</p>
Risks Analysis	<p>There are no risks involved with this decision. No work for the development of the site will commence until an agreement to lease is issued for the hangar site with the standard terms and conditions for airport leases.</p> <p>Obtaining any required building or resource consents will be the responsibility of the proposed lessee.</p>
Significance, Consultation and Engagement (internal and external)	The proposal does not exceed any of the thresholds or meet any of the criteria in the Significance and Engagement Policy and public consultation is not considered a requirement.

7. Next Steps

Prepare an agreement to lease for Tin Shed Aviation for site C1 subject to Council providing water and power connections.
 Survey site and confirm requirements for water and power connections
 Obtain prices for water and power connections

8. Attachments

Appendix 1 - Proposed commercial hangar site concept drawings.docx

Report author:

Reviewed and authorised by:



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4/04/2023

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11/04/2023

Released from Publically Excluded