



Airport Advisory Committee

Minutes

Wednesday 21 August 2024



Our Vision

Where environment, lifestyle and opportunity meet

Community Aspirations



KEY THEME 1

Environment

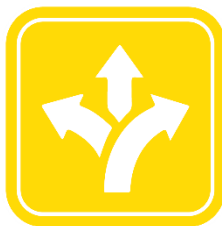
An environment that is valued, conserved and enjoyed by current and future generations.



KEY THEME 2

Lifestyle

A place that is relaxed, safe and friendly, with services and facilities that support positive lifestyles and wellbeing.



KEY THEME 3

Opportunity

A vibrant City with diverse opportunities and a prosperous economy.



KEY THEME 4

Leadership

A Council that connects with the community and is accountable in its decision making.

MINUTES

Minutes of a meeting of the Airport Advisory Committee held in the Council Chambers,
Administration Building, Southern Drive, Busselton, on Wednesday 21 August 2024 at 11:00 am.

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1 OFFICIAL OPENING

The meeting opened at 11:08am.

The Presiding Member welcomed Elected Members, staff, guests and members of the public to the Airport Advisory Committee meeting of 21 August 2024.

The Presiding Member acknowledged the Wadandi and Bibbulmun people as the traditional custodians of this region and paid respects to Elders past and present.

This meeting was audio recorded for minute taking purposes.

2 ATTENDANCE

PRESIDING MEMBER	MEMBERS
Cr Jodie Lee	Mayor Phill Cronin
	Cr Jarrod Kennedy
	Cr Anne Ryan (Deputy)

OFFICERS	
Ms Maxine Palmer	Director Economic and Business Development
Ms Jenny May	Manager Airport Services
Ms Bonnie Allen	Senior Airport Administration Officer
Ms Jo Barrett-Lennard	Governance Officer
Ms Carmel Brown	Governance Support Officer

APOLOGIES	
Cr Mikayla Love	

3 DISCLOSURES OF INTEREST

DISCLOSURES OF FINANCIAL INTEREST

Nil

DISCLOSURES OF IMPARTIALITY INTEREST

Nil

4 PUBLIC QUESTION TIME

4.1 RESPONSES TO PREVIOUS QUESTIONS TAKEN ON NOTICE

Nil

4.2 QUESTION TIME FOR PUBLIC

Mr Zeb Packard-Hair

Question

Will the Council consider the alternative options outlined in the report for item 6.1, specifically an outcome that includes an appropriate extension of tenure of the Aero Club's existing lease and a contribution of funds to support the relocation of the Aero Club to a more suitable location at a later stage?

Response

(Presiding Member, Cr Jodie Lee)

The City's objective is to deliver a thriving general aviation precinct. We value the relationship with the Aero Club and recognise the contribution that the Aero Club can make to support the development and activation of that precinct. It's clear that there is longstanding and effective collaboration between City officers and the Aero Club in negotiating on this matter, and the Council will consider all relevant information when considering this item.

Question

Would the Committee take into consideration the fact the Aero Club is looking to secure an extension of tenure of its existing lease with this negotiation? If the tenure is extended to 2030 without confirmation of a future financial contribution, that tenure may not be an appropriate length. If the Council determine a financial contribution for relocation upfront to be incorporated into the lease arrangement it would form part of the security of tenure, and inform the club in determining to accept the arrangement?

Response

(Presiding Member, Cr Jodie Lee)

The Committee appreciates the requirement for the Aero Club to have certainty with regards to both the tenure of its existing lease and any future financial contribution towards relocation.

(Ms Maxine Palmer, Director Economic and Business Development)

Officers have considered both tenure and potential financial contribution from the City for relocation, and would recommend any financial contribution is held in the City's reserve accounts until 2030 to ensure all requirements for funding release are met.

5 CONFIRMATION AND RECEIPT OF MINUTES

5.1 Airport Advisory Committee 7 August 2024

COMMITTEE DECISION

AIR2408/9 Moved Cr Jarrod Kennedy, seconded Cr Anne Ryan

That the minutes of the Airport Advisory Committee 7 August 2024 be confirmed as a true and correct record (as published at 16 August 2024 on the [City of Busselton's website](#), inclusive of any confidential material published on the restricted internal Docs on Tap application).

CARRIED 4 / 0

FOR: Mayor Phill Cronin, Cr Jodie Lee, Cr Jarrod Kennedy and Cr Anne Ryan

AGAINST: Nil

6 REPORTS

6.1 Busselton Margaret River Airport General Aviation Precinct Lease

Strategic Theme:	Key Theme 3: Opportunity 3.4 Develop aviation opportunities at the Busselton Margaret River Airport.
Directorate:	Economic and Business Development
Reporting Officer:	Manager Airport - Jennifer May
Authorised By:	Director Economic and Business Development - Maxine Palmer
Nature of Decision:	Contractual: To enter into a contract e.g. a lease or the award of a tender etc.
Voting Requirements:	Simple Majority
Disclosures of Interest:	No officers preparing this item have an interest to declare.
Attachments:	1. Design option - layout 1 [6.1.1 - 1 page] 2. Design option - layout 2 [6.1.2 - 1 page]

The officer recommendation was moved, there was opposition and debate ensued.

During debate, Mayor Phill Cronin foreshadowed an alternative.

The officer recommendation was lost.

COMMITTEE DECISION

AIR2408/10 Moved Cr Anne Ryan, seconded Cr Jarrod Kennedy

That the Council not enter into the head lease arrangements proposed by the Busselton Aero Club for the occupation of a portion of Lot 1974, Deposited Plan 411016, Volume 2931, Folio 507, 86 Neville Hyder Drive Yalyalup as referred to as B6, B7 and B8 on Attachment 1

LOST 1 / 3

FOR: Cr Anne Ryan

AGAINST: Mayor Phill Cronin, Cr Jarrod Kennedy and Cr Jodie Lee

With the officer recommendation being lost, Mayor Phill Cronin moved an alternative.

There was opposition and debate ensued.

SUBSTANTIVE MOTION

Moved Mayor Phill Cronin, seconded Cr Jarrod Kennedy

- 1. That the Council not enter into the head lease arrangements proposed by the Busselton Aero Club for the occupation of a portion of Lot 1974, Deposited Plan 411016, Volume 2931, Folio 507, 86 Neville Hyder Drive Yalyalup as referred to as B6, B7 and B8 on Attachment 1; and**
- 2. That the Council authorise an extension to the existing Busselton Aero Club lease arrangements to 2030 and the negotiation of a financial contribution of up to \$300,000 to be paid by the City to the Busselton Aero Club, on expiry of the lease. The purpose of the financial contribution is to be for the construction of a new hanger and clubroom in the General Aviation precinct in the location marked H1 in attachment 2.**
- 3. Following the completion of the negotiation in point 2, the CEO is to bring a report back to the Council to vary the current lease arrangements with the Busselton Aero Club.**

During debate, Cr Jarrod Kennedy moved an amendment to the substantive motion.

AMENDMENT

AIR2408/12 Moved Cr Jarrod Kennedy, seconded Cr Anne Ryan

- 1. That the Council not enter into the head lease arrangements proposed by the Busselton Aero Club for the occupation of a portion of Lot 1974, Deposited Plan 411016, Volume 2931, Folio 507, 86 Neville Hyder Drive Yalyalup as referred to as B6, B7 and B8 on Attachment 1; and**
- 2. That the Council authorise an extension to the existing Busselton Aero Club lease arrangements to 2030 and considers the negotiation of a financial contribution of up to \$300,000 to be paid by the City to the Busselton Aero Club, on expiry of the lease. The purpose of the financial contribution is to be for the construction of a new hanger and clubroom in the General Aviation precinct in the location marked H1 in attachment 2.**
- 3. Following the completion of the negotiation in point 2, the CEO is to bring a report back to the Council to vary the current lease arrangements with the Busselton Aero Club.**

CARRIED 4 / 0

FOR: Mayor Phill Cronin, Cr Jodie Lee, Cr Jarrod Kennedy and Cr Anne Ryan

AGAINST: Nil

The substantive motion as amended was carried.

COMMITTEE RECOMMENDATION

AIR2408/13 Moved Mayor Phill Cronin, seconded Cr Jarrod Kennedy

- 1. That the Council not enter into the head lease arrangements proposed by the Busselton Aero Club for the occupation of a portion of Lot 1974, Deposited Plan 411016, Volume 2931, Folio 507, 86 Neville Hyder Drive Yalyalup as referred to as B6, B7 and B8 on Attachment 1; and**
- 2. That the Council authorise an extension to the existing Busselton Aero Club lease arrangements to 2030 and considers the negotiation of a financial contribution of up to \$300,000 to be paid by the City to the Busselton Aero Club, on expiry of the lease. The purpose of the financial contribution is to be for the construction of a new hanger and clubroom in the General Aviation precinct in the location marked H1 in attachment 2.**
- 3. Following the completion of the negotiation in point 2, the CEO is to bring a report back to the Council to vary the current lease arrangements with the Busselton Aero Club.**

CARRIED 4 / 0

FOR: Mayor Phill Cronin, Cr Jodie Lee, Cr Jarrod Kennedy and Cr Anne Ryan

AGAINST: Nil

OFFICER RECOMMENDATION

That the Council not enter into the head lease arrangements proposed by the Busselton Aero Club for the occupation of a portion of Lot 1974, Deposited Plan 411016, Volume 2931, Folio 507, 86 Neville Hyder Drive Yalyalup as referred to as B6, B7 and B8 on Attachment 1

EXECUTIVE SUMMARY

The City has been in discussions over the past two years with the Busselton Aero Club (Aero Club) regarding a proposal for the Aero Club to lease an area within the General Aviation precinct, including hangar lots B6, B7 and B8 at the Busselton Margaret River Airport (BMRA). This report makes a recommendation not to enter into a lease arrangement with the Busselton Aero Club for a portion of Lot 1974, 86 Neville Hyder Drive being approximately 1,296m² for the purposes of subleasing to private pilots / aircraft owners for aircraft storage and aviation uses.

STRATEGIC CONTEXT

The Busselton Margaret River Airport has been identified in the City of Busselton's Strategic Community Plan (2021-2031) as one of the top five strategic priorities.

BACKGROUND

As part of the Busselton Margaret River Airport (BMRA) redevelopment project completed in 2018, a dedicated General Aviation (GA) precinct was constructed, including two apron areas, taxiway delta

connecting the precinct directly to the runway and an original design incorporating up to 34 serviced hangar lots ranging in size from 180- 875m².

In 2018 the City advertised a Registration of Interest (RoI) which included the following proposed lease arrangements:

- Term – 10 years plus a further two 5 year options;
- Rent – market valuation in the range of \$9-\$11 (excl GST) per square meter per annum;
- Rent reviews – every five years with all other years subject to CPI (Perth All Groups) rent reviews; and
- Outgoings – the Lessee to pay City of Busselton rates, water consumption (individually metered), electricity (individually metered), communications/NBN and insurances (including Property, Public Liability and Hangar Keepers).

The RoI was advertised widely in October 2018 including all West Australian aero clubs and aviation businesses located in Perth and Jandakot Airport precincts. Three RoI submissions were received however no leases were entered into. There were a number of reasons that contributed towards the lack of submissions received, including:

- Capital funding for hangar construction was difficult to achieve;
- The majority of the hangar lot sizes were considered too small with limited larger sized hangar lots available;
- Lease term was considered too short (minimum of 30 years was preferred); and
- There was no 'buy back' clause of hangar infrastructure available in the lease.

The GA precinct continued to remain vacant and in 2021 officers revisited the layout of the precinct including feedback received during the last RoI. Officers prepared a new Expressing of Interest (EoI) for hangar ground leases to be advertised and requested a budget allocation from Council for the construction of up to three smaller hangars (150 m²) to facilitate aircraft owners that did not want to build their own hangars. The EoI advertised the availability of hangar ground leases where lessees would construct their own hangars and leases for constructed hangars whereby the City would construct hangars based on demand and secured interest from aircraft owners. The EoI was advertised in late 2021 and while officers received interest in leases, the cost of hangar construction had more than doubled following the COVID pandemic and associated supply chain impacts and no leases were executed.

In parallel, officers applied to the WA Planning Commission to extend the lease term from 21 years, to 21 years plus an option for a further 21 years, totalling up to 42 years. The WA planning Commission approved the lease term extension in March 2022.

With the cost of hangar construction having significantly increased and aircraft owners requesting a range of hangar lot sizes to facilitate hangar construction that would allow multiple aircraft storage and shared costs amongst several owners, officers revisited and redesigned the GA hangar precinct. Consultation and feedback was sought from the Aero Club and local private pilots and a design review resulted in two different design options with a range in number of hangars and hangar sizes from approximately 400m² to 1,485 m² (Attachment 1 and 2). The second design option was seen as the preferred option as it provides for a higher number of hangars optimizing the use of the GA precinct with 39 hangars ranging in size from 216m²-1485m². Noting that the design requires additional 2,095m² in apron (pavement) areas to be constructed, it is not proposed that the total apron area be constructed at one time but as the hangar lots are leased and the relevant hangars are constructed.

Following consultation of the design options, the Aero Club expressed its interest in a proposal with design option 2 to lease a large portion of the GA precinct from the City and then to enter into subleases directly with interested pilots/aircraft owners. The Aero Club would ‘act’ as a management agent in advertising and securing tenants and assume responsibility for the sublease arrangements. The City would deal directly with one entity, being the Aero Club through a head lease and the Aero Club would manage the individual subleases.

Since late 2022, officers have met numerous times with the Aero Club to discuss their proposal and sought market valuations in January 2023 and January 2024 as the basis for negotiations and have reached a point where a proposal is ready for final consideration. The valuation reports have valued the hangar lots at the following;

Site	2023	2024
A1-A4	\$14-\$16 m2	\$20-\$22 m2
B1-B8	\$16-\$18 m2	\$20-\$22 m2
C1-C3	\$17-\$19 m2	\$18-\$20 m2
C4-C6	\$15-\$17 m2	\$17-\$19 m2
D1-D4	\$13-\$15 m2	\$14-\$16 m2
H1	\$15-\$17 m2	\$16-\$18 m2
H2	\$15-\$17 m2	\$16-\$18 m2

OFFICER COMMENT

The Aero Club’s proposal is to lease GA hangar lots (A1-A4, B1-B8) adjacent to the GA southern apron through a head lease with the City, with the intent of subleasing to private pilots/aircraft owners. The Aero Club will source tenants, including where tenants will partner to share construction and subleasing costs for their hangars.

Initial discussions with the Aero Club in 2023 started with head lease arrangements including all hangar lots located adjacent to the GA southern apron (A1- A4, B1, B6-B8), the base rental rate being \$13-\$17 per square metre, a 20% discount to be applied to the base rent, a term of 21 years plus an option for 21 years, inclusion of rates and utilities, a rent free period during construction and the City constructing the apron areas.

As negotiations have progressed and to facilitate affordable head lease costs, the Aero Club are now proposing to enter into multiple head leases over time, each for a specified grouping of hangar lots per lease, with the initial head lease including hangar lots B6, B7 and B8. The head lease would be for a term of 21 years plus an option for 21 years, a base rental value of \$9.60 per square metre, a 20% discount on the base rental value for the term of the lease and a rent-free period of up to 2 years. Notably the proposed rental value of \$9.60 per square metre is considerably below the market valuation of \$20 per square metre, received in January 2024 for these sites.

The Aero Club’s proposal includes a set rateable value of \$200 per hangar per annum compared to the minimum rateable value of \$1704 (2,023/24) per property per annum.

The Aero Club’s proposal includes a first right of refusal on the remaining hangar lots A1-A4, B1 and B5 for a ‘restriction period’ of three years. If during the restriction period the City wishes to lease the

lots, the City will first offer the lots to the Aero Club who shall have the first right of refusal to take up a lease, which is to be exercised within 60 days.

The Aero Club are also requesting that lot H1 be reserved for the Aero Club hangar and clubrooms that would be built adjacent to the club hangar. That lot H1 be reserved at no cost to the Aero Club and when ready to execute a lease this would be at a peppercorn rent. The Aero Club are further requesting the City contribute \$300k towards the construction of the Aero Club hangar with the Aero Club contributing towards the design of the hangar/clubrooms and \$100k towards construction. Once constructed, the Aero Club would vacate the existing built hangars within 60 days and vacate the Aero Club clubrooms within 24 months of completion of the new hangar.

The perceived benefits to the City of the Aero Club’s proposal can be summarised as follows;

- The Aero Club have existing networks and access to general aviation pilots/aircraft owners and likely to secure hangar tenants, particularly where 2 or more hangar owners are needed to secure the construction of one hangar building;
- Potentially reduces the City’s resourcing needs with liaising with a single lessee (the Aero Club) versus multiple tenants and allows for focus in other airport areas;
- Aligns with Aero Club’s objectives to grow their membership and create a vibrant GA community;
- Provides the Aero Club with a revenue stream to fund the hangar and clubrooms;
- Facilitates the Aero Club transitioning to the GA precinct, freeing up the existing clubrooms and hangar for future master planned objectives.

The identified risks to the City of the Aero Club’s proposal can be summarised as follows;

- The Aero Club are not able to secure tenants and ‘hold up’ other potential leasing opportunities for a minimum of 2 -3 years;
- The Aero Club are unable to meet the terms and conditions of the head lease and assign the subleases to the City within the term of the lease;
- The Aero Club’s sub-lessees do not pay their rent leaving the Aero Club exposed to head lease costs;
- The Aero Club do not manage the subleases effectively resulting in non-compliance;
- The Aero Club do not achieve the funding required to relocate to the GA precinct and want to remain at the existing clubrooms and hangar;
- The Aero Club’s hanger rents negatively influence the City’s rents in the broader GA precinct resulting in a reduced commercial income to BMRA;
- The Aero Club becomes a competitor to BMRA for tenancy arrangements; and
- The Aero Club proposal does not provide the City with sufficient revenue to cover future apron maintenance costs.

The Aero Club’s proposal includes the following lease arrangements:

	Head lease (City)	Sublease (private owner)
Permitted use	Aircraft storage / aviation use	Aircraft storage / aviation use
Term	21 years	21 years
Further Term	option of 21 years	option of 21 years
Lease premises (lots)	Initial head lease B6, B7, B8	

Base Rent	\$9.60 m ² (\$8.00 sqm after discount)	\$15 m ²
Rent discount	20% duration of lease	-
Rent Free period	First 2 years	Allowed 3 months for construction
Exclusive option on premises	A1 –A4, B1, B5 - 5 years + 5 year option	NA
Rates	\$200 per hangar	\$200 per hangar
Utilities	Metered	\$150 per hangar

The proposal also requests that the City contribute \$300k towards the construction of the club hangar, this is in addition to the City constructing the new apron areas required for the GA precinct design option 2. The City’s total contribution could be in excess of \$500k.

One of the key drivers for the Aero Club’s proposal is to relocate to the GA precinct is due to the existing lease for the Aero Club building expiring 31 March 2028 and the hangar lease on 31 March 2028. The City entered into 4 year leases for both the Aero Club building and hangar in April 2024 to facilitate the Aero Club as they do not have the funds currently to relocate to the GA precinct, allowing extra time for the Club to secure funding. The Aero Club’s proposal has the potential to generate income for the Club, along with other revenue streams such as flight training to facilitate funding the construction of the new club hangar and club house within the next 4 years and enable the relocation.

The Aero Club’s proposal does have the potential to provide the Aero Club with a modest income stream over the term of the head lease (21 Years) as detailed in the financial implications section. However, the Aero Club’s income is not significant over the term (in the region of \$600k) and reduces the City’s revenue compared to the City leasing the hangar lots directly. The proposal is also dependent on the City agreeing to a head lease rate of \$8 per square meter, with the proposal being unviable for the Aero Club at higher rental rates or market valuation rates.

With officers considering the risk profile of the proposal to be high, sensitive to rate changes and the overall returns to both the City and Aero Club not resulting in the highest revenue streams possible for either party, Officers are not recommending the proposal.

Officers have considered the following alternatives to the proposal:

1. The Aero Club’s Leases are extended for an additional 5 year term, expiring in 2033.

As part of this option, the City does not provide any funding contributions to the Aero Club for the construction of the new hangar and club rooms located in the GA precinct. The Aero Club are given an extended lease term that will enable them to continue their club activities including flight training with the additional lease term enabling the club to accumulate the funding required to relocate in 2033 or before if there is sufficient funding.

The main disadvantage of this option for the City is that the existing Aero Club building remains unavailable for repurposing for other uses, including the use of the existing hangars. The Master Plan “Ultimate” development shows the area where the Aero Club building and existing hangars are redeveloped for other aviation servicing, maintenance and storage facilities and while this is beyond

the 2033 timeframe, the Aero Club building and central apron have been reserved for emergency services (DFES, DBCA) firefighting areas once the new terminal is constructed and operational.

Assuming, the new terminal is operating from 2028, DFES firefighting operations will be relocated to the central apron with the existing Aero Club building used as a shared use emergency services base and the existing terminal repurposed for Fixed Based Operators (FBO). With the Aero Club building under lease the existing terminal building will need to be used as the emergency services base. This will result in underutilisation of the existing terminal and potentially limit other FBO opportunities.

2. The City negotiate a funding contribution to be aligned with the expiry of the lease in 2028.

The City could reserve the H1 lot and apron areas in the GA precinct at no cost to the Aero Club and negotiate a fixed funding contribution to coincide with the expiry of the Aero Club building lease in 2028. This would provide the Aero Club with four years to build up reserves for the relocation to the GA precinct with the added confidence that they have a known contribution towards the relocation. The key risk with this option is that the Aero Club are unable to build up sufficient reserves in the four years, even with a City funding contribution and are unable to relocate to the GA precinct.

Statutory Environment

Local Government Act 1995

Should the Council wish to support the proposed lease arrangement with the Aero Club, the grant of a lease will constitute a disposal requiring advertising in accordance with section 3.58 of the *Local Government Act 1995*. Once the terms of the lease have been finalised, local public notice of the lessee, the rent paid and the lease term will be given inviting submissions to be made within a certain period. Council are required to consider any submissions received. If no submissions are received the Officer recommendation seeks approval for the CEO to enter into the lease.

Relevant Plans and Policies

The officer recommendation aligns to the following adopted plan or policy:

Plan:

Airport Master Plan Busselton Margaret River Airport 2023-2043

Policy:

Not applicable.

Financial Implications

The financial implications associated with the Aero Club's proposal can be separated into the following categories;

1. The City enters into a headlease with the Aero club based on their proposal:

The following financials are based on the below assumptions:

Head lease - City/Aero club

- Rent at \$8.00 sqm (inclusive 20% discount)
- First 2 years free

- Rates charged at \$200 per hangar pa
- Utilities at cost

Sublease - Aero club/tenant

- Rent at \$15 sqm
- Rates at \$200 per hangar pa
- Utilities \$150 per hangar pa
- Administration fee \$250 per hangar pa
- Assumes 4 months construction free rent period

Aero Club financial forecast:

Period	1	2	3	4	5	6	7	8	9	10-21	Total
Hangars leased	4	6	10	14	18	22	25	27	27	27	27
City rent income	0	0	\$6912	\$10368	\$17280	\$24192	\$31104	\$38016	\$43200	\$46656	\$730,944
Rates income	\$800	\$1200	\$2000	\$2800	\$3600	\$4400	\$5000	\$5400	\$5400	\$5400	
City Total income	\$800	\$1200	\$8912	\$13168	\$20880	\$28592	\$36104	\$43416	\$48600	\$52056	\$826,344
BAC rent income	\$9072	\$17496	\$28512	\$41472	\$54432	\$67392	\$78084	\$85536	\$87480	\$87480	
BAC admin fee/rates income	\$1800	\$2700	\$4500	\$6300	\$8100	\$9900	\$11250	\$12150	\$12150	\$12150	
BAC admin costs	\$14300	\$14300	\$14300	\$14300	\$14300	\$14300	\$14300	\$14300	\$14300	\$14300	
BAC net position	-\$4228	\$4696	\$9800	\$20304	\$27352	\$34400	\$38930	\$39970	\$36730	\$33274	\$607,242

The above table does not include utilities or inclusive of CPI annual increases or rent review increases.

Based on the above assumptions of rent, outgoings, rates, construction costs estimated at \$120k per hangar (area 216sqm), each sublessee would be paying on a principle plus interest loan approximately \$18,000 per annum and \$13,600 per annum on an interest only loan over a 21 year period.

The Aero Club have assumed in their analysis that rates would be discounted, if rates were to be charged on the rateable value of the lease sites, then based on the existing hangers rating assessments, it is considered that the minimum rates would apply for both the vacant and improved stages (once hangars have been constructed).

Each site, in addition to rates be subject to an Emergency Services Levy and the City's Waste Infrastructure charge. Based on the 2023/24 financial year, the following would have applied to each site:

- Rates \$1,517.00
- Emergency Services Levy \$98.00
- Waste Infrastructure charge \$87.50

Hence the total charges for rates, waste and ESL would be \$1,702 per lease. The number of subleases per head lease on average is likely to be 4 which would increase the rates by greater than twice the value the Aero Club have allowed for in their projections. While this will be passed onto the tenant, this may impact the affordability of the subleases.

From the figures above it can be seen that the City's revenue from the Aero Club proposal is estimated to be around \$730k over the first 21 years. The capital costs of the apron area is estimated to be in the range of \$160k – \$190k. If the City were also to contribute \$300k towards the Aero Club hangar this would result in the total net income from the GA precinct over 21 years to be in the region of \$240k. Within the first 21 year term, the maintenance costs of maintaining the GA precinct are unlikely to be covered by the net income received over the period, particularly if another apron reseal or rejuvenation is required.

There is the opportunity to repurpose and lease the Aero Club club house which is currently on a peppercorn lease of \$245 pa and re-lease the two existing hangars for which the current rental income is \$7,115 pa each which would offset some of the lost revenue to the City.

- The second option is for the City to decline the Aero Clubs proposal and to lease directly to private pilots and aircraft owners.

The City would enter into ground leases with individuals where they would build their own hangars. With the current design option 2, this involves building hangars of a minimum size of 432sqm or 864 sqm and potentially subdividing into smaller hangars. There are several options whereby tenants could invest in the capital cost of a larger hangar (864 sqm hangar estimated at \$500k - \$550k) or for aircraft owners to partner and build shared hangars.

The table below shows the approximate rental return if the City were to lease two or four hangar lot sizes, based on the market valuation.

	2 x hangar - 432 m²	4 x hangars - 864 m²
Market rent \$20/ m²	Rent - \$8640 pa Apron cost \$20,000-\$25,000 Total City income pa \$11,440 Utilities at costs Income 21 years \$168,480	Rent - \$17,280 pa Apron cost \$20,000-\$25,000 Total City income pa \$22,880 Utilities at costs Income 21 years \$336,960
Discounted rent at \$15/ m²	Rent - \$6480 pa Apron cost \$20,000-\$25,000 Total income pa \$9280 Utilities at costs Income 21 years \$126,360	Rent - \$12,960 pa Apron cost \$20,000-\$25,000 Total income pa \$18,560 Utilities at costs Income 21 years \$252,720

Based on the above two examples the income over the 21 years to the City (not including rates and allowing for a 2 year rent free period), would be as follows:

Period	1	2	3	4	5	6	7	8	9	10-21	Total
Hangars leased	4	6	10	14	18	22	25	27	27	27	27
Lease at \$20 sqm	0	0	17,280	25,920	43,200	60,480	77,760	95,040	108,000	116,640	2,060,640
Lease at \$15 sqm	0	0	12,960	19,440	32,400	45,360	58,320	71,280	81,000	87,480	1,370,520

*The above table does not include any CPI or rent increases.

Another alternative is for the City to construct the blocks of hangars and then lease individual hangar space. This option requires the City to fully fund the capital investment needed with a block of four hangars with construction costs being estimated at \$500k - \$550k. Current rental values for the existing hangars at the BMRA start from \$35 per square meter and previous rental valuations have indicated a rate of \$40-45 per square meter for constructed hangars could be applied. This results in rental income of approximately \$35,000 - \$39,000 per annum for a block of 4 hangars and a return on capital investment within 14- 15 years. With this option the total capital investment needed by the City to build all hangars is estimated to be in the range of \$2.5 - \$3million. If the capital costs of \$3million are to be loan funded at 4.5% over 15 years and the starting rent is at \$40m², then the return on investment including interest is closer to 23 years.

External Stakeholder Consultation

City officers have consulted with the Busselton Aero Club and private pilots interested in ground leases and hangar lease over the past two years.

Risk Assessment

An assessment of the potential implications of implementing the officer recommendation has been undertaken using the City’s risk management framework, with risks assessed taking into account any controls already in place.

Risk The Aero Club are unable to raise the funds required to relocate to the GA Precinct and rely on the City financial support to achieve this outcome.			
Category	Consequence	Likelihood	Rating
Financial Operational	Moderate	Unlikely	Medium
Context			
The Aero Club’s proposal is not endorsed by the Council and reduces the Aero Club’s ability for revenue streams to fund their relocation to the GA precinct and they continue to occupy the existing club house and hangars. The City are then required to provide financial support to relocate the club to the GA precinct.			

Risk The City funds the construction of the hangars through reserve funds or loans and does not achieve the rental returns projected.

Category	Consequence	Likelihood	Rating
Financial	Moderate	Possible	Medium

Context

The City loans or uses Airport Reserve funds for the construction of the GA hangars and is unable to lease out the hangars or does not achieve the rental rates to ensure a return on the investment within an acceptable timeframe.

Risk The City takes out loans to fund the construction of the hangars which then impacts the City’s lending capacity to raise loans for other significant City projects.

Category	Consequence	Likelihood	Rating
Financial Reputation	Moderate	Possible	Medium

Context

Other City projects are as yet fully costed, however the City has a healthy borrowing capacity and substantial reserve funds.

Options

As an alternative to the proposed recommendation the Council could:

1. Choose to enter into a head lease/sublease arrangement in line with the Aero Club’s proposal; noting the reasons outlined in this report as to why officers are not recommending this option.
2. Choose to enter into a head lease/sublease arrangement based on alternate terms and conditions; noting that the Aero Club have expressly said they are unable to pay a higher rent to the City.
3. Make an alternate recommendation with regards to varying the existing lease arrangements with the Aero Club for the club house and / or hangars to provide the Club with the opportunity to save up for their relocation. The Aero Club President has indicated a preference for a further ten years.
4. Support a budget amendment to reallocate the \$300k from the BMRA 2024/25 budget for hanger construction to the Aero Club to support them to move from their existing leases for the club house and hangars to a new hanger/club room in the GA Precinct. This would require a further report to the Council for the budget amendment and the proposed lease terms and conditions and timeframes for the new arrangements to occur.

CONCLUSION

The General Aviation precinct was constructed as part of the BMRA Development project. The precinct has remained inactive for some time with one hangar lease executed and a small number of aircraft owners interested in individual hangars.

This report outlines a proposal from the Busselton Aeroclub to lease a portion of the GA precinct and then to sublease to private pilots. The proposal includes a significant discount on the headlease market rental value and discounted rates to provide a revenue stream for the Aeroclub to be more sustainable and fund their relocation to the GA precinct. The officers recommendation is not to enter into a head lease with the Busselton Aero Club as proposed and several alternative options for the Council's consideration have been provided.

TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

The officer recommendation will be implemented in full, or in stages as per the following table:

Milestone	Completion Date
Advise Aero Club of the Council's decision	Within one week of decision

7 CONFIDENTIAL MATTERS

Nil

8 NEXT MEETING DATE

Wednesday 2 October 2024

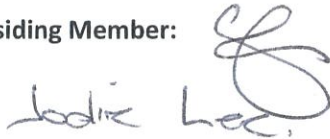
9 CLOSURE

The meeting closed at 11:57am.

These minutes for the Airport Advisory Committee Meeting 21 August 2024 were confirmed as a true and correct record on

Date: 2.10.24

Presiding Member:



Lodie Lee