



# CITY OF CONCORD

## REPORT TO MAYOR AND CITY COUNCIL

FROM: Matthew R. Walsh, Interim Deputy City Manager - Development

DATE: February 1, 2023

SUBJECT: Concord Airport Development Zone 3D  
United Therapeutics Corporation Lease

### **Recommendation:**

Accept this report and set the attached resolution for public hearing on March 13, 2023 authorizing the City Manager to enter into a Lease Agreement with United Therapeutics Corporation for the purpose of developing a new aircraft hangar within Development Zone 3D at the Concord Municipal Airport.

### **Background:**

Established in 1918, the Concord Municipal Airport (the Airport) is a City owned general aviation facility. The facility encompasses 614 acres of land, and features two runways (6,005 and 3,200 feet in length, respectively). Approximately 100 aircraft are based at the Airport.

Although nearly a square mile in size, the vast major of the Airport is undevelopable due to natural constraints, as well as a Conservation Management Agreement between the City and various Federal and State Agencies. Said agreement, which was enacted in 2000 to protect flora and fauna at the property, was required due to the development of the NH Army Air National Guard Facility located at 26 Regional Drive. The Guard's facility is located on property leased from the City.

The Conservation Management Agreement established specific areas at the airport for future development. Said locations have been dubbed "Development Zones" or "DZs". Please see the attached map which details the location of Development Zones located on the northerly side of the Airport.

In accordance with US Federal Aviation Administration requirements, all Development Zones located within airfield fence line must be used for aviation related purposes.

In September 2021, the Community Development Department issued a “Request for Interest” (“RFI”) for the purposes of marketing multiple Development Zones located near Regional Drive for aviation related uses. That effort did not result in any immediate proposals. However, it did successfully to raise the profile of the Airport within the regional aviation community.

**Discussion:**

- 1) United Therapeutics Corporation: UTC is a publicly traded biotechnology company headquartered in Silver Springs Maryland. The company was established in 1996 with the goal of finding a cure for a rare, life threatening illness suffered by the company’s founder / CEO. Today, the company specializes in treatments for pulmonary arterial hypertension (high blood pressure in the lungs), as well as pediatric high-risk neuroblastoma (a rare tumorous cancer). Presently, the company has total assets in excess of \$5 billion, and a market capitalization of approximately \$12 billion.

Although based in Maryland, the company maintains corporate offices throughout the eastern seaboard, including Manchester NH and Quebec, Canada. Its Manchester office is a research and development facility working on cutting edge technologies associated with organ manufacturing.

In addition to being a pioneer in the field of medical technology, UTC is also passionate about a variety of social issues and sustainability. UTC’s founder / CEO is also an accomplished pilot and passionate aviation enthusiast who’s interests include development of electric powered aircraft.

UTC’s assets and resources are truly impressive. Its corporate mission, values, and culture are nothing short of inspiring.

In late September 2022, representatives for United Therapeutics Corporation (UTC) expressed interest in developing a new hangar at the Airport to house its corporate aircraft.

On November 15, 2022, the City and UTC executed a Letter of Intent (LOI), which contemplated the development of a 35,000SF hangar at Development Zone 3D (a 2.88-acre vacant, undeveloped leasehold parcel adjacent to the NH Army Air National Guard site). The LOI also established a framework for lease negotiations, as well as authorized UTC to pursue development permits and approvals for the project simultaneously with the negotiation process.

- 2) Hangar and Lease Details: The following is a brief overview of the proposed land lease.
  - a. Project Overview: The project consists of a new 35,683SF +/- corporate aircraft hangar, together with related parking, utility, and landscaping improvements, to be constructed at Development Zone 3D. UTC envisions that the hangar will house approximately four to five aircraft. Based aircraft will be a mixture of jets, turboprop planes, and helicopters.

Keeping with its corporate mission and commitment to sustainable development, the proposed hangar will be a highly energy efficient “green building”. Rather than steel, the building’s frame will be “glulam” timber construction. Proposed wall and roofing materials will help the building achieve an impressive insulation “R-value” of 50 for the walls and 60 for the roof.

As part of its proposed project, UTC will also improve abandoned portions of Runway 12/30 to accommodate their based aircraft. The abandoned runway functions as a taxiway to facilitate access to multiple Development Zones located near Regional Drive.

The project, including runway improvements, will be designed, permitted, and constructed at UTC’s sole expense.

UTC has filed required applications with the City’s Zoning Board and Planning Board for the project. Public hearings are expected in February and March. Additionally, UTC is also in the process of securing State and Federal permits / approvals for their proposed project.

UTC is extremely eager to move forward with construction and will do so immediately once all permits are finalized.

Copies of architectural renderings and site plan drawings are attached to this report.

- b. City Incentives, Financial Support, or Improvements: None.
- c. Lease Start Date: April 1, 2023.
- d. Deadline to Commence Construction (i.e. Complete Foundation): October 31, 2023.
- e. Term: 20 Years, with options for four 5-year renewals. Maximum term is 40 years.
- f. Lease Rate: \$0.35 / square foot of leased land. The lease rate increases 3% annually, compounded. Rent excludes property taxes, which will be paid by UTC in addition to annual rent.

Rent was established based upon a market survey, and is consistent with current lease rates at the Pease International Trade Port. Rent associated with this lease will be in the upper echelon of those currently paid at the Concord Airport, and will serve as a benchmark for future leases for other Development Zones at the property.

- g. Future Expansion: UTC’s proposed site plan has been designed to facilitate development of possible additional hangar space at the leased property to support the company’s potential long-term needs. Please see the attached site plan for more information.

h. City’s “Claw-Back” Provision: In the event 1) UTC does not fully develop the leased land and 2) demand for hangar or tie down space at the Airport increases, the City, at its sole option, has the ability to reclaim unused portions of the leased land. Said claw-back provision becomes effective March 31, 2027.

3) Benefits to City: This project will yield the following financial and economic development benefits for the community.

a. Financial Benefits: The project will yield the following financial benefits for the City:

- i. Development Permitting Revenues: The estimated development cost of the project is in excess of \$20 million. Based upon this figure, estimated development permitting fees (i.e. Zoning Board of Adjustment, Planning Board, and Building Permit), for the project will be approximately \$140,000, combined. This figure excludes water and sewer connection fees.
- ii. Lease Revenues: Rent associated with this lease will generate significant rental income for the Airport.

As the City Council knows, the Airport is operated as a Special Revenue Fund. Therefore, the Airport is financially self-sufficient and autonomous from the City’s General Fund. As such, no property tax revenues are used to support the Airport. As such, rental income derived from this lease will help support the cost of Airport operations, maintenance, and capital improvements.

Projected rental revenue is as follows:

- 1. Year 1 Rent (April 1, 2023 to March 31, 2024): \$43,871.45.
- 2. Total Rent for Initial 20 Year Term: \$1,178,842 (excludes taxes).
- 3. Maximum Potential Revenue (40 Years): \$3,307,963.

iii. Property Tax Revenues: In addition to Rent, UTC will be required to pay property taxes for the new hangar and leased premises.

Presently, staff anticipates the new hangar and associated lease land will have an assessed value of \$3.95M to \$5.7M.

Based upon these projected assessed values, and using the City’s 2022 tax rate of \$25.89, it is estimated that the project will generate \$102,265 to \$141,573 in property taxes annually.

Of these totals, the City’s share of property tax revenues will be in the range of \$35,793 to 49,550.

- iv. Miscellaneous Airport Revenues: As previously noted, UTC's corporate hangar will house multiple aircraft. Their presence may result in expanded business opportunities for Concord Aviation Services, the City's Fixed Base Operator (FBO) for the Airport. In turn, this could result in expanded income for the City via revenue sharing arrangements with our FBO (such as fuel sale revenues).
  
- b. Economic Development Benefits: In addition to the significant financial benefits that will accrue to the City, this project has other important economic development implications for the community:
  - i. UTC is one of the world's premiere biotechnology companies. The City has long desired to attract such businesses to the community. UTC's presence in Concord advances this long-standing goal.
  
  - ii. UTC's proposed corporate hangar will give them a physical presence in Concord. Should UTC desire to relocate or expand activities in New Hampshire, their presence at the Airport could make Concord an attractive option for their future growth in the region.
  
  - iii. UTC's presence may serve to further raise the profile of the Airport across a variety of business sectors, and thus may potentially serve as a catalyst for additional aviation-based development and activity at the Airport.