CITY OF BUCKEYE
Regular Council Meeting
COUNCIL ACTION REPORT

MEETING DATE: 01/20/26	**AGENDA ITEM:** 5.A. AV - Hangar Development Agreement and Airport Lease Agreement with Vermillion Development, LLC.
DATE PREPARED: 01/20/26	**DISTRICT NO.:** 1
STAFF LIAISON: Scott Gray, Aviation Director, sgray@buckeyeaz.gov, (623) 349-6885	
DEPARTMENT: Buckeye Municipal Airport	**AGENDA ITEM TYPE:** Public Hearing and Non Consent - New Business Items

ACTION/MOTION: (This language identifies the formal motion to be made by the Council)
Council to take action on Resolution No. 15-26 approving the Development Agreement between the City of Buckeye, an Arizona municipal corporation and Vermillion Development, LLC, an Arizona limited liability company, and, the related long-term lease agreement; authorize and direct the Mayor, City Manager, City Attorney, and City Clerk to take all steps necessary to cause the execution and delivery of the Agreements and all documents and other necessary or desirable instruments connected with the Agreements and to take all steps necessary to carry out the purpose and intent of said Agreements.

SUMMARY

PROJECT DESCRIPTION:
In March of 2025, the City issued a Notice of Intent to Lease for approximately five (5) acres of airport land for the construction of executive hangars. Vermillion was the only offeror. As this was the first major land lease opportunity in recent years, significant effort by Vermillion and city staff was necessary to ensure the business points, development and lease language were acceptable to both parties.

Because the business points included the development of up to twelve (12) executive hangars over a period of time, staff determined that a development agreement for hangar construction, and individual ground leases, was appropriate. The Hangar Development Agreement establishes the framework and process for the hangar development. The Airport Lease Agreement provides the standard lease relationship for each of the hangars constructed. Except for Hangar No. 1 -- the first hangar to be constructed -- Vermillion will construct and potentially sell each 50-year Airport Lease Agreement hangar to third-party aircraft owners and assign each Airport Lease Agreement, accordingly.

The Hangar Development Agreement commits Vermillion to complete four (4) of the executive hangars within eight (8) years from execution of the Development Agreement. This will provide ample time for Vermillion to market these hangars. Given the high demand, there is a potential that all twelve (12) hangars may be sold in the first several years, thus completing the project within the eight (8) year provided. The Hangar Development Agreement also commits the city to provide utility infrastructure, similar to the city's existing leases, including water service, sewer tank service, and taxi lane access. The Airport Lease Agreement is for a fifty (50) year term in compliance with State statute. The Airport Lease Agreement includes uncapped consumer price index increase every two years, a fair market assessment at each ten (10) year interval, and a full building inspection to ensure the building is maintained over the term of the Lease. These provisions ensure the city will receive fair market value throughout the term of the Airport Lease Agreement.

Upon the expiration or termination of each Airport Lease Agreement, ownership of the capital improvements -- the Hangar -- vests with the city.

BENEFITS:
Vermillion Development will construct up to a total of twelve (12) executive hangars. Four (4) hangars must be completed within eight (8) years. The Airport is in need of aircraft storage options, and these hangars are focused on corporate aircraft which will provide an opportunity to attract corporate aircraft operators.

FUTURE ACTION:
Each additional hangar Airport Lease Agreement will be approved administratively, as set forth in the Hangar Development Agreement.

FINANCIAL IMPACT STATEMENT:
Annual revenue from each of the Airport Lease Agreements will be approximately $1,225. Additional revenue is anticipated with aviation fuel sales associated with the new based aircraft.

CURRENT FISCAL YEAR TOTAL COST:
N/A.

BUDGETED:
No

FISCAL YEAR:
FY2026 - FY2027

FUND/DEPARTMENT:
10001200-413131

Items related to a project or facility location must include an attached vicinity map for Council Review.
ATTACHMENTS:
Hangar Development Agreement with Vermillion.pdf
Airport Lease Agreement with Vermillion.pdf
Resolution No. 15-26 Hanger DA Vermillion.pdf
Council 1-20-25 - Airport Hangar Development v2.pdf