

**RESOLUTION 19-12 - LEASE AGREEMENT BETWEEN THE DELAWARE RIVER AND BAY AUTHORITY AND CAPE MAY BREWING LLC**

WHEREAS, The Delaware River and Bay Authority (the “Authority”), is the operator of the Cape May Airport (“Airport”); and

WHEREAS, the Authority is entrusted with the economic expansion and improvement of the airport; and

WHEREAS, pursuant to Resolutions 15-50 and 17-63, the Authority authorized the construction of two light industrial buildings at the airport; and

WHEREAS, Cape May Brewery (“CMB”), a current tenant at the airport, continues to grow and desires to expand their operation by leasing a building containing a tasting room and corporate offices on three (3) additional acres.

WHEREAS, the DRBA has agreed to construct an approximately 10,000 square foot new building at a cost not to exceed Three Million 00/100 dollars (\$3,000,000.00) toward the design, engineering and construction expenses for common improvements non-specific to the CMB expansion. CMB shall be responsible for any costs above \$3,000,000.00 and for all costs associated with improvements specific to CMB operations; and

WHEREAS, the DRBA and CMB desire to amend CMB’s current lease for Building 97 to incorporate the new expansion building and establish a concurrent lease term for both parcels; and

WHEREAS, the initial lease term shall be for twenty (20) years; and

WHEREAS, CMB shall have the right to renew this Lease Agreement (the “Agreement”) for eight (8) periods of five (5) years each; and

WHEREAS, rent for the new expansion building shall be Two Hundred and Six Thousand Nine Hundred and Twenty-One dollars (\$206,921.04) annually, and ground rent for the 3 acres on which the new expansion building sits shall be Twenty-Three Thousand Five Hundred and Twenty dollars 00/100(\$23,520.00) annually for a total of Two Hundred and Thirty Thousand Four Hundred and Forty-One dollars 04/100 (\$230,441.04) annually, and

WHEREAS ground rent for the expansion shall increase annually during the initial term by 2.5%. At year eleven (11) the ground rent shall be adjusted to the then Fair Market Value (the “FMV”) with increases of 2.5% annually through the end of the initial term; and

WHEREAS, the CMB shall have the right to purchase the new expansion building prior to the end of the initial term at the unamortized amount of the Authority's construction costs; and

WHEREAS, in the alternative, CMB shall have the right to purchase the expansion building at the end of the initial term for Ten 00/100 dollars (\$10.00); and

WHEREAS, Building 97 rent at the beginning of the initial lease term shall be Fifty-Nine Thousand Three Hundred and Sixteen 00/100 dollars (\$59,316.00) and ground rent for the 2.09 acres on which Building 97 sits shall be Sixteen Thousand Three Hundred and Ninety-Two 00/100 dollars (\$16,392.00) for a total of Seventy-Five Thousand Seven Hundred and Eight 00/100 dollars (\$75,708) annually; and

WHEREAS, CMB shall have the option to purchase Building 97 for the amount of \$717,500.00 through the end of 2020. Following 2020, the purchase price shall be adjusted by the annual growth in CPI; and

WHEREAS, should CMB elect to purchase Building 97, it shall receive a credit of Fifty-Two Thousand Five Hundred and Thirty-Four 00/100 dollars (\$52,534.00) toward the purchase price for improvements to the building made by CMB; and

WHEREAS, ground and building rent for Building 97 shall increase annually during the initial term by 2.5%. At year Eleven (11) the rent shall be adjusted to the then Fair Market Value (the "FMV") with increases of 2.5% annually through the end of the initial term; and

WHEREAS, building and ground rent for both the new expansion building and Building 97 shall be adjusted to the current FMV at the beginning of each renewal term with an annual adjustment of 2.5% for each year thereafter; and

WHEREAS, CMB shall have a Right of First Refusal to lease an additional 2 acres of land contiguous to both parcels for a period of five (5) years from the start of the initial term; and

WHEREAS, during the initial lease term, the DRBA shall not enter into a lease agreement with another entity for the purpose of operating a craft beer brewery at the Airport without the consent of the CMB; and

NOW, THEREFORE, BE IT RESOLVED, that the Executive Director is hereby authorized to finalize the terms and conditions of the Lease Agreement with Cape May Brewing LLC and, with the advice and consent of counsel, to have such Lease Agreement executed by the Chairperson, Vice Chairperson and the Executive Director.

## **Resolution 19-12 Executive Summary**

**Resolution:** Authorizing the Execution of a Lease Agreement between the Delaware River and Bay Authority and Cape May Brewing LLC, regarding Cape May Airport

**Committee:** Economic Development

**Committee Date:** March 19, 2019

**Board Date:** March 19, 2019

**Purpose of Resolution:** To permit the Executive Director, Chairman and Vice Chairman to execute and deliver a lease agreement for lease space at the Cape May Airport.

**Background for Resolution:** The Delaware River and Bay Authority (Authority) operates the Cape May Airport at which the Cape May Brewery (CMB) leases a facility. CMB continues to grow and would like to expand their business and their footprint at the airport. They would like to build a new building adjacent to their current facility to house a new, larger tasting room and add additional office space. They are also looking for a ROFR for 2 additional acres and the right to purchase their current building. The Authority has agreed to contribute up to \$3 million dollars towards the expansion space to be paid back to the Authority based upon the amortization schedule in the lease. If the CMB should acquire ownership of both the existing and new facility, they would still pay an annual land rent for their space.