



Council Agenda Report

From: Mark Scandalis, Airport Manager

Subject: Approval of Airport Lease Agreement – Parcel 2

CEQA Determination: The City finds that this action is not a project under the California Environmental Quality Act pursuant to State Guidelines Section State CEQA Guidelines, §§ 15060, subd. (c)(2)-(3), 15378.

Date: July 18, 2023

Facts

1. On June 23, 2022, the Airport Commission approved an aviation specific development concept for Parcel 2 submitted by Jim and Debi Saunders.
2. Following Airport Commission approval of the concept, a lease agreement was negotiated by Airport management in accordance with the City Council adopted lease policy. Main points of the lease agreement are:
 - a. Lease term: 40 years total
 - b. Site: Parcel 2 of Parcel Map PR 97-229
 - c. Rent commencement: January 1, 2024
 - d. Base rent: Upon rent commencement the rate shall be \$3,000 per month (2.77 cents/SF) continuing through the first three years of the term or until issuance of certificate of occupancy, whichever is sooner. At that time base rent will be adjusted to the pre-determined rate of \$.045/SF or \$4,880.90 per month.
 - e. Rent escalation: In accordance with the adopted lease policy, yearly cost of living increases will commence July 1, 2026, and every year thereafter. Every five (5) years following the commencement date, rent may be adjusted upon appraisal of real property. Increases are capped at 8% per year and 20% over any 5-year adjustment period.
 - f. Use: This lease site is for aeronautical development and will have airfield access.
 - g. Default: Failure to complete proposed construction within five years is an event of default.
 - h. Reversionary Rights: Per FAA policy and adopted Airport lease policy, ownership of all improvements revert to the Airport at the conclusion of the lease.
3. On June 22, 2023, the Airport Commission voted unanimously to recommended to the City Council that the proposed lease be approved.

Options

1. Take no action;
2. Authorize the City Manager to execute the Lease Agreement, subject to any minor, technical, or non-substantive changed as approved by the City Manager and City Attorney; or
3. Provide alternative direction to staff.

Analysis and Conclusions

As the Airport grows the need for hangar space will continue and this lease and the planned construction will help to serve the needs of the Airport now and into the future. The primary use of the premises permitted under this Lease shall be aircraft storage, tenant offices, restrooms and necessary repair and maintenance of stored aircraft and storage of spacecraft capable of horizontal takeoff and landing. Additionally, this lease agreement will provide necessary revenue to the Airport fund for the continued operation and maintenance of the Airport.

Fiscal Impact

Rental income will be \$3,000 per month increasing to \$4,880.90 per month after the initial 3-year term or upon issuance of certificate of occupancy, whichever is sooner. The rental rate will tack fair market value over the life of the lease with yearly cost of living increases and five-year market adjustments based on appraisal of real property.

CEQA

The City finds that this action is not a project under the California Environmental Quality Act pursuant to State Guidelines Section State CEQA Guidelines, §§ 15060, subd. (c)(2)-(3), 15378. The City's approval of this Lease does not constitute approval by the City of any proposed development on the Premises or of other activity on the Premises that would have a direct or reasonably foreseeable indirect environmental impact pursuant to the California Environmental Quality Act, Public Resources Code Section 21000 et seq. ("CEQA"). (See 14 C.C.R. §§ 15060(c); 15378(b).) Moreover, Tenant's future use or development of the Premises is expressly conditioned on CEQA compliance.

Recommendation (Option 2)

Approve Resolution 23-XXX, authorizing City Manager execute the Lease Agreement, subject to any minor, technical, or non-substantive changed as approved by the City Manager and City Attorney;

Attachments

1. Resolution 23-XXX –Parcel 2 Lease Agreement – Saunders
2. Parcel 2 Lease Agreement - Saunders