



## Council Agenda Report

From: Mark Scandalis, Airport Manager

Subject: Approval of Short-Term Rental Agreements with Joe's One-Niner Diner, Soar Paso, and Mercy Air

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: September 17, 2024

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### Facts

1. Joe's One-Niner Diner, Soar Paso, and Mercy Air are tenants of the current Fixed Based Operator (FBO), ACI Jet, and have been operating via sublease agreements in space leased to ACI by the City.
2. At the conclusion of the FBO contract term with ACI, on May 1, 2021, the contract and its subleases became month-to-month.
3. After a lengthy public Request for Proposals process, Loyd's Aviation was selected by the City for negotiation to become the new FBO operator. The contract with ACI Jet is set to expire September 30 and the proposed FBO lease with Loyd's is set to start the same day.
4. During the process to identify a new FBO, City Council directed staff to negotiate with ACI's subtenants to establish lease agreements with Joe's One-Niner Diner, Soar Paso, and Mercy Air directly with the City.
5. Negotiations with all three tenants have concluded, and all are prepared to enter into new rental agreements in accordance with the City's adopted Leasing Policy. Each term calls for a one-year agreement that will automatically extend up to a maximum of five years, absent written notice from either party to the contrary. Additionally, rents will increase each year based on the consumer price index, and every 5 years based on a rent study. The remaining main points of the lease agreement are as follows:

	Joe's One- Niner Diner	Soar Paso	Mercy Air
<b>Location/Site</b>	1720 SF restaurant space at 4900 Wing Way	200 SF office space at 4990 Wing Way	3884 SF office space at 4990 Wing Way
<b>Monthly Rent</b>	\$1,800	\$400	\$6,786
<b>Annual Rent</b>	\$21,600	\$4,800	\$81,432

### Options

1. Take no action;
2. Approve Resolution 24-XXX authorizing the City Manager or designee to execute the short-term rental agreements with Joe's One-Niner Diner, Mercy Air, and Soar Paso; or

3. Provide alternative direction to staff.

### **Analysis and Conclusions**

Joe's One-Niner Diner, Soar Paso, and Mercy Air are integral parts of the Airport environment and provide needed services to the community at and around the Airport. With the proposed new FBO operator, Loyd's Aviation, it is important to maintain the productive business relationships with all three businesses. To this end the City negotiated direct agreements with each business at rental rates comparable to the rates they are paying ACI Jet now. Additionally, these lease agreements will provide necessary revenue to the Airport Fund for the continued operation and maintenance of the Airport.

### **Fiscal Impact**

Total rental income for the three short term rental agreements is expected to be \$8,986 per month, or \$107,832 per year. Rental rates will tack fair market value over the life of the agreements with yearly cost of living increases and five-year market adjustments based on results of a rent study. Revenues derived from these rental agreements will be deposited in the Airport Enterprise Fund. These funds are required to be utilized for Airport operations, maintenance, and capital improvements only.

### **CEQA**

The City finds that this action is not a project under the California Environmental Quality Act pursuant to State CEQA Guidelines, §§ 15060, subd. (c)(2)-(3), 15378 because it has no potential to result in either a direct, or reasonably foreseeable indirect, physical change in the environment.

### **Recommendation (Option 2)**

Approve Resolution 24-XXX authorizing the City Manager or designee to execute the short-term rental agreements with Joe's One-Niner Diner, Mercy Air, and Soar Paso subject to any minor, technical, or non-substantive changes as approved by the City Manager and City Attorney.

### **Attachments**

1. Short term rental agreement – Joes One-Niner Diner
2. Short term rental agreement – Soar Paso
3. Short term rental agreement – Mercy Air/Air Methods
4. Resolution 24-XXX - Approving Three Airport Short Term Rental Agreements with Joes 19er Diner, Soar Paso and Mercy Air