



DATE: January 10, 2019

TO: Council Airport Committee

FROM: Interim Director of Public Works

SUBJECT: 21015 Skywest Drive: First Amendment to Lease and Assignment/Assumption of Lease with Briggs Resources, Inc.

RECOMMENDATION

That the Council Airport Committee (CAC) reviews this report and provides direction to staff for future action.

SUMMARY

In February 2018, Briggs Resources entered into a new lease with the City for the leasehold previously held by American Aircraft Sales. Briggs Resources is now in the process of developing plans for the site, which include office and hangar improvements. Two actions are required prior to finalizing improvement plans for review: an assumption and assignment of the lease to a new LLC created by Briggs Resources, and an amendment to the lease in order to remove the storm drain easement from the middle of the leasehold.

If both actions are approved by the Committee, the items will be forwarded to Council in February for consideration.

BACKGROUND

American Aircraft Sales (AAS), which had been an Airport commercial tenant since 1958, entered into a new ground lease on December 10, 2010 for their "Plot G" at 21015 Skywest Drive. This parcel consists of approximately 119,159 square feet of improved land. Despite best efforts, AAS could not adhere to the required timeline in the new lease for the construction of a new hangar and improvements to the existing office structure. This constituted a default and, as a result, AAS vacated the premises on December 31, 2015 and their lease was terminated. During the latter part of 2016, Briggs Resources, Inc., notified the City of their interest in acquiring the leasehold. Subsequent discussions culminated in an agreement that was approved by Council on February 27, 2018. Plans for the leasehold,

which will be built in phases, include renovation of the existing office building, replacement of the existing attached hangar with one of equal or greater size, and the option to build an additional hangar on the leasehold. The initial lease term is 35 years, with two options of seven and one-half years each after the end of the initial term.

DISCUSSION

Briggs Resources is in the process of developing site plans for the leasehold. Prior to commencing construction, the tenant requests the following actions: 1) the execution of an Assignment, Assumption, and Consent Agreement; and 2) an amendment related to the removal of a storm drain easement.

Assignment of Lease

Briggs Resources wishes to assign the ground lease to GBHWD, LLC, a new California LLC that has been set up for this development. Briggs Resources, Inc., is the sole member of GBHWD, LLC and the leasehold cannot be assigned to an outside interest.

Storm Drain Easement

In order for development to proceed, the leaseholder is requesting removal of an existing 15-foot storm drain easement. The easement bisects the parcel and would prevent the construction of a foundation for the proposed hangars. Removing the easement will not impact the drainage of the site because future construction will be required to meet all existing City storm drain codes. The developer has requested a title report for the parcel. If the easement is not officially noted on the parcel's title, action by Council would not be required. If the title does recognize the easement, the developer will contact the appropriate public agency to have the easement removed, and the amendment would be forwarded to Council for consideration.

Besides these two items, the other provisions in the lease are unaffected.

STRATEGIC INITIATIVES

This agenda item pertains to development at the Airport and does not directly relate to one of the Council's Strategic Initiatives.

ECONOMIC IMPACT

The office and hangar construction will generate work for skilled and unskilled tradespeople. Post-construction, the City's General Fund will benefit from any additional sales tax generated from the new hangar tenants. Furthermore, this project will benefit the local economy by providing job opportunities and generating sales tax from aircraft sales.

FISCAL IMPACT

During the first two years of Phase I construction, annual rent will be \$11,916, or \$0.10 per square foot, per year. Reduced rent is afforded during this period of construction as the site is not yet fully utilized or operational. For the balance of the term, annual rent will be \$39,322, which is the full rental rate of \$0.33 per square foot, per year. This rental rate, which is noted in the City's Master Fee Schedule, is the standard rate for aviation-related uses at the Airport and is derived from an airport-specific land appraisal. Per Attachment C to the lease, rent will be adjusted every five years after Year 5 of the lease by the Consumer Price Index (CPI) for the previous five years, not-to-exceed a maximum of 7%.

SUSTAINABILITY FEATURES

The Airport is strongly committed to developing projects that are environmentally responsible. Therefore, staff will ensure that all plans proposed by the developer incorporate features that are commensurate with the City's sustainability guidelines.

PUBLIC CONTACT

The original lease was presented to and approved by the Council Airport Committee on February 1, 2018 and approved by Council on February 27, 2018. The agenda and staff report for this item have been posted on the City's website and distributed to interested parties.

NEXT STEPS

If recommended by the Committee and approved by Council, Airport staff will prepare and execute the First Amendment and the Assignment, Assumption, and Consent Agreement. Airport staff will also provide any requested administrative assistance to remove the storm drain easement.

Prepared by: Doug McNeeley, Airport Manager

Recommended by: Alex Ameri, Interim Director of Public Works

Approved by:



Kelly McAdoo, City Manager