



Airport Commission

City of Arts & Innovation

TO: HONORABLE COMMISSIONERS **DATE: JUNE 9, 2022**

FROM: GENERAL SERVICES DEPARTMENT **WARD: 3**

SUBJECT: REVIEW PROPOSED UPDATE TO THE AIRPORT LEASING PROGRAM FOR CITY-OWNED PROPERTY AT THE RIVERSIDE MUNICIPAL AIRPORT

ISSUE:

The item for Airport Commission consideration is to review and provide feedback on the proposed update to the Airport Leasing Program for City-owned property at the Riverside Municipal Airport.

RECOMMENDATIONS:

That the Airport Commission:

1. Review and provide feedback on the proposed update to the Airport Leasing Program for City-owned property at the Riverside Municipal Airport; and
2. Request staff bring forth any specific language recommendations along with a corresponding resolution to the full City Council for discussion.

BACKGROUND:

The Riverside Municipal Airport (Airport) routinely solicits for and negotiates new leases and agreements in order to ensure new and continuous revenue sources for the Airport. To attract new business and remain competitive, City Council approved Resolution 18919 on May 28, 1996, authorizing the Airport to negotiate certain incentives into short-term (one year or less) leases.

On January 6, 2015, City Council repealed Resolution 18919 and approved Resolution 22788, authorizing a new leasing program that established pre-defined parameters that allow the Airport Manager to negotiate rent, terms, incentives, maintenance responsibilities, and other lease parameters to streamline the lease execution process.

On January 9, 2019, City Council repealed Resolution 22788 and approved Resolution 23403 updating the hangar, office, and land rental rates at Riverside Municipal Airport and continuing the authority for the Airport Manager to negotiate rent, terms, incentives, maintenance

responsibilities, and other factors with prospective tenants.

DISCUSSION:

The Riverside Municipal Airport (Airport) currently has 160 existing leases. These leases consist of 17 aircraft tie-downs, 97 hangars, 24 commercial office/hangar agreements and 22 commercial ground leases. Historically, the Airport has had the ability to negotiate leases to attract new business and remain competitive with neighboring airports.

Subject to City Council approval, the proposed updated leasing program continues the authority for the Airport Manager to negotiate rent, terms, incentives, maintenance responsibilities and other factors with prospective tenants. It also continues to delegate authority to the General Services Director, the Deputy General Services Director and the Airport Manager to execute month-to-month agreements. All leases and other agreements with terms beyond a month-to-month period (i.e. all long-term agreements), will continue to be approved by City Council. In addition, the updated leasing program clarifies the process for the City to provide written consent to subleases. The Resolution authorizes the Airport Manager to provide the written consent if the proposed sublease substantially complies with the leasing program and with the terms of the lease with the City.

Airport Lease Rates

A recent survey of 15 surrounding general aviation airports confirmed that the proposed lease rates are commensurate with regional airports for office space, hangars, aircraft tie-downs, and land to ensure the Airport offers fair lease rates and remains competitive. The airport survey insight is in line with Federal Aviation Administration regulations which require that airport rental rates be applied in a fair and equitable basis. At the time of this report, the Airport has a 100% occupancy rate for aircraft hangars and a 99% occupancy rate for office space.

Proposed updates to the Master Lease Program include:

- An increase in Hangar rental rates by approximately 8% in alignment with the last two years annual CPI(U) increases.
- Expansion of sub-letting restrictions to include no permitted sub-letting in long-term agreements and allow for sub-letting under development agreements.
- Clarification of non-aviation businesses leasing property to include month-to-month agreement terms only.
- Introduction of a one-year warranty for dedicated leased space HVAC system. After one-year, the tenant is responsible for maintenance, replacement, etc.
- Requirement for tenant to obtain Special Event Permit from City for applicable activities.

STRATEGIC PLAN ALIGNMENT:

The Airport Leasing Program contributes to the City's Strategic Priority No. 3 *Economic Opportunity* and Goal No. 3.1 to facilitate partnerships and programs to develop, attract and retain innovative business sectors.

The Airport Leasing Program aligns with each of the five Cross-Cutting Threads as follows:

1. **Community Trust** - The Airport builds community trust by regularly conducting bi-annual surveys of surrounding airports' lease rates. The survey includes rental rates for land, office space, aircraft hangars, etc. To further transparency, the Airport will share the approved rates with the survey respondents.
2. **Equity** - The Airport ensures equitable access to leasing opportunities.
3. **Fiscal Responsibility** - The Airport Leasing Program rate structures are based on bi-annual surveys of fourteen general aviation airports in the Riverside and San Bernardino counties. Some of the airports are smaller than the Airport and some are larger. Since each of these airports serve privately owned aircraft, the survey provides direct correlations to the aviation activity at the Airport.
4. **Innovation** - The Airport Leasing Program invests in the City's future by ensuring competitive leasing rates will continue to attract new business to the Airport and the City.
5. **Sustainability and Resiliency** - The flexibility inherent in the Airport Leasing Program ensures the Airport's ability to adapt to changing economic conditions.

FISCAL IMPACT:

There is no fiscal impact related to this report. Future actions based on guidance could result in a fiscal impact and all revenues received as a course of this action will be deposited into the appropriate Airport revenue accounts and used for on-going maintenance and other improvements at the Airport.

Prepared by: Kim Ellis, Airport Manager
Approved by: Carl Carey, General Services Director
Approved by: Kris Martinez, Assistant City Manager

Attachment: Airport Rates and Charges
Presentation