



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: OCTOBER 6, 2015**
FROM: GENERAL SERVICES DEPARTMENT **WARD: 3**
SUBJECT: SECOND AMENDMENT TO LEASE AGREEMENT WITH RIVERSIDE AIR SERVICE, INC.

ISSUE:

The issue for City Council consideration is approval of the Second Amendment to Lease Agreement with Riverside Air Service, Inc.

RECOMMENDATIONS:

That the City Council:

1. Approve the Second Amendment to the Lease Agreement with Riverside Air Service, Inc.; and
2. Authorize the City Manager or his designee to execute the Second Amendment including making minor non-substantive changes.

BACKGROUND:

On November 5, 2012 the City entered into a 20-year lease agreement (Agreement) with Riverside Air Service, Inc. (RAS) to manage and operate the Airport's Fixed Based Operation (FBO) which provides aircraft parking facilities and hangars, ground support and fuel for airport customers. On December 16, 2014 the City Council authorized a First Amendment to provide RAS the right to encumber the lease and obtain bank financing for certain obligations under the Agreement.

The Agreement requires RAS to construct a minimum of two 60 foot x 60 foot aircraft hangars during the initial 20 year term. RAS recently completed the construction of two 100 foot x 80 foot executive hangars. RAS also retrofitted an existing executive hangar, expanding it from 12,000 square feet to 15,600 square feet to accommodate a new corporate jet soon to be based at Riverside Municipal Airport. The investment for the two new hangars and expansion of the third exceeded \$1,000,000. The construction exceeded the minimum development requirements under the Agreement.

RAS is pursuing a second expansion project for an additional six hangars. The cost for this endeavor is expected to exceed \$1,000,000.

The Agreement provides RAS the right to exercise two additional twelve (12) year lease options.

RAS is requesting to exercise both 12 year lease options for a total term of 44 years. Approval of the longer term lease will better position RAS to obtain financing for a multi-phase approach to expansion and development of its facility to meet demand and further develop Riverside Municipal Airport.

Under the Agreement, rental increases are prescribed in five year increments with the next rent increase scheduled for November 2017. The rate to be determined will be adjusted to an amount not to exceed one-twelfth of eight percent of the then-current fair market value. Current annual rent from RAS is \$49,836. Based on the past three-year average annual fuel sales, it is anticipated RAS will also pay City approximately \$11,000 in fuel flowage fees which will continue to grow with expansion.

FISCAL IMPACT:

There is no fiscal impact to the Airport Fund resulting from this report.

Prepared by:	Kris Martinez, General Services Director
Certified as to the	
Availability of funds:	Brent A. Mason, Finance Director/Treasurer
Approved by:	Deanna Lorson, Assistant City Manager
Approved as to form:	Gary G. Geuss, City Attorney

Attachment:	Second Amendment to Lease Agreement with Riverside Air Service, Inc.
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