



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: DECEMBER 8, 2015

FROM: GENERAL SERVICES DEPARTMENT WARD: 3

SUBJECT: ACCEPT WAYPOINT AVIATION REQUEST TO TERMINATE LEASE AND
APPROVE A NEW LEASE FOR WAYPOINT AVIATION SERVICES, INC.

ISSUES:

The issue for City Council consideration is the accept the request from Waypoint Aviation to terminate a lease for approximately 52,000 square feet of office, hangar and aircraft parking ramp space at Riverside Municipal Airport and to approve a new lease with Waypoint Aviation Services, Inc. for the same space.

RECOMMENDATIONS:

That the City Council:

1. Accept Waypoint Aviation's request to terminate its Lease Agreement dated May 5, 2015 for approximately 52,000 square feet of office, hangar and aircraft parking ramp space at 6873 Flight Road at the Riverside Municipal Airport; and
2. Approve Lease Agreement with Waypoint Aviation Services, Inc. for approximately 52,000 square feet of office, hangar and aircraft parking ramp space at 6873 Flight Road at Riverside Municipal Airport.

BACKGROUND:

In May of 2012, Fly Corona, Inc., an aircraft maintenance company providing a full line of aircraft maintenance services to airport tenants and other aircraft owners relocated from Corona to Riverside Municipal Airport. In February of 2013, Fly Corona, Inc. changed its name to Waypoint Aviation. Waypoint Aviation leases approximately 52,000 square feet of office, hangar and aircraft parking ramp space at 6873 Flight Road at the Riverside Municipal Airport.

On September 28, 2015, Waypoint Aviation was sold to Waypoint Aviation Services, Inc., a new corporation that will continue to provide the same aircraft maintenance services as Waypoint Aviation. According to Paragraph 26 of Waypoint Aviation's Lease Agreement, lessee is "...prohibited from transferring Lessee's interest in this lease." As a result, Waypoint Aviation submitted a request to terminate its Lease Agreement. Waypoint Aviation is in Year 1 of its initial five year lease term.

In exchange for long term stability and in consideration of transition/start up costs, staff is proposing

a minor rent concession for the new tenant, Waypoint Aviation Services, in months one through three of its lease. The rent reduction will result in a loss of \$2,625 to Airport revenue in FY 2015-16 but will be off-set with incremental revenue increases in the long term. Therefore, staff believes the proposed deal points are mutually beneficial for both parties.

The table below outlines a comparison of the existing Waypoint Aviation Lease Agreement and the proposed Waypoint Aviation Services Lease Agreement:

	Waypoint Aviation (Existing)	Waypoint Aviation Services (Proposed)
Terms	<ul style="list-style-type: none"> 5 year term with one 5 year option 	<ul style="list-style-type: none"> 10 year, with one 10 year option Development Clause: Includes option to convert to a 40 year total lease term subject to \$1 million investment within the first 10 years of lease
Rent per Month	Year 1: \$3,500.00	Year 1: Months 1-3: \$2,625.00 Months 4-12: \$3,500.00
	Year 2: \$3,742.06	Year 2: \$3,750.00
	Year 3: \$3,948.12	Year 3: \$4,000.00
	Year 4: \$4,226.18	Year 4: \$4,250.00
	Year 5: \$4,468.24	Year 5: \$4,500.00
	Year 6-10: \$4,468.24 + CPI ¹	Year 6-10: \$4,500.00 + CPI Year 11-20: Subject to renegotiation
Projected 10 year Revenue	\$506,709.60 + CPI	\$507,375.00 + CPI

¹ Consumer Price Index (CPI)

Premises: Waypoint Aviation Services, Inc. will occupy the same footprint as the prior owner, Waypoint Aviation (approximately 52,000 square feet of office, hangar and aircraft parking ramp space at 6873 Flight Road at the Riverside Municipal Airport).

Right to Encumber: The lease will include a “right to encumber” clause to allow the leaseholder a greater ability to secure needed funding for the hangar/office development mentioned above.

Staff recommends approving this lease agreement as it is in the best interest of the City to secure long term tenants providing aviation services that will continue to attract additional business to the Airport.

FISCAL IMPACT:

Revenue in the current fiscal year will be reduced by \$2,625.00, but will be offset in future fiscal years with incremental increases in rent. The total revenue generated in the first 10 years from the new lease will be approximately \$507,375.00, compared to \$506,709.60 under the current lease, not including annual CPI increases.

Prepared by:	Carl Carey, General Services Director
Certified as to the	
Availability of funds:	Brent A. Mason, Finance Director/Treasurer
Approved by:	Marianna Marysheva-Martinez, Assistant City Manager
Approved as to form:	Gary G. Geuss, City Attorney

Attachments:

1. Request to Terminate Lease Agreement, Waypoint Aviation
2. Lease Agreement, Waypoint Aviation Services, Inc.