



*City of Arts & Innovation*

# City Council Memorandum

**TO: HONORABLE MAYOR AND CITY COUNCIL** **DATE: JULY 26, 2016**

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

**SUBJECT: FIRST AMENDMENT TO AIRPORT TERMINAL BUILDING LEASE AGREEMENT WITH DAVID PENNINGTON AND DELMY PENNINGTON, dba D & D AIRPORT CAFÉ, TO EXTEND LEASE TERM THROUGH JULY 31, 2021 - APPROXIMATELY \$120,000 IN REVENUE FOR THE AIRPORT FUND**

## **ISSUE:**

Approval of the First Amendment to Airport Terminal Building Lease Agreement with David Pennington and Delmy Pennington, dba D & D Airport Café, to extend the lease term to July 31, 2021 for an estimated revenue to the Airport Fund of \$120,000.

## **RECOMMENDATIONS:**

That the City Council:

1. Approve the First Amendment to Airport Terminal Building Lease Agreement with David Pennington and Delmy Pennington, dba D & D Airport Café (Attachment 1), for five years through July 31, 2021;
2. Authorize the City Manager, or his designee, to execute the First Amendment to Airport Terminal Building Lease Agreement with David Pennington and Delmy Pennington, dba D & D Airport Café, including making minor and non-substantive changes.

## **BACKGROUND:**

In July 1995, the City Council approved a Lease Agreement with David and Delmy Pennington, relocating D&D Coffee Shop from 6140 Van Buren Boulevard to the Riverside Municipal Airport Terminal building. D&D Airport Café has successfully operated at the Riverside Municipal Airport for nearly 14 years. In addition to operating 7 days per week, catering services are provided for various Airport events, corporate aircraft clients and visitors. The initial term expired in 2000. Two additional options were exercised to extend the Agreement through August 2011.

## **DISCUSSION:**

On July 19, 2011, City Council approved a new lease with D&D Airport Café, with a term of August 3, 2011 through July 31, 2016 (Attachment 2). This Agreement included two (2), five (5) year options to extend. D&D Airport Café has agreed to exercise the first five (5) year option to

extend the agreement. D&D Café has met the terms of its initial agreement and staff has been satisfied with the quality and level of service received.

The following terms have been negotiated for the agreement extension:

Year	Monthly Rent	Monthly Revenue Sharing
<b>Current</b>		
FY 2015/16	\$1,764.01	6½% gross receipts minus rent
<b>Proposed</b>		
Year 1	\$2,000.00	6¾% gross receipts minus monthly rent
Year 2-5	Prior Year Base + CPI	6 ¾% gross receipts minus rent

The new lease term will generate approximately \$120,000 in revenue to the Airport Fund. The proposed increase in monthly rent and revenue sharing is expected to add approximately \$311 per month to the Airport Fund, not including annual CPI increases, totaling \$3,732.00 annually, and hence totaling \$18,660.00 over the five year term.

#### **FISCAL IMPACT:**

There is no fiscal impact to the General Fund. The First Amendment to the Airport Terminal Building Lease Agreement will generate approximately \$120,000 to the Airport Fund during the extended five year term of this Agreement. Revenue will be deposited to revenue account 0000570-346120.

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

#### **Attachments:**

1. First Amendment to Airport Terminal Building Lease
2. Airport Terminal Building Lease