



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: APRIL 18, 2017

FROM: GENERAL SERVICES DEPARTMENT WARD: 3

SUBJECT: **THIRD AMENDMENT TO RIVERSIDE MUNICIPAL AIRPORT LEASE AGREEMENT – FIXED BASE OPERATOR WITH RIVERSIDE AIR SERVICE, INC. TO INCREASE THE LEASED AREA BY 7,500 SQUARE FEET AND MONTHLY RENT BY \$600 - TOTAL ESTIMATED REVENUE OF \$2,203,752 OVER THE 44 YEAR TERM ENDING OCTOBER 31, 2056, AND AUTHORIZE RENT ABATEMENT IN THE AMOUNT OF \$14,248 (\$3,562 X 4 MONTHS) TO OFFSET DEVELOPMENT COSTS**

ISSUE:

Approve the Third Amendment to Riverside Municipal Airport Lease Agreement – Fixed Base Operator with Riverside Air Service, Inc., to increase leased area by an additional 7,500 square feet, and increase monthly rent by \$600 from \$4,216.19 to \$4,816.19, for estimated lease revenue in the amount of \$2,203,752 over the 44 year term ending October 31, 2056, and authorize rent abatement in the amount of \$14,248 (\$3,562 x 4 months) to offset development costs.

RECOMMENDATIONS:

That the City Council:

1. Approve the Third Amendment to Riverside Municipal Airport Lease Agreement – Fixed Base Operator with Riverside Air Service, Inc. to increase leased area by 7,500 square feet and increase monthly rent by \$600 from \$4,216.19 to \$4,816.19; and,
2. Authorize rent abatement in the amount of \$14,248 (\$3,562 x 4 months) to offset development costs; and,
3. Authorize the City Manager, or his designee, to execute the Third Amendment to Riverside Municipal Airport Lease Agreement – Fixed Base Operator with Riverside Air Service, Inc., including making minor and 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.

RAS provides aircraft parking facilities and hangars, ground support, and fuels corporate and private customers of the Riverside Municipal Airport.

On December 16, 2014, City Council approved a First Amendment to provide RAS the right to encumber the lease to assist in obtaining bank financing for construction of two large corporate hangars that were completed in the summer of 2016.

On October 6, 2015, the City Council approved a Second Amendment to the Agreement granting RAS the right to exercise two additional twelve (12) year lease options for a total of 44 years and to construct, at a minimum, two (2) 60'X60' aircraft hangars during the first term. RAS recently completed the construction of two (2) 100'X80' executive hangars and retrofitted an existing executive hangar, expanding it from 12,000 square feet to 15,600 square feet to accommodate a new corporate tenant. In addition to the hangars described above, RAS recently completed five (5) new hangars providing facilities for new aircraft. The added space has exceeded the minimum development requirements under the Agreement.

DISCUSSION:

RAS desires to increase leased square footage by 7,500 square feet to a total of 348,699 square feet. Rent under the Third Amendment will increase by \$600 per month, to \$4,216.19, and is competitive with the leasing rate schedules of surrounding general aviation airports. The additional square footage will allow for the construction of a hangar at a cost of approximately \$350,000 to accommodate larger aircraft RAS anticipates basing at the Riverside Municipal Airport.

During the design phase of an adjacent \$1.5 million project, it was determined that a utility pole owned by AT&T and located on Airport property would severely restrict access to the hangar being constructed. The estimated cost to relocate the utility pole is \$29,052. In consideration of the public benefit of Airport expansion, a 50/50 cost sharing arrangement for the relocation of the utility pole is recommended. Staff is proposing a temporary rent reduction from \$4,816.19 to \$1,254.19 (a reduction of \$3,562 for 4 months) for a total of \$14,248 to offset the cost to move the utility pole.

Under the Agreement, rental increases are prescribed in five year increments. The next rent increase is scheduled for an effective date of November 2017 which will be adjusted by the Consumer Price Index, or 2%, whichever is greater, in the following years.

Approval of the Third Amendment will allow RAS to continue expanding this facility to meet demand and further develop Riverside Municipal Airport.

FISCAL IMPACT:

There is no fiscal impact to the General Fund. Monthly rent will be increased to \$4,816.19, less the monthly rent reduction of \$3,562.00 for four (4) months, for a total estimated revenue over the lease term of approximately \$2,203,752, to be deposited in the Airport Building & Ground Rental account 0000530-346120.

Prepared by: Carl Carey, General Services Director
Certified as to
Availability of funds: Scott G. Miller, Ph.D., Chief Financial Officer/Treasurer
Approved by: Marianna Marysheva, Assistant City Manager
Approved as to form: Gary G. Geuss, City Attorney

Attachment: Third Amendment to Riverside Municipal Airport Lease Agreement –
Fixed Base Operator with Riverside Air Service