



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: SEPTEMBER 5, 2017

FROM: GENERAL SERVICES DEPARTMENT WARD: 3

SUBJECT: LANDLORD'S ESTOPPEL AND CONSENT BY AND BETWEEN GARY STARK, HANA SMALL BUSINESS LENDING, INC., CITY OF RIVERSIDE AND RIVERSIDE AIR SERVICE, INC., FOR THE PROPERTY AT 6741 GEMENDE DRIVE, UNIT A, RIVERSIDE

ISSUE:

Approve a Landlord's Estoppel and Consent by and between Gary Stark, Hana Small Business Lending, Inc., City of Riverside, and Riverside Air Service, Inc. for the property at 6741 Gemende Drive, Unit A, Riverside.

RECOMMENDATION:

That the City Council:

1. Approve the attached Landlord's Estoppel and Consent by and between Gary Stark, Hana Small Business Lending, Inc., City of Riverside , and Riverside Air Service, Inc.; and
2. Authorize the City Manager, or his designee, to execute the Landlord's Estoppel and Consent, 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 Riverside Municipal Airport's (Airport) Fixed Based Operation. RAS provides aircraft parking facilities and hangars, ground support, and fuels to corporate and private customer aircraft at the Airport.

On December 18, 2014, the City Council entered into a First Amendment to the Agreement granting RAS the right to encumber the lease to obtain bank financing for new development. On January 13, 2016, the City Council entered into a Second Amendment to the Agreement granting RAS the right to exercise two additional twelve year lease options for a total of 44 years. On May 8, 2017, the City Council entered into a Third Amendment to the Agreement increasing the leased property by 7,500 square feet to further expand hangar development at the Airport. Under the terms of the Agreement, RAS has the authority to sell or lease its hangars.

DISCUSSION:

On March 10, 2017, the City entered into a Consent to Ground Sublease with RAS which authorized RAS to sublet real property located at the Airport. Subsequently, RAS constructed several aircraft hangars on this property with the intent to sell one of the hangars to Mr. Stark.

This Estoppel and Consent allows Mr. Stark to encumber the Ground Sublease Agreement with RAS to obtain financing for the hangar purchase. Approval of this request does not change any terms of the original Agreement between the City and Riverside Air Service. All land and development will revert to the City upon termination of the original Agreement with RAS.

FISCAL IMPACT:

There is no fiscal impact associated with this recommendation. As previously stated, this action also does not negatively impact the original Agreement, or subsequent amendments (should they be needed and approved by the City Council). Under the original Agreement, Riverside Air Service can develop all land included in the lease. In this case, RAS built, with their sole funds, several hangars that have been subsequently sold to private parties. In the event RAS defaults under the Master Agreement, all development, including all ground sub-leases, will revert to the Airport/City under the same terms as the Master Agreement.

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

Attachments:

1. Landlord's Estoppel and Consent between Gary Stark, Riverside Air Service, Hana Small Business Lending, Inc. and City of Riverside
2. Ground Sublease Agreement between Gary Stark and Riverside Air Service