



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: APRIL 10, 2018**

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

SUBJECT: FOURTH AMENDMENT TO RIVERSIDE MUNICIPAL AIRPORT LEASE AGREEMENT - FIXED BASE OPERATOR WITH RIVERSIDE AIR SERVICE, INC. TO INCREASE MONTHLY RENT BY \$100 - TOTAL ESTIMATED REVENUE OF \$301,416 TO THE AIRPORT FUND FOR A FIVE YEAR TERM ENDING NOVEMBER 30, 2022

ISSUE:

Approve the Fourth Amendment to Riverside Municipal Airport Lease Agreement – Fixed Base Operator with Riverside Air Service, Inc., to increase monthly rent by \$100 from \$4,923.60 to \$5,023.60, for a total estimated lease revenue of \$301,416 to the Airport fund over a five year term ending November 30, 2022.

RECOMMENDATIONS:

That the City Council:

1. Approve the Fourth Amendment to Riverside Municipal Airport Lease Agreement – Fixed Base Operator with Riverside Air Service, Inc., to increase monthly rent by \$100 from \$4,923.60 to \$5,023.60, for a total estimated lease revenue of \$301,416 to the Airport fund over a five year term ending November 30, 2022; and,
2. Authorize the City Manager, or his designee, to execute the Fourth 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, hangars, ground support, and fuels for corporate and private customers at 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 (2) 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.

On April 18, 2017, the City Council approved the Third Amendment to the Agreement with RAS to increase the leased area by an additional 7,500 square feet and increase the monthly rent to correspond with the increase in leased space by \$600, from \$4,216.19 to \$4,816.19, for estimated total 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.

The Agreement authorizes an annual adjustment in August to reflect the percentage increase, if any, in the Consumer Price Index for All Urban Consumers (CPI-U) for the Los-Angeles-Anaheim-Riverside Standard Metropolitan Statistical Area published by the Bureau of Labor Statistics. On August 1, 2017, monthly rent was increased from \$4,816.19 to \$4,923.60 to reflect the 2.2% increase in the CPI-U.

DISCUSSION:

Paragraph 6 of the Lease Agreement provides that upon the expiration of the initial five year period of the Lease term, which began on November 5, 2012, monthly rent for the subsequent five years shall be revised by mutual agreement of the parties. In accordance with this provision, the proposed Fourth Amendment to the Lease Agreement amends paragraph 6 of the Agreement to increase the Lease rate by \$100 per month for five years, effective on the first day of the month in which the Fourth Amendment becomes effective, to be reviewed again in November 2022.

The five year option term will generate estimated lease revenue in the amount of \$301,416 to the Airport Fund.

FISCAL IMPACT:

The fiscal impact of this action is an increase in monthly rent revenue by \$100 from \$4,923.60 to \$5,023.60, for a total estimated lease revenue of \$301,416 to the Airport Fund over the five year term, 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:	Adam Raymond, Chief Financial Officer/Treasurer
Approved by:	Marianna Marysheva, Assistant City Manager
Approved as to form:	Gary G. Geuss, City Attorney

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