



City of Arts & Innovation

Development Committee

TO: DEVELOPMENT COMMITTEE MEMBERS **DATE: JULY 19, 2018**
FROM: GENERAL SERVICES DEPARTMENT **WARD: 3**
**SUBJECT: TERMS AND CONDITIONS OF A GROUND LEASE AGREEMENT WITH
NEXTGEN FLIGHT ACADEMY, INC., FOR DEVELOPMENT OF A
HANGAR/OFFICE SPACE COMPLEX AT RIVERSIDE MUNICIPAL AIRPORT -
DIRECT SUBMITTAL**

ISSUE:

Receive a report on the proposed terms and conditions for a Ground Lease Agreement with NextGen Flight Academy, Inc., at the Riverside Municipal Airport and forward to the City Council for approval.

RECOMMENDATION:

That the Development Committee receive this report on the proposed terms and conditions for a Ground Lease Agreement with NextGen Flight Academy, Inc., at the Riverside Municipal Airport and forward to the City Council for approval.

BOARD OF AIRPORT COMMISSIONERS RECOMMENDATION:

On June 13, 2018, the Board of Airport Commissioners received a report on the terms and conditions of a Ground Lease Agreement with NextGen Flight Academy Inc. to develop up to 18 acres of Airport property, and unanimously voted to forward the agreement to the City Council for approval.

BACKGROUND:

In December 2005, City Council approved a Lease Agreement between the City of Riverside (City) and Riverside Aviation One, LLC for the development of approximately 18 acres of land at the southwest corner of Riverside Municipal Airport (Airport). Construction began in 2007 for the development of 140 aircraft hangars, an associated aircraft apron, and a fuel farm. The project was not completed and in 2009, the contractor sought to terminate the Lease Agreement with the City, which was granted in 2010.

In April 2015, the Airport issued a competitive Request for Proposals (RFP) No. 1502 to continue

development of the 18 acres of land at the southwest corner of the Airport. One proposal was received and staff commenced negotiation with Riverside Executive Airpark, LLC, which led to the proposed lease terms. Following several months of negotiations between Riverside Executive Airport, LLC and prospective tenants, the project was terminated. No formal agreement between the City and Riverside Executive Airport, LLC was executed.

DISCUSSION

In January 2018, the Airport issued another competitive Request for Proposals (RFP) No. 1762 for the development of the same 18 acres of land at Riverside Municipal Airport. Proposals were due February 15, 2018, and one proposal was received. Staff commenced negotiation with NextGen Flight Academy, Inc. (Developer) which led to the proposed lease terms below.

Tenant/Developer	NextGen Flight Academy, Inc.
Location	Riverside Municipal Airport
Lease Premises	Unimproved parcels (approximately 18 acres)
Term	30 years, with two (2) - 10 year options (options to be negotiated at fair market value)
Other Considerations	No rent due during the design phase (approx. 5-6 months)
	\$0.01 per square foot (sq ft) per month rent during construction (\$38,400 per year)
	\$0.03 per sq. ft. per month rent as each phase of construction is completed.
	2% annual rent increase for initial 5 years; thereafter 2% or CPI increase, whichever is greater.
	All six (6) phases completed within 37 months from Lease execution.
Utilities, Construction, Maintenance	Tenant responsibility
	Installation of Westside vehicle gate in compliance with existing Airport security system.
Termination	Tenant retains all debt incurred up to lease termination
	All improvements revert to City ownership

The Developer proposes to develop 18 acres in multiple phases to include:

- 100 – 120 Private Aircraft Hangars
- Full Service Fixed Base Operator (FBO)
- Fuel Farm and Fuel Services
- Restaurant and/or Office Space

In addition, the Developer will be responsible for design, construction, and permits associated with hangars, office buildings, aircraft ramp, lighting, underground infrastructure, taxiway connections, and vehicle parking. The Developer is also responsible for tenant attraction, ongoing management, care and maintenance of the site.

Should the Developer default on the terms of the agreement at any time during the design, construction or management of the project, the City does not incur any debt, and all improvements become the property of the City.

Economic Impact

This project is anticipated to provide approximately 50-100 jobs during construction and potentially 35 permanent jobs, have a minimal impact on surrounding infrastructure, and generate approximately \$3,453,678 (base rent plus annual increases) in revenue during the initial 30-year term. Upon completion of the lease term, all improvements made by the Developer will revert back to the City.

Total investment upon build out for all phases of the project is estimated at \$13.28 million. The Airport will assume long-term maintenance responsibility for all common use taxiways and aircraft ramp, and the tenant will pay rent only on those portions of the development for which the tenant collects revenue through ground subleases. The estimated area used to calculate rent to the Airport is approximately 319,785 square feet. As each phase of hangar construction is completed, the portion of the 18 acre development generating revenue to the Developer will be surveyed to determine actual square footage for rent determination.

To determine fair market value for the land, staff conducted independent surveys of lease rates at 15 surrounding general aviation airports, as shown in the chart below.

AIRPORT	RATE
San Bernardino County (Apple Valley, Baker, Barstow-Daggett, Chino, Needles, Twentynine Palms)	\$0.02 - \$0.05 sq. ft./month
Cable Airport	\$0.03 - \$0.05 sq. ft./ month
March Field	\$0.06 sq. ft./month
San Bernardino Int'l Airport	\$0.04 - \$0.05 sq. ft./month
Big Bear	\$0.03 sq. ft./month
Riverside County (French Valley, Hemet/Ryan, Jacqueline Cochran Regional, Chiriaco Summit, Blythe)	\$0.01 - \$0.04 sq. ft./month

The Interim Community & Economic Development Director concurs with the recommended lease terms.

FISCAL IMPACT:

Estimated rent revenue during the initial 30 year lease term will generate approximately \$3,453,678 (base rent plus annual increases). Additional revenue is also anticipated from fuel flowage fees. All revenues received from this lease will be deposited into the Airport revenue fund and be used for on-going maintenance and other improvements at the Airport.

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

Attachment:

1. Board of Airport Commissioners Meeting Minutes – June 13, 2018
2. Presentation

