



City of Arts & Innovation

Airport Commission

TO: HONORABLE COMMISSIONERS

DATE: JANUARY 14, 2021

FROM: GENERAL SERVICES DEPARTMENT

SUBJECT: GROUND LEASE AGREEMENT WITH RIVERSIDE AIR SERVICE, INC. FOR DEVELOPMENT OF A MULTI-UNIT AIRCRAFT HANGAR COMPLEX – MINIMUM AMOUNT OF \$624,505 OVER THE TERM OF THE AGREEMENT

ISSUE:

The item for Airport Commission consideration is a 35-year ground lease agreement, with one 10-year option to extend, with Riverside Air Service Inc. to construct a multi-unit aircraft hangar complex at Riverside Municipal Airport.

RECOMMENDATION:

That the Airport Commission recommend the City Council approval of a 35-year ground lease agreement with Riverside Air Service Inc. with an initial term ending December 31, 2056, plus one 10-year option to extend, for approximately 50,094 square feet of land to construct a multi-unit aircraft hangar complex.

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, the City Council approved a First Amendment to provide RAS the right to obtain 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 12-year lease options for a total of 44 years and to construct, two 100’X80’ executive hangars and retrofit an existing executive hangar. Construction was completed in spring 2016.

On March 28, 2017, the City Council approved a Third Amendment to the Agreement granting

RAS to increase the leased area by 7,500 square feet to construct a third executive hangar. Construction was completed in spring 2017.

DISCUSSION:

The proposed term of this Ground Lease Agreement (Agreement) will be for 35 years, from January 1, 2021 to December 31, 2056, with one 10-year option to extend. Monthly rent from this Agreement will adhere to the phase schedule below or a minimum of \$624,505 over the term of the Agreement. At the end of Phase B, annual rent will increase by the annual increase in the Consumer Price Index for all Urban Consumers (CPI-U), or 2%, whichever is greater at the end of Phase B.

Phase	Term	Rental Rate
Phase A - Design Phase	Up to 18 months	\$0/month
Phase B - Construction Phase	Up to 24 months	\$556.60/month
Phase C - Post Construction Phase	24 months	\$834.90/month
Phase D – Remaining Term of Lease	354 months (29.5 years)	\$1,669.80/month

On January 9, 2019, the City Council approved an Airport Leasing Program authorizing the Airport to negotiate short-term leases to attract new business to the Airport. Although the term of this Agreement falls outside of the parameters of the Airport Leasing Program, the lease rate of \$1,669.80 (or \$0.40 per square foot annually) is within the approved program parameters for rent.

Staff requests that the Airport Commission recommend the City Council approve this Agreement as it is in the best interest of the City to secure long term tenants for the Airport.

FISCAL IMPACT:

The fiscal impact of this action is approximately \$624,505 in lease revenue over the initial thirty-five year lease term which will be deposited into the Airport revenue account 0000530-346120 and used for ongoing maintenance and other improvements at the Airport.

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