



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: JUNE 15, 2021

FROM: GENERAL SERVICES DEPARTMENT WARD: 3

SUBJECT: RIVERSIDE MUNICIPAL AIRPORT GROUND LEASE OF APPROXIMATELY 50,094 SQUARE FEET OF LAND FOR THE DEVELOPMENT OF A MULTI-UNIT AIRCRAFT HANGAR COMPLEX WITH RIVERSIDE AIR SERVICE, INC. FOR A 35 YEAR TERM WITH ONE 10 YEAR OPTION TO EXTEND – IN THE MINIMUM AMOUNT OF \$624,505 OVER THE INITIAL 35 YEAR TERM

ISSUE:

Approve the Riverside Municipal Airport Ground Lease for the development of a multi-unit aircraft hangar complex with Riverside Air Service, Inc. for a 35-year term, with one 10-year option to extend.

RECOMMENDATIONS:

That the City Council:

1. Approve the Riverside Municipal Airport Ground Lease of approximately 50,094 square feet of land for the development of a multi-unit aircraft hangar complex with Riverside Air Service, Inc. for a 35-year term, with one 10 year option to extend; and
2. Authorize the City Manager, or his designee, to execute Riverside Municipal Airport Ground Lease Agreement with Riverside Air Service, Inc., including making minor and non-substantive changes.

AIRPORT COMMISSION RECOMMENDATION:

On January 14, 2021, the Airport Commission reviewed and unanimously expressed their support for the proposed development of a multi-unit aircraft hangar complex at the Riverside Municipal Airport.

BACKGROUND:

REQUEST FOR PROPOSALS

On March 25, 2021, the City's Purchasing Division issued Request for Proposals (RFP) No. 2088 for the development of an aircraft hangar complex. On April 15, 2021, the City received one response to the RFP.

The RFP response was evaluated by a panel consisting of two Airport Commissioners, the Director of General Services and the Airport Manager. The panel determined Riverside Air Service met all requirements set forth in the RFP.

RIVERSIDE AIR SERVICE

On November 5, 2012, the City entered into a 20-year Riverside Municipal Airport Ground Lease Agreement with Riverside Air Service, Inc. (RAS) to manage and operate the Airport's Fixed Based Operation (FBO). The FBO provides aircraft parking facilities, hangars, ground support, and fuel services for corporate and private customers of the Riverside Municipal Airport.

On December 16, 2014, the City Council approved a First Amendment to the Agreement 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 twelve year lease options for a total of 44 years, to construct two 100' x 80' executive hangars, and to 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 for development of a Multi-unit Hangar Complex will be for a 35-year term, from July 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 for an estimated revenue of \$624,505 over the initial 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.

Riverside Air Service anticipates investing approximately \$2,000,000 in this project. A condition included in the RFP was the requirement for the successful bidder to attract new tenants to the Airport.

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	Up to 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.

The Purchasing Services Manager Concurs that the recommendation actions comply with the City or Riverside's Purchasing Resolution No. 23256.

FISCAL IMPACT:

If approved by the City Council, approximately \$624,505 in estimated revenue will be deposited into the Airport Fund, Airport Building & Ground Rental revenue account 0000530-346120.

Prepared by: Carl Carey, General Services Director
 Certified as to
 Availability of funds: Edward Enriquez, Chief Financial Officer/City Treasurer
 Approved by: Moises Lopez, Deputy City Manager
 Approved as to form: Kristi J. Smith, Interim City Attorney

Attachments:

1. Lease Agreement with Riverside Air Service, Inc.
2. Award Recommendation
3. Site Plan