



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: June 17, 2014

TO: Mayor and Councilmembers

FROM: Business & Property Division, Airport Department

SUBJECT: Introduction Of Ordinance For Lease Agreement With MAJCO Corporation, dba Big Brand Tire

RECOMMENDATION:

That Council introduce and subsequently adopt, by reading of title only, An Ordinance of the Council of the City of Santa Barbara Approving and Authorizing the Airport Director to Execute a Fifteen-Year and Five-Month Lease Agreement With Three Five-Year Options, Between MAJCO Corporation, a California Corporation, dba Big Brand Tire, for 29,620 Square Feet of Land, Including 4,484 Square Feet of Building 370, at 6010 Hollister Avenue, Which is Santa Barbara Airport Property, Effective July 17, 2014, for a Monthly Rental of \$7,533, Exclusive of Utilities.

DISCUSSION:

Background

In 2013, the lease at 6010 Hollister Avenue (Woolever Tire) terminated, and due to the prime location of the vacated property, staff recommended retaining real estate broker services to find and negotiate a lease agreement with a new tenant. The Radius Group was selected to represent the Airport through a competitive Request for Qualifications for Real Estate Broker Services conducted in the Fall of 2013.

On January 14, 2014, Council approved a 12-month Exclusive Listing Agreement with Radius Group Commercial Real Estate, Inc., to market, vet the prospective tenants and negotiate a lease agreement for the property located in an Airport Commercial (AC) zone.

Proposed Agreement with Big Brand Tire

Big Brand Tire has been operating in the Santa Barbara area for over 30 years and currently has locations at 523 N. Milpas Street in Santa Barbara and 99 S. Fairview Avenue in Goleta. Big Brand proposes to relocate their Goleta facility to the former tire shop at 6010 Hollister Avenue, which is part of the Airport property. The site occupies

the corner of Fairview and Hollister Avenues and has better visibility than Big Brand Tire's current location. The proposed use conforms to existing zoning.

Big Brand proposes to make interior and exterior improvements to the property over the initial term of the lease to bring it up to corporate standards. The location of the building in a floodway restricts the improvements to a maximum capital improvement of 50% of the value of the building every two years (approximately \$448,400). Therefore, the lease will also contain a provision allowing five months free rent, to be applied during the initial term of the lease, in months 1, 2, 12, 13, and 24, insuring that the appropriate improvements and upgrades to the facility can be made without triggering the removal and reconstruction of the building.

The proposed monthly rental of \$7,533 is a modified gross rent and is comparable to other similar business on the south coast. The rental will be adjusted annually beginning on the anniversary date of the lease, using the Consumer Price Index for the Los Angeles, Riverside, Anaheim, All Urban Consumers (CPI) published by the Bureau of Labor Statistics, Department of Labor. The amount of the annual increases shall not be less than 2% or greater than 6%. The rent will also be adjusted to Market Rate every five years, to maintain compliance with FAA Grant Assurances which require all Airport rentals to be at market rate.

The proposed Lease has been reviewed and determined to be exempt from environmental review.

Brokerage Fees

Fees for the initial term are paid upon execution of the lease, with subsequent brokerage fees paid as each option to renew is executed by the tenant. Based on the 15-year term of the lease, the maximum brokerage fees authorized by the Exclusive Listing Agreement will be due in the amount of \$51,036. Funding for the brokerage fees is available in the Airport Operating Fund.

Airport Commission

The Airport Commission recommended approval of the lease at their regularly scheduled meeting on May 21, 2014.

PREPARED BY: Rebecca Fribley, Sr. Property Management Specialist

SUBMITTED BY: Hazel Johns, Acting Airport Director

APPROVED BY: City Administrator's Office