



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: September 15, 2015

TO: Mayor and Councilmembers

FROM: Business & Property Division, Airport Department

SUBJECT: Introduction Of Ordinances For Lease Amendments With Mercury Air Center – Santa Barbara, Inc. And Signature Flight Support Corporation

RECOMMENDATION: That Council:

- A. 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 Lease Amendment to Lease Agreement No. 200846, as previously amended November 22, 2011, with Mercury Air Center – Santa Barbara, Inc., a California Corporation, dba Atlantic Aviation, amending the “Term” and “Rent” provisions to extend the expiration date to May 8, 2018, and provide for appropriate rental increases during the extended term; and
- B. 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 Lease Amendment to Restated Lease No. 12,037.2, with Signature Flight Support Corporation, a California Corporation, dated October 18, 2012, amending the “Term” and “Rent” provisions to extend the expiration date to May 8, 2018, and provide for appropriate rental increases during the extended term.

DISCUSSION:

Background

Mercury Air Center – Santa Barbara Inc., dba Atlantic Aviation (Atlantic), and Signature Flight Support Corporation (Signature) are engaged in the operation of two Fixed Base Operations (FBOs) at the Santa Barbara Airport.

The City and Atlantic Aviation are parties to Lease Agreement No. 200846, as amended November 22, 2011, under which 453,457 square feet of land and 21,089 square feet of buildings are leased by Atlantic. The lease expires July 31, 2016. Atlantic also leases 21,780 square feet of land for a fuel farm (Agreement No. 19528), which expires August 27, 2031.

The City and Signature Flight Support are parties to Restated Lease Agreement No. 12,037.2, dated October 18, 2012, under which 894,613 square feet of land, together with the existing hangar buildings and improvements, is leased to Signature. The lease expires July 31, 2016. Signature also leases 41,178 square feet of land for a fuel farm (Agreement No. 18,538), which expires March 12, 2027.

Master Plan

The Master Plan includes consolidation of general aviation operations to facilitate two Fixed Base Operator (FBO) lease areas on the northeast portion of the airfield to provide tenant and visitor private aircraft services and facilities, and support facility changes.

The Draft Environmental Impact Report for the Master Plan is currently under review.

Fixed Base Operator Request For Proposals

The Master Plan envisioned two FBO leaseholds, approximately equal in size. During the development of the Master Plan alternatives for the proposed FBO areas, it became apparent that all aviation facilities zoned property should be available for lease prior to the public solicitation of proposals.

The two current FBO agreements expire in July 2016. Ampersand Aviation, Inc. leases approximately 19 acres of land at the Airport, including five hangars and an office building, under five leases, all of which expire on May 8, 2018. At the conclusion of those leases, these facilities could be eligible to be used either as part of a new FBO, or as temporary accommodation for the successful proposers during development of new facilities.

Proposal

With this in mind, staff recommends that the terms of Atlantic's and Signature's leases be extended to make them co-terminus with that of the Ampersand leases. Accordingly, Staff proposes to amend Article 5, "TERM" of Lease No. 200846 with Atlantic and Article 7, "TERM" of Restated Lease No. 12,037.2 with Signature to extend the expiration date of the leases from July 31, 2016 to May 8, 2018.

In addition, Article 7, "Rent" of Atlantic's lease will be amended to include 5% increases in each of the two additional years, in accordance with the previous scheduled rental increases. The proposed rent will be:

August 1, 2016 to July 31, 2017	\$22,899
August 1, 2016 to May 8, 2018	\$24,044

Article 9, “Rent” of Signature’s lease will also be amended to include 5% annual increases as follows:

August 1, 2016 to July 31, 2017	\$38,968
August 1, 2016 to May 8, 2018	\$40,916

All other provisions of Atlantic Lease No. 200846, as amended, and Signature Restated Lease No. 12037.2, will remain unchanged.

PREPARED BY: Rebecca Fribley, Sr. Property Management Specialist

SUBMITTED BY: Hazel Johns, Airport Director

APPROVED BY: City Administrator's Office