

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS  
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT General Services Agency – Airport Services	(2) MEETING DATE 5/13/2014	(3) CONTACT/PHONE Kevin Bumen 781-5205	
(4) SUBJECT Request to approve a new 25 year ground lease to replace an existing lease with the SLO T-Hangar Association for Lease Site T at the San Luis Obispo County Regional Airport. District 3.			
(5) RECOMMENDED ACTION It is recommended that the Board: <ol style="list-style-type: none"> <li>1. Approve the termination of the existing lease for Site T at the San Luis Obispo County Regional Airport; and</li> <li>2. Approve a new 25 year lease with SLO T-Hangar Association for Site T at the San Luis Obispo County Regional Airport, by 4/5 vote.</li> </ol>			
(6) FUNDING SOURCE(S) Site T Rent revenue	(7) CURRENT YEAR FINANCIAL IMPACT - \$1,255 (reduced rent rev.)	(8) ANNUAL FINANCIAL IMPACT - \$9,751 (reduced rent rev.) + \$4,305 (contribution to Airport for capital expenditures)	(9) BUDGETED? No
(10) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. ___) <input type="checkbox"/> Board Business (Time Est. ___)			
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input checked="" type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: N/A <input checked="" type="checkbox"/> 4/5 Vote Required <input type="checkbox"/> N/A	
(14) LOCATION MAP Attached	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input checked="" type="checkbox"/> N/A    Date: _____	
(17) ADMINISTRATIVE OFFICE REVIEW  Emily Jackson			
(18) SUPERVISOR DISTRICT(S) District 3			

# County of San Luis Obispo



TO: Board of Supervisors

FROM: General Services Agency – Airport Services / Kevin Bumen  
781-5205

DATE: 5/13/2014

SUBJECT: Request to approve a new 25 year ground lease to replace an existing lease with the SLO T-Hangar Association for Lease Site T at the San Luis Obispo County Regional Airport. District 3

## **RECOMMENDATION**

It is recommended that the Board:

1. Approve the termination of the existing lease for Site T at the San Luis Obispo County Regional Airport; and
2. Approve a new 25 year lease with SLO T-Hangar Association for Site T at the San Luis Obispo County Regional Airport by 4/5 vote.

## **DISCUSSION**

In August 2003 the General Services Agency – Airport Services entered into a 15 year ground lease agreement with the SLO T-Hangar Association for what is now known as Site T. The site, originally a part of the aircraft parking ramp on the west side of the airport, is paved and is approximately .861 acres in size. Portable hangars on the east side of the airport needed to be moved to make way for the new Airport Fire Station. The individual hangar owners of those hangars formed an association and came to an agreement with the County to lease Site T and place the hangars on the site. The current lease is set to expire in August 2018.

In 2012 an appraisal of airport property was completed with the intent of providing data to support ground lease rates for lease agreements that do not currently have provisions for periodic adjustments based on appraisals. The appraisal established rates for three different types of property uses which include:

Full-service Fixed Base Operation (FBO) -	\$ .324 per square foot per year
Specialized airport service operations -	\$ .342 per square foot per year
Aircraft storage -	\$ .36 per square foot per year

The above rates were later incorporated into the County fee schedule to be used for any future lease negotiations. At the time the appraisal was completed, and comparing those rates with rates in existing lease agreements, it was anticipated some agreements would experience an increase and some would experience a decrease in lease rates.

The SLO T-Hangar Association is currently paying substantially more rent than the appraisal rate and is the only lease at the Airport that will see a reduction in rent based on the appraisal. In the best interest of both parties, Airport Services and the SLO T-Hangar Association, it was determined that the rental rate should be adjusted downward based on the appraisal, and a new lease developed. The language in the new lease has been revised to conform to recent lease site agreements and includes language that addresses the rent rate based on periodic appraisals.

In order for the new lease to be approved, the existing lease must first be terminated by the Board. The new lease covers a number of items including but not limited to:

1. Becomes effective on today's date and will expire on March 31, 2039 for a total term of 25 years. Combined with the term of the previous lease agreement the total length of use of the site by this entity remains well under the Federal Aviation Administration guidelines of a 50 year maximum lease to any one entity.
2. Adjusts the annual per square foot rental rate to the rate identified by the appraisal appropriate for sites used only for aircraft storage. This represents a reduction in rent paid to the airport by approximately 42%. Each year on the anniversary of the commencement of the lease the rental rate will be adjusted based upon the Consumer Price Index (CPI) not to exceed 5% in any one year. A fair market value appraisal will be completed at the eleventh (11th) anniversary of the lease commencement. Any adjustments to the lease based on that appraisal will be brought to the Board for approval. Changes to rent are further discussed under Financial Considerations.
3. Establishes a commitment by the SLO T-Hangar Association to a capital investment program for the premises. The rate for the program is \$5,000 per acre per year for the entire term. This is further discussed under Financial Considerations.
4. Prohibits the Association from assigning, transferring or delegating the lease and/or premises without prior consent of the Board.

Pursuant to Government Code section 25536, the Board of Supervisors, by a four-fifths vote, may enter into leases of County Airport property without competitive bidding.

### **OTHER AGENCY INVOLVEMENT/IMPACT**

County Counsel assisted in the negotiation process and has reviewed the agreement for form and legal effect.

### **FINANCIAL CONSIDERATIONS**

The new lease agreement includes a new rental rate of \$.36 per square foot or \$13,501 annually based on an appraisal completed in 2012 for sites used only for storage of aircraft. This rate was incorporated into the Board approved fee schedule for the Airport. Under the current agreement the existing rental rate is \$.62 per square foot or \$23,253 annually. The new rate represents a reduction of rent by \$.26 per square foot or \$9,751 annually for the first year. Each year on the anniversary of the commencement of the lease the rental rate will be adjusted based upon the Consumer Price Index (CPI) not to exceed 5% in any one year. A fair market value appraisal will be completed at the eleventh (11th) anniversary of the lease commencement. Any adjustments to the lease based on that appraisal will be brought to the Board for approval.

In addition to the reduction in lease rate, the Association will make a cash contribution to the Airport Enterprise fund for the purposes of capital improvements to the Airport. The contribution is in lieu of making capital improvements on the Site T premises. The rate of contribution is based on a calculation of \$5,000 per acre per year. The annual contribution, paid quarterly, will be \$4,305 for a total of \$107,625 over the life of the agreement. These funds are to be expended on projects the County determines to be necessary or advantageous to ongoing or future airport operations to benefit all tenants and the traveling public and not specifically in support of Site T.

### **RESULTS**

Approval of the new lease agreement will provide a long term agreement and a stable source of revenue for the Airport Enterprise Fund contributing to the goal of a safe and livable community.

### **ATTACHMENTS**

- Attachment 1: Site T Vicinity Map
- Attachment 2: Lease Agreement Clerk's Filed