



CITY COUNCIL STAFF REPORT

DATE: July 2, 2014 CONSENT AGENDA

SUBJECT: AMENDMENT NO. 5 TO SIGNATURE FLIGHT SUPPORT LEASE AGREEMENT A4821

FROM: David H. Ready, City Manager

BY: AIRPORT DEPARTMENT

SUMMARY

This action considers for Palm Springs International Airport tenant Signature Flight Support, to lease a vacant aircraft hangar and modify leasehold parcel boundaries.

RECOMMENDATION:

1. Approve Amendment No. 5 of Agreement No. A4821 with Signature Flight Support for the long-term lease of the aircraft hangar and apron located on Parcel 5 (Exhibit A attached), and release undeveloped, underutilized leasehold parcels back to the airport, commencing on July 15, 2014.
2. Authorize the City Manager to execute all necessary documents as required.

STAFF ANALYSIS:

Signature Flight Support is a Fixed Base Operator (FBO), conducting business on the Palm Springs International Airport under a long-term lease which extends through 2044. This leasehold consists of fourteen different parcels dispersed over a third of a mile in the West quadrant of airport property abutted by El Cielo and East Alejo roads. The nucleus of the Signature Flight Support property is a general aviation terminal complex and apron adjacent to the new FAA Air Traffic Control tower.

There are several airport controlled parcels mixed within the large Signature leasehold area. One of the most prominent parcels is a large 30,000 square foot aircraft hangar recently vacated by a corporate tenant Heckmann Enterprises. This parcel includes hangar facilities, apron, and adjacent vehicle parking which are in excellent condition and well suited for continued use by Signature Flight Support's operations. Signature

ITEM NO. 26

has been subleasing the property from Heckman Enterprises for several years for the purposes of storing aircraft. Now that the hangar is available, Signature wishes to incorporate it into their long-term lease with the City.

In addition to interest in the vacant corporate hangar, Signature Flight Support and staff have identified other leasehold parcels that either do not have taxiway access or have not been developed since the inception of their lease. Under this amendment, these identified parcels will be surrendered by Signature and returned to the airport's control for future development plans. The following exhibit illustrates all of the parcels involved in this lease amendment.



Under the amendment, Signature Flight Support would rent the vacant corporate hangar (Parcel 5), including the adjacent aircraft apron and vehicle parking lot, for the remainder of their long-term lease. The facility would be used for storage of transient and based aircraft, and Signature would have full responsibility for the maintenance and operation under a triple net basis. The airport would not have any financial obligation and the tenant accepts the facility in the current condition.

The lease amendment will include the return of three Signature held parcels, outlined above in green, and two easement areas highlighted in purple. All of these parcels will be utilized for other airport needs including accommodating future development of the terminal car rental facilities.

A collaborative meeting has been held with Sunmor Neighborhood Association representatives to provide them with all the facts related to this lease assignment in follow up to questions that they raised. It was thoroughly explained that Signature Flight Support had already been occupying the hangar for at least a half decade, under a sublease, for the same purpose as intended in this lease amendment. The manager of Signature was present at the meeting to describe how under their company's full control, the use of the hangar will be more neighbor friendly. There will no longer be engine startups right in front of the hangar because their procedure is to tow the aircraft to a common startup location. The neighborhood representatives expressed appreciation for the meeting and clarification of the hangar's use.

The Airport Commission recommended the approval of this lease amendment.

FISCAL IMPACT:

With the vacant hangar incorporated into the long-term Signature lease, the rental generated to the airport from Parcel 5 will be \$12,684 per month compared to the prior tenant's \$4,497.50 per month. The rental rates will then escalate predicated on consumer price indexing. In addition to rent, there are other concession revenues generated by the FBO customers as a percentage of gross sales on services ranging from aircraft parking to fuel sales, and various other services.

The return of vacant undeveloped parcels reduces Signature's current leasehold rent obligations by \$4,311 per month. However, this same property is projected to generate higher rents in future due to the land rates being adjusted to current market values. The car rentals expansion, which is on the near horizon, will also generate higher revenues from what is already the airport's single largest revenue source.



Thomas Nolan,
Executive Director, Airport



David H. Ready, City Manager

AMENDMENT NO. 5 TO LEASE 4821
SIGNATURE FLIGHT SUPPORT CORPORATION
OPERATING AND LEASE AGREEMENT
FOR FIXED BASE OPERATOR (FBO) SERVICES
AT PALM SPRINGS INTERNATIONAL AIRPORT

THIS AMENDMENT NO. 5 TO LEASE #4821 is made and entered into this fifteenth day of July 2014 (the "Effective Date"), by and between the CITY OF PALM SPRINGS, a charter city and California municipal corporation ("City"), and Signature Flight Support Corporation a Delaware corporation ("Tenant"). City and Tenant may hereinafter be referred to individually as a "Party" and collectively as "Parties".

RECITALS

WHEREAS, on January 21, 2004, City and Tenant entered into that certain Lease with Tenant for Fixed Base Operator (FBO) Services ("Agreement"), for Tenant's lease and operation of its FBO at Palm Springs International Airport ("Airport") as more specifically described in the Agreement;

WHEREAS, on October 24, 2004, and before Tenant, through its authorized subcontractor, commenced construction of improvements at the Airport on Parcels 3 and 6 pursuant to the Agreement, the Parties entered into Amendment No. 1 to the Agreement ("Amendment No. 1") in order to restrict construction on Parcels 3 and 6 to ensure appropriate and adequate access to the structures being constructed thereon exists at the Access Way, as such term is defined therein;

WHEREAS, on January 12, 2005, Amendment No. 1 was superseded in its entirety by Amendment No. 2 to the Agreement which added designated building setbacks on Parcels 3 and 6;

WHEREAS, on March 15, 2006, Amendment No. 3 to the Amendment removed certain language requiring a payment upon completion of the demolition to the Hangar located on Parcel 13;

WHEREAS, on September 1, 2010, Amendment No. 4 to the Agreement added definitions for flight school aircraft tie-downs, Aircraft Rescue and Firefighting (ARFF) emergency route, and revised the description of Parcels 1, 2, 4 and 6;

WHEREAS, the parties wish to amend the Agreement pursuant to the terms of this Amendment No. 5 as follows;

NOW THEREFORE, in consideration of the City's covenants set forth herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, City and Tenant mutually agree as follows:

Additional Premises: Parcel 5 and associated Improvements - Approximately 30,000 sq. ft. of Hangar, 2,000 sq. ft. of office/shop as well as associated car parking, and aircraft ramp area as depicted in Exhibit A.

Term: Commencing on the Effective Date through the existing Term of the Agreement - expiring on May 31, 2044.

Additional Rent: For, vehicle parking area, aircraft ramp area, and other non-building space on Parcel 5 Tenant shall pay \$0.44 per square foot by 106,659 square feet (\$46,929.96 annually) plus \$3.29/SF for the 32,000 square feet Hangar/Office space (\$105,280.00 per annum). Tenant also agrees to pay an additional \$40,000.00 per annum, to be paid in equal monthly installments of \$3,333.33 each, for the variance of existing corporate hangar space from the specifications as required by the Airport's current FBO minimum standards. At such time as Tenant meets or exceeds the additional corporate hangar space specified in the FBO Minimum standards, in place as of the Effective Date, such additional \$40,000.00 annual fee shall be immediately discontinued. The foregoing equates to total additional rent of \$192,209.96 per annum (plus applicable taxes), paid in twelve equal monthly installments.

Deleted Premises: Parcels 01 and 02, which do not have access to aircraft taxi lanes, and Parcel 10, together totaling 50,595 square feet. Parcel 12, as well as parts of Parcels 1, 2, 4, 7, 11 and 13 located within the taxi lane object free areas, or a total of approximately 107,858 square feet. The foregoing area, totaling 158,453 square feet, is hereby deleted from the description of Demised Premises under the Agreement. The annual rental credit in favor of Tenant for such combined space is \$51,734.99.

Premises: The modified Demised Premises, including the Additional Premises as described above shall be comprised of approximately 1,187,167 square feet of land as well as all improvements on such land, as more particularly depicted

on Exhibit A attached hereto and incorporated herein by this reference.

**Movement
Easement Area:**

The land and improvements located within the areas identified as the Movement Easement Area (on Exhibit A) do not form a part of the Demised Premises or Additional Premises and Tenant shall have no obligations to pay rent for or maintain the Movement Easement Areas as of the Effective Date. Tenant, and the employees, contractors, customers and subtenants of Tenant and other users of the Airport infrastructure shall at all times be permitted to travel on or across Movement Easement Area and City or any other parties may not park or block such areas at any time. Tenant shall at no time be obligated to facilitate any maintenance, improvements or other investment as may be required for the Movement Easement Areas. Landlord shall delineate the boundaries of the Movement Easement Areas within 90 days of the Effective Date.

Base Rent:

The Tenant will provide total annual Base Rent (which includes the Additional Rent for Parcel 5 as described above) totaling \$497,221.08. Payments will be made in 12 equal monthly installments of \$41,435.09 each. The adjusted Base Rent payments shall commence upon the Effective Date.

Escalation:

Base Rent shall increase based in accordance with the terms and conditions of the existing Agreement.

Permitted Use(s):

Tenant shall have the right to utilize Parcel 5 in accordance with the terms and conditions of the Agreement.

**Capital Improvements
& Due Diligence:**

The Premises on Parcel 5 shall be delivered in an "As-Is" condition. Tenant shall have the option to perform any and all due diligence on the property and building on or before 90 days from the Effective Date. Tenant may, at Tenant's sole discretion, seek to terminate the Agreement with respect to the Additional Premises only within such 90 day period. Termination shall reduce the Base Rent by the same amount allocated to Parcel 5 as set forth above identified as Additional Rent, and Tenant shall have no further obligations to Landlord with respect to Parcel 5. As of the 91st calendar day following the Effective Date. Tenant shall no longer have the option to terminate Premises from the leasehold under the Agreement. The

environmental condition as of the Effective Date shall be benchmarked via a Phase 1 and/or Phase 2 environmental analysis and any pre-existing conditions shall not be the liability of Tenant. Tenant shall be responsible only for environmental conditions arising from and after the Effective Date. Should the Tenant discover any condition that requires mitigation and/or expense, the City shall have the right to terminate the Agreement as to Parcel 5 within 30 calendar days after the notice from the Tenant.

Operating Costs/Taxes: As of the Effective Date, Tenant shall be responsible for the Operating Costs, Utilities, Maintenance Costs and Property Taxes (if any) for the Demised Premises and Additional Premises for the duration of the Term.

Full Force and Effect: Except as expressly modified herein all other provisions of the Agreement shall remain unmodified and in full force and effect.

Corporate Authority: The persons executing this Agreement on behalf of the Parties hereto warrant that (i) such Party is duly organized and existing, (ii) they are dully authorized to execute and deliver this Amendment on behalf of said Party, (iii) by so executing this Amendment, such Party is formally bound to the provisions of the Amendment, and (iv) the entering into this Amendment does not violate any provision of any other agreement to which said Party is bound.

(SIGNATURE PAGE FOLLOWS)

IN WITNESS WHEREOF, the Parties have executed and entered into this Agreement as of the date first written above.

ATTEST:

CITY OF PALM SPRING
a municipal corporation

By: _____
City Clerk

By: _____
City Manager

APPROVED AS TO FORM:

By: _____
City Attorney

TENANT: Check one: Individual Partnership Corporation

Corporations require two notarized signatures: One from each of the following: A. Chairman of Board, President, or any Vice President: AND B. Secretary, Assistant Secretary, Treasurer, Assistant Treasurer, or Chief Financial Officer.

SIGNATURE FLIGHT SUPPORT CORPORATION

SIGNATURE FLIGHT SUPPORT CORPORATION

By: _____
Signature (notarized)

By: _____
Signature (notarized)

Name: _____

Name: _____

Title: _____

Title: _____

State of _____

State of _____

County of _____

County of _____

On _____ before me, _____

On _____ before me, _____

personally appeared _____
who proved to me on the basis of satisfactory
evidence to be the person(s) whose name(s)
is/are subscribed to the within instrument
and acknowledged to me that he/she/they
executed the same in his/her/their authorized
capacity(ies), and that by his/her/their
signature(s) on the instrument the person(s),
or the entity upon behalf of which the
person(s) acted, executed the instrument.

personally appeared _____
who proved to me on basis of satisfactory
evidence to be the person(s) whose name(s)
is/are subscribed to the within instrument
and acknowledged to me that he/she/they
executed the same in his/her/their authorized
capacity(ies), and that by his/her/their
signatures(s) on the instrument the person(s)
or the entity upon behalf of which the
person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY
under the laws of the State of California that
the foregoing paragraph is true and correct.

I certify under PENALTY OF PERJURY
under the laws of the State of California that
the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

WITNESS my hand and official seal.

Notary Signature: _____

Notary Signature: _____

Notary Seal:

Notary Seal:

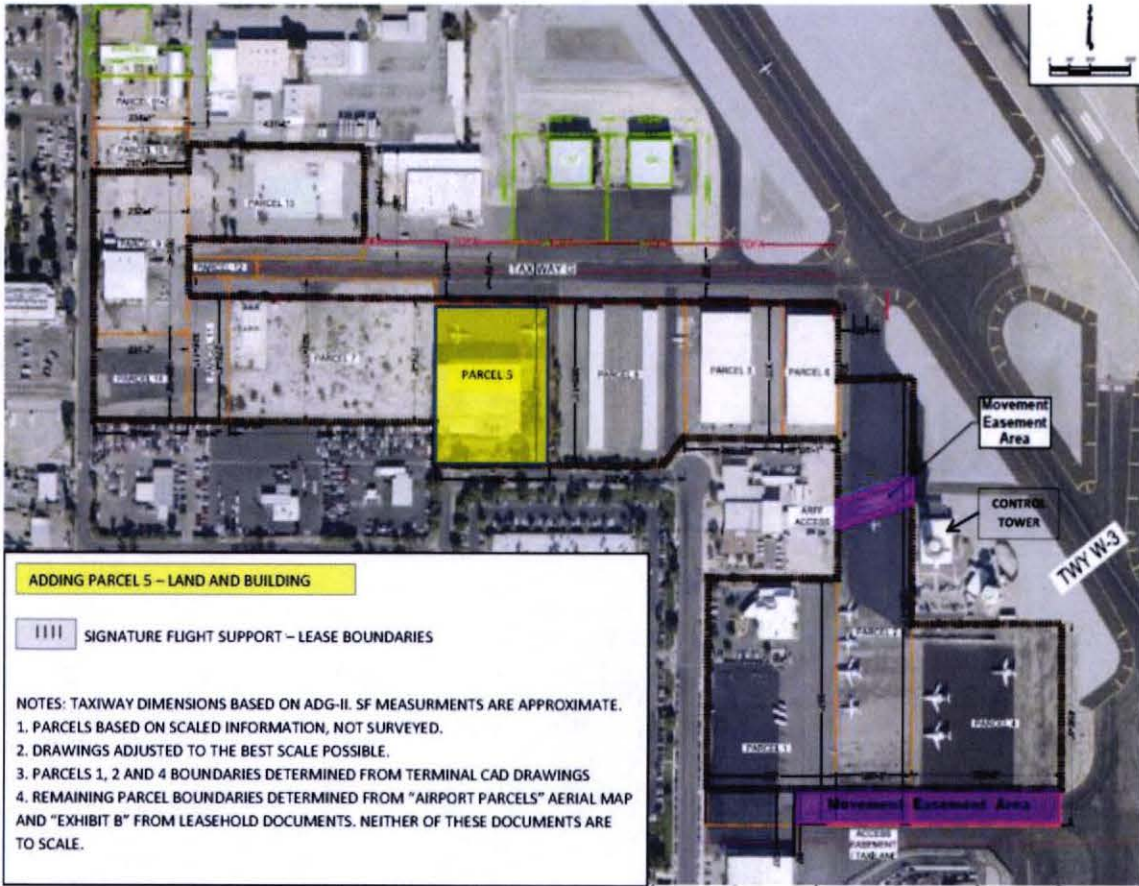


EXHIBIT A