



## CITY COUNCIL STAFF REPORT

DATE: September 3, 2014 CONSENT AGENDA

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

FROM: David H. Ready, City Manager

BY: AIRPORT DEPARTMENT

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### SUMMARY

This action considers a lease amendment for Palm Springs International Airport tenant Signature Flight Support adding a vacant aircraft hangar and modifying other unused parcel boundaries to the leasehold.

### 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 October 1st, 2014.
2. Authorize the City Manager to execute all necessary documents as required.

### STAFF ANALYSIS:

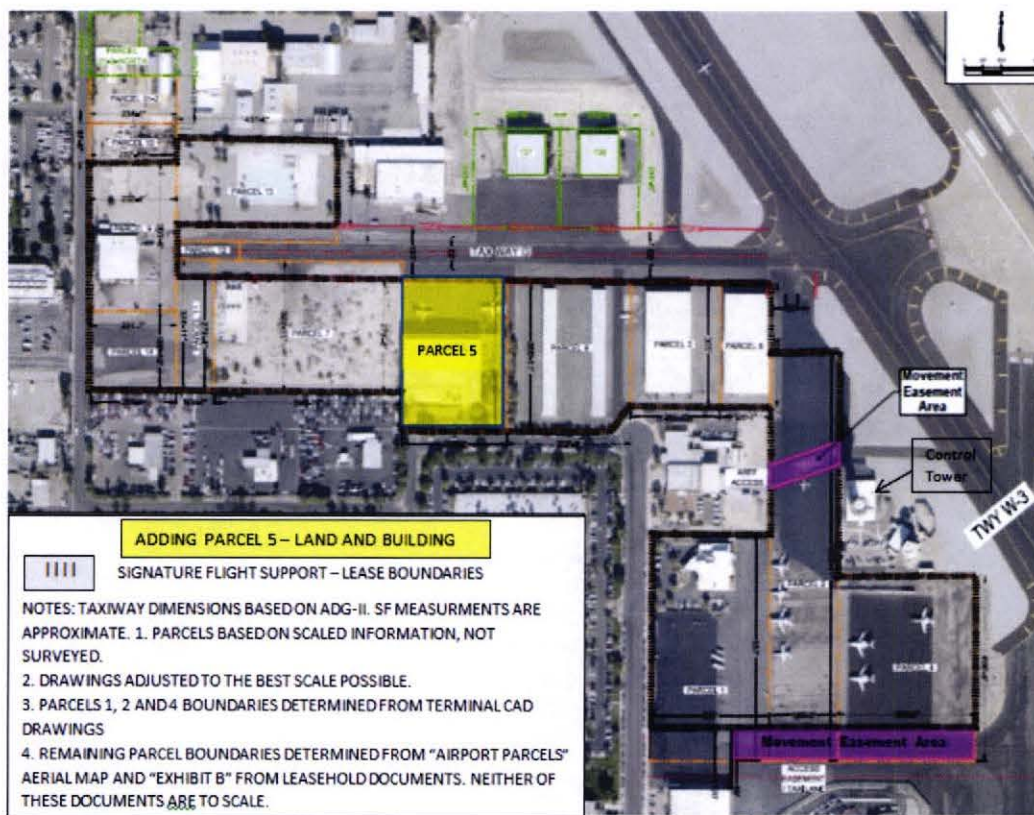
Signature Flight Support is a Fixed Base Operator (FBO) conducting business on the Palm Springs International Airport under a long-term lease which extends through 2044. This leasehold consists of fourteen different parcels dispersed over a third of a mile in the west quadrant of airport property abutted 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 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. Signature has been subleasing the property from Heckmann Enterprises for several years for the purposes

of storing aircraft. Now that the hangar is available, Signature wishes to incorporate it into its 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.

EXHIBIT A



Under the amendment for the remainder of the current long term lease, Signature Flight Support would rent the vacant corporate hangar (Parcel 5) at an initial rate of \$105,280.00 per annum, including the adjacent aircraft apron and vehicle parking lot at an initial rate of \$46,929.96 per annum, for a total of \$152,209.96 per annum or \$12,684.16 per month. These rates will be subject to consumer price adjustment as provided under the existing agreement. 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.

Sunmor Neighborhood Association, which represents the homes adjacent to the Airport's West boundary and closest to the Signature Flight Support facilities, expressed some concern about Signature occupying the hangar. A meeting was then held between City staff and the Sunmor board representatives to clarify the purpose and facts about the use of the hangar. It was explained that Signature Flight Support had already been occupying the hangar for at least a half decade, under a sublease with past owner Heckmann Enterprises, for the same purpose as intended in this new lease amendment. The manager of Signature was present at the meeting to describe how her company's full control of the hangar will result in improved neighbor friendly operations due to the elimination of engine startups at the hangar. The previous owner of the hangar conducted engine startups with his jets at the hangar. The neighborhood representatives expressed appreciation for the meeting and reviewed the final lease amendment which contained favorable language about "good neighbor" compatibility. The Airport Commission recommended the approval of this lease amendment.

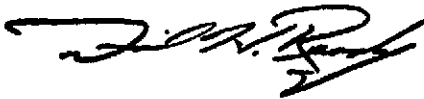
FISCAL IMPACT:

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 per month. The rental rates will then escalate based 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 will generate higher future rents because the land rates can now be adjusted to current market value, and the car rental facility expansion called for in the master plan will generate higher revenues.



Thomas Nolan,  
Executive Director, Airport



David H. Ready, City Manager

Attachments: Lease Amendment No. 5

AMENDMENT NO. 5 TO LEASE A4821  
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 A4821 is made and entered into this First day of October 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 29, 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 24, 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;

## AGREEMENT

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. Tenant shall not commit, or suffer to be committed, any waste upon the Demised Premises, or any nuisance or other act or thing, which may unreasonably disturb any other tenant or occupant of the Airport, or which causes discomfort or annoyance to any reasonable person of normal sensitiveness residing in any of the residential communities contiguous to the Airport property.

**Nondiscrimination:**

There shall be no discrimination against or segregation of any person or group of persons on account of race, sex, sexual orientation, marital status, color, creed, national origin or ancestry, in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the Demised Premises herein leased, nor shall the Tenant itself, or any person claiming under or through it, establish or permit any

such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, sub lessees, subtenants or vendors in the Demised Premises.

**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 91<sup>st</sup> 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.




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: \_\_\_\_\_

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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  
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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

