



City Council Report

City Council Meeting: September 24, 2019
Agenda Item: 3.A

To: Mayor and City Council
From: Susan Cline, Director, Public Works, Airport
Subject: Execute Lease Agreement with Santa Monica Air Center for Land at 3021 and 3025 Airport Avenue and Auxiliary Storage Structures

Recommended Action

Staff recommends that the City Council:

1. Authorize the City Manager to negotiate and execute a Lease with Santa Monica Air Center Inc., a California-based company, for the land underlying and immediately surrounding the buildings located at 3021 and 3025 Airport Avenue, and the land directly beneath four storage units and one T-hangar in an area adjacent to these buildings for a term through December 31, 2028 at a monthly base rent of \$30,690 per month.
2. Authorize budget changes as outlined in the Financial Impacts & Budget Actions section of this report.

Summary

As part of operating the Santa Monica Airport, the City enters into leases for buildings and facilities under the Airport Leasing and Licensing Policy with all proceeds going to the Airport Fund for airport operations and maintenance. Santa Monica Air Center, Inc. (SMAC) is a long-term Airport tenant that has leased City-owned land under and adjacent to Barker Hangar. Over time, SMAC's business has evolved from providing aviation services as a fixed-base operator to organizing and holding special events at Barker Hangar. SMAC also subleases to subtenants for both aviation and non-aviation uses. As the Airport Leasing and Licensing Policy precludes subleasing for City-owned buildings, this is the final airport lease to be brought into compliance with that Policy.

SMAC's land lease expired on June 30, 2015. Since then, SMAC has remained a holdover tenant. Staff negotiated a new proposed lease with SMAC to:

1. Reduce the area of the leased premises to the land underlying and immediately surrounding the buildings located at 3021 and 3025 Airport Avenue (includes Barker Hangar) and directly beneath four storage units and one T-hangar used for events held at Barker Hangar;
2. Increase the base rent to a fair market value of \$30,690 per month, subject to 3 percent annual increases beginning on the third year of the lease. The term of the proposed lease agreement is through December 31, 2028. In order to accommodate the City's plans to expand Airport Park, the proposed lease will include conditional clauses allowing the City to terminate the lease, for the portions of the leased land that would accommodate the expansion, after two years, with six-months written notice.

Under the terms of the proposed lease, SMAC would retain ownership of the buildings and pay for improvements for these buildings during the lease term, but ownership of the buildings and improvements would be transferred to the City upon termination of the lease.

Discussion

The City executed lease agreement #8545 with SMAC on March 16, 2006 for approximately 300,000 square feet of land at the Santa Monica Airport. The lease permitted SMAC to sublease buildings, conduct aviation-related activities, and conduct non-aviation activities including using the space (primarily Barker Hangar) for special events and filming activities. The lease expired in June 30, 2015, and since that time SMAC has, with the permission of the City, retained possession of the premises on a month-to-month basis pending negotiation and execution of a new lease agreement with the City. Currently SMAC's monthly base rent is \$19,420 per month.

The proposed new lease with SMAC would reduce the size of the leasable land from approximately 300,000 square feet to approximately 99,000 square feet. The land subject to the proposed new lease consists of three separate parcels: Premises A, which is approximately 90,000 square feet of land underlying and immediately surrounding the building located at 3021 Airport Avenue (Barker Hangar); Premises B,

which is approximately 7,000 square feet of land underlying and immediately surrounding the building located at 3025 Airport Avenue (adjacent to Premises A); and Premises C, which is 2,000 square feet of land adjacent to Premises A that underlies four storage units and one T-Hangar used by SMAC for business purposes. Attachment A contains three exhibits (A, B, and C) showing the three parcels constituting Premises A, B, and C.

SMAC would be responsible for all utilities, services, repairs, replacements, maintenance, improvements or items related to compliance associated with the premises. SMAC would also be responsible for paying possessory interest taxes directly to the County of Los Angeles and for any other taxes that may be levied on the premises during the lease.

The proposed lease would allow SMAC to use the premises for event space, wholesale and retail sales, filming, general office space, and related uses. All other uses will be subject to reasonable approval from the City. During the lease term, SMAC would be allowed to retain existing subleases and enter into new subleases on Premises A, B and C. Subleases on the larger areas formerly leased by SMAC but excluded from the proposed lease ("Added Event Areas") would be terminated. Attachment A contains three exhibits showing the Added Event Areas: Exhibit D (East Parking Areas A and B), Exhibit E (Taxi lane), and Exhibit F (West Parking Area B-1).

The proposed lease would also grant SMAC priority, subject to availability, for the use of the Added Event Areas for events (whether for parking or other event-related needs) as long as SMAC provides the City with more than 72 hours' notice of their intent to use these areas. Use of the Added Event Areas would be either pursuant to a license agreement for parking at a cost of \$2 per space per day, or on a short-term, fixed daily area rental rate that would range from \$140 to \$1,540 depending on the particular Added Event Areas used.

The term of the proposed lease would be from September 24, 2019 through December 31, 2028. To accommodate the City's plans to expand Airport Park into Premises B,

Premises C, and certain parts of the Added Event Areas, the proposed lease would include provisions that: (a) allow either party to terminate the lease for Premises B on six months' notice any time after two years following lease commencement; (b) allow the City the right to terminate the lease for Premises C on six months' notice any time after two years following lease commencement; and (c) allow SMAC to terminate the lease in its entirety on six months' notice if two of the Added Event Areas (East Parking Areas A and B) are permanently removed from availability for SMAC's use during events or in the event SMAC, with reasonable documentation, demonstrates that SMAC business operations are no longer financially viable.

SMAC currently owns the buildings on the leased land and will remain responsible for implementing improvements on the leased land (including Barker Hangar), with the exception of the driveway east of Barker Hangar that is approximately 15,500 square feet where the City will be responsible for the one-time capital cost of paving the driveway within the first five years of the lease term. Under the terms of the proposed lease, SMAC would retain ownership of the buildings and pay for improvements during the lease term, but ownership of the buildings and improvements would be transferred to the City upon termination of the lease.

Financial Impacts and Budget Actions

Staff budgeted \$294,420 in lease revenue for FY 2019-20 from SMAC, which represented an anticipated increase in rental revenue from \$19,420 to \$25,000 per month for 11 months. Under the proposed agreement, the annual leasing revenue will be \$336,724, with the commencement date of September 24, 2019, later than previously anticipated. Therefore, the recommended lease with SMAC will generate an additional \$42,304 in Airport revenues during FY 2019-20 in account 57500001.409900.

Prepared By: Stelios Makrides, Airport Manager

Approved

Forwarded to Council



Susan Cline, Director

9/11/2019



Rick Cole, City Manager

9/16/2019

Attachments:

- A. Exhibits A, B, C, D, E, F
- B. Santa Monica Air Center, Inc. Oaks Initiative Disclosure Form

Exhibit A

Premises A - 3021 Airport Avenue 90,000 Sq. Ft.



Los Angeles Region Imagery Acquisition Consortium (LARIAC) Program | Los Angeles Region Imagery Acquisition Consortium (LARIAC) | Emilio Solano | Los Angeles County | Assessor | 500 W

Legend

City Boundary



Aerial Imagery

Santa Monica 4in Aerial Imagery 2017

■ Red: Band_1

■ Green: Band_2

■ Blue: Band_3

0 200 400
ft

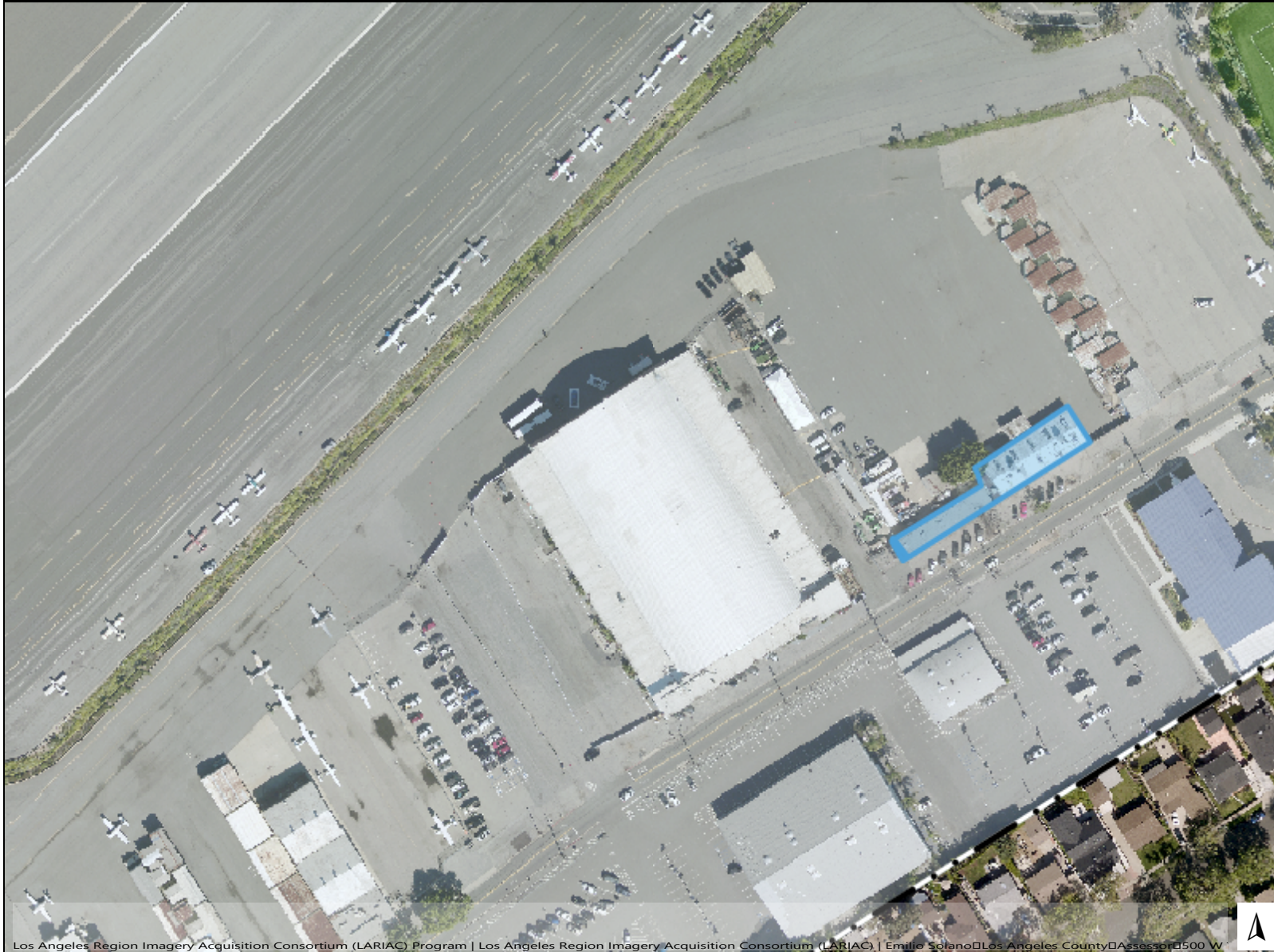


Notes

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Exhibit B

Premises B - 3025 Airport Avenue 7,000 Sq. Ft.



Los Angeles Region Imagery Acquisition Consortium (LARIAC) Program | Los Angeles Region Imagery Acquisition Consortium (LARIAC) | Emilio Solano | Los Angeles County Assessor | 500 W

Legend

City Boundary



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Santa Monica 4in Aerial Imagery 2017

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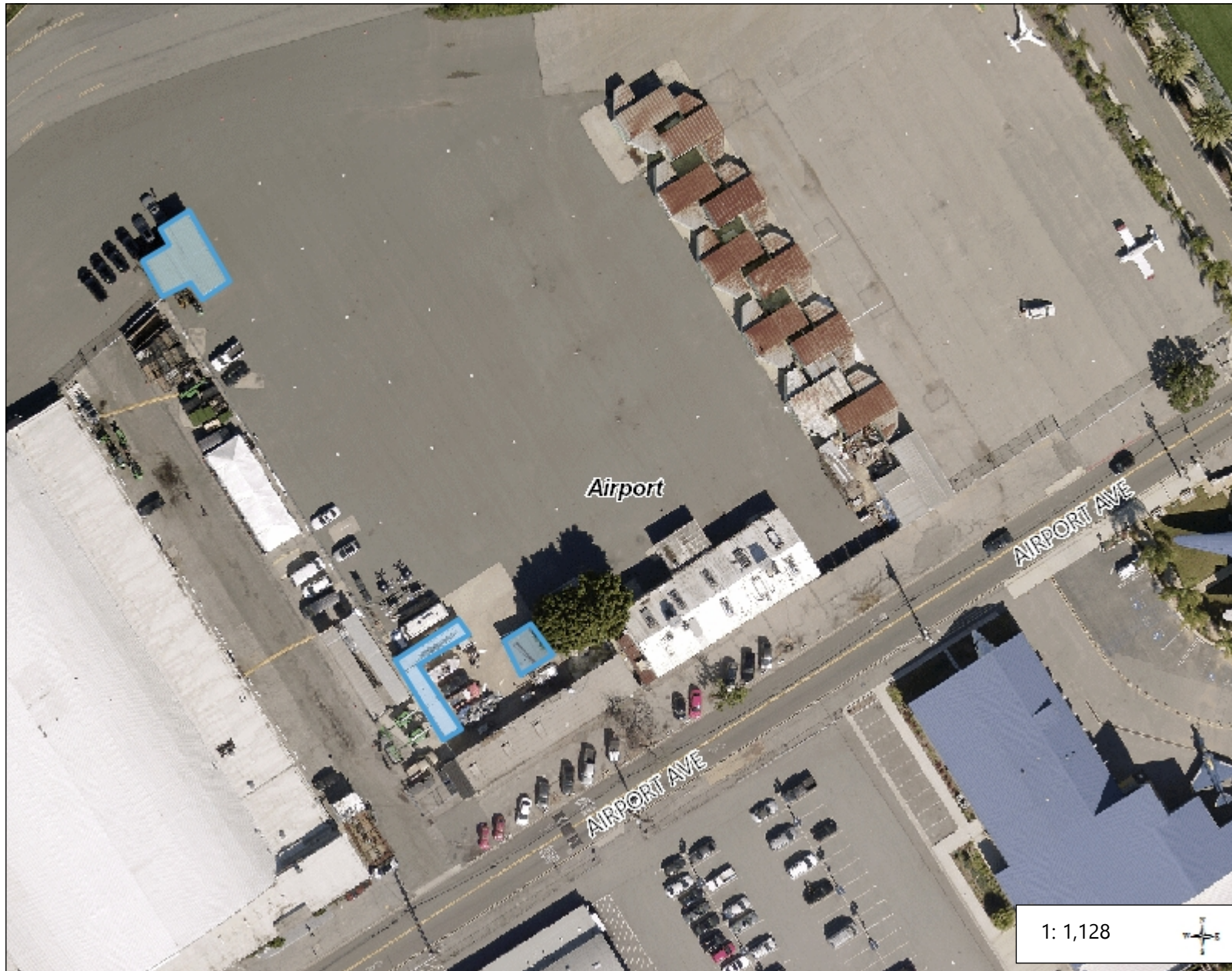


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Exhibit C

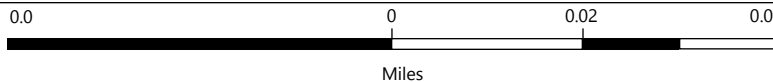
Premises C - Hangar and Storage Units, 2,000 Sq. Ft.



Legend

- Address Numbers
- Public Places
- City Boundary

Notes



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Exhibit D Parking Area East



Legend

City Boundary



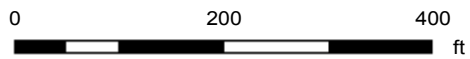
Aerial Imagery

Santa Monica 4in Aerial Imagery 2017

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Legend


City Boundary



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Los Angeles Region Imagery Acquisition Consortium (LARIAC) Program | Los Angeles Region Imagery Acquisition Consortium (LARIAC) | Emilio Solano | Los Angeles County | Assessor | D500 W

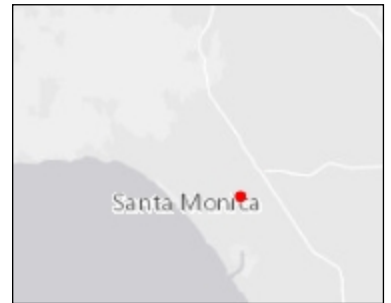
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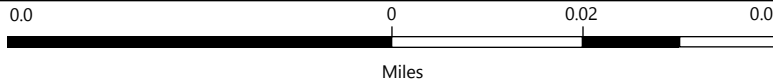
Exhibit F West Parking Lot (B-1 Parking Lot)



Legend

-  Address Numbers
-  Public Places
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1: 1,128





CITY OF SANTA MONICA OAKS INITIATIVE DISCLOSURE FORM

In order to facilitate compliance with the requirements of the Oaks Initiative, the City compiles and maintains certain information. That information includes the name of any person or persons who is seeking a "public benefit." If the "public benefit" is sought by an entity, rather than an individual person, the information includes the name of every person who is: (a) trustee, (b) director, (c) partner, (d) officer, or has (e) more than a ten percent interest in the entity.

Public benefits include:

1. Personal services contracts in excess of \$25,000 over any 12-month period;
2. Sale of material, equipment or supplies to the City in excess of \$25,000 over a 12-month period;
3. Purchase, sale or lease of real property to or from the City in excess of \$25,000 over a 12-month period;
4. Non-competitive franchise awards with gross revenue of \$50,000 or more in any 12-month period;
5. Land use variance, special use permit, or other exception to an established land use plan, where the decision has a value in excess of \$25,000;
6. Tax "abatement, exception, or benefit" of a value in excess of \$5,000 in any 12-month period; or
7. Payment of "cash or specie" of a net value to the recipient of \$10,000 in any 12-month period.

Name(s) of persons or entities receiving public benefit:

Name(s) of trustees, directors, partners, and officers:

Name(s) of persons with more than a 10% equity, participation, or revenue interest:

Prepared by: _____ Title: _____

Signature: Judi Barker Date: _____

Email: _____ Phone: _____

FOR CITY USE ONLY:

Bid/PO/Contract # _____

Permit # _____

REFERENCE:

Lease No. 10940 (CCS)