

TO: James L. App, City Manager
FROM: Meg Williamson, Assistant City Manager
SUBJECT: Aviation Consultants, Inc. (ACI) Lease Amendment - Restaurant Space
DATE: August 5, 2014

Needs: For the City Council to authorize the terms for an amendment to the existing Fixed Base Operator (FBO) services lease with Aviation Consultants, Inc. (ACI) to include restaurant space and operations within the Airport Terminal.

Facts:

1. After an extensive search and competitive process, the City entered into a multi-year lease with ACI in June 2011 for Fixed Base Operator (FBO) and fueling services at the Municipal Airport.
2. The 10-year lease provides for an initial 3-year term, with two options for extensions of 3 and 4 years respectively. Upon ACI's exercise of an option to extend, market rate adjustments may be made to lease rates.
3. ACI has reached the end of the original 3-year lease term and has exercised its first 3-year option in a timely fashion. Additionally, ACI has indicated its desire to add the vacant terminal restaurant space as part of the leased premises.
4. The expressed goal by ACI for the restaurant space is to seek out a delicatessen or similar food service subtenant who will enhance services in the terminal for on-airport businesses, the community at large, and visitors.
5. On June 20, 2014, the City Council Airport Liaison committee (Ed Steinbeck and John Hamon) met with ACI representatives to discuss potential lease rate terms and service expectations for a restaurant operation.
6. The Council Liaison members had great praise for the high quality of service and level of professional operations that ACI is currently providing at the Paso Robles airport. They expressed high confidence in ACI taking over the restaurant area and making the food concession a success.
7. The current monthly lease rate for ACI's combined space (FBO hanger and terminal concourse) is \$8,948. The proposed modified monthly lease rate with the addition of the restaurant space is \$10,744.
8. The Council Liaison members discussed and recommended an amended lease arrangement that would include the restaurant area/concession for a 3-year term (that aligns with the current 3-year lease option that is being exercised for the FBO lease), with the remaining option to extend for 4-years for both the restaurant and the FBO space. The combined rental rate of \$10,744 would include annual escalation as provided for within the current FBO lease.

Analysis &

Conclusion: The professional quality of services and dependable operations delivered by ACI have been a contributing factor in the modest upward trend of airport enterprise income (primarily from fuel sales, but also in regular rental income). ACI has proven to be a strong partner in our common business goals of enhancing aviation services and attracting new investment at the airport.

Including the restaurant space as part of ACI's lease presents a new opportunity for success in a tenant space that has historically proven difficult. ACI will assume responsibility for finding an appropriate restaurateur, while assuring the City a rental return on the currently vacant space.

The proposed business terms are market-based and will align with the current multi-year FBO lease. Upon the Council's authorization, a lease amendment that specifically includes the restaurant space and concession will be drafted with the assistance of the City Attorney and executed as soon as possible.

Policy

Reference: Council 2008-2011 Goals (Goal - C3) to develop the Airport and improve/expand general aviation, commercial and visitor service. FBO Lease and Concession Agreement with ACI, executed June 15, 2011.

Fiscal

Impact: Rental income for the FBO Hanger/Office is increasing from approximately \$8,158/month to \$9,000/month (a 10.3% increase that exceeds CPI escalation). Rental income for the combined Terminal Concourse and Restaurant space will be \$1,744/month (calculated at 0.75/s.f.). The proposed cumulative lease income of \$10,744 monthly (\$128,934 annually) represents a twenty percent (20%) increase in airport enterprise income over the current income being received for this combined space.

Options:

- A. Adopt the attached Resolution 14-XXX:
 - 1) Authorizing the City Manager to enter into an amended Lease and Concession Agreement with Aviation Consultants, Inc. (ACI) for the 1,780 s.f. of restaurant space within the Airport Terminal, incorporating the business terms stated above, to be drafted and approved by the City Attorney; and
 - 2) Setting a combined lease rate of \$10,744 for the existing FBO lease area(s) and restaurant space to be subject to escalations as provided for in the current FBO lease agreement; or
- B. Amend, modify, or reject the above option.

Attachments:

1. Resolution 14-XXX authorizing the business terms for an amended Lease & Concession agreement with ACI

RESOLUTION NO. 14-xxx

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF EL PASO DE ROBLES
APPROVING BUSINESS TERMS FOR AN AMENDMENT TO THE FBO LEASE AND
CONCESSION AGREEMENT WITH AVIATION CONSULTANTS INC. (ACI) TO
INCLUDE RESTAURANT SPACE/CONCESSION AT THE MUNICIPAL AIRPORT

WHEREAS, the selection of a high-quality Fixed Base Operator and successful negotiation of a mutually beneficial lease is a key business goal for the City's Airport enterprise; and

WHEREAS, after an extensive search and competitive process, the City entered into a multi-year lease ("Lease") with ACI on June 15, 2011 for Fixed Base Operator (FBO) and fueling services at the Municipal Airport; and

WHEREAS, the Lease provides for an initial 3-year term, with two options to extend of 3 and 4 years respectively, with market rate adjustments to lease rates possible upon the exercise of an option; and

WHEREAS, ACI has reached the end of its first 3-year Lease term and has timely exercised its first 3-year option to extend; and

WHEREAS, ACI desires to add the vacant (1,780 s.f.) terminal restaurant space as part of its leased premises under the Lease; and

WHEREAS, ACI has stated it will seek a delicatessen or similar food service subtenant to occupy the restaurant space and who will enhance services in the terminal; and

WHEREAS, on June 20, 2014, the City Council Airport Liaison committee (Ed Steinbeck and John Hamon) met with representatives of ACI to discuss potential lease rates and service expectations for a restaurant operation; and

WHEREAS, the Council Liaison members discussed and recommended an amended lease arrangement that would include the restaurant area/concession as part of the leased premises for a 3-year term, concurrent with the lease extension option being exercised for the FBO lease, with one remaining option term of 4-years for the entire leased premises; and

WHEREAS, including the restaurant space as part of ACI's lease presents a new opportunity for success in a tenant space that has historically proven difficult as ACI will assume responsibility for finding an appropriate restaurateur, while assuring the City a rental return on the currently vacant space; and

WHEREAS, the proposed business terms are market-based, align with the current multi-year FBO lease and will be in the best interests of the Airport enterprise.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF EL PASO DE ROBLES DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. The recitals above are hereby incorporated into this Resolution.

Section 2. The City Council hereby approves leasing to Aviation Consultants Inc., (ACI) the 1,780 square feet of restaurant space within the Airport Terminal, and to add such area as part of the defined leased premises under the existing Lease between the City and ACI, with the intent that ACI will seek an operator to provide food service therein.

Section 3. The City Council hereby sets the combined lease rate of \$10,744 for the existing FBO lease area(s) and the restaurant space, which rate shall be subject to escalation as provided for in the current Lease.

Section 4. The City Attorney is hereby directed to draft, and the City Manager is authorized to execute, an Amendment to the Lease and Concession Agreement with Aviation Consultants, Inc. (ACI) for the combined FBO and restaurant space/operations for a 3-year term plus one option to extend the term for 4-years and incorporating the other business terms stated in this Resolution.

PASSED AND ADOPTED this 5th day of August 2014, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Duane Picanco, Mayor

ATTEST:

Caryn Jackson, Deputy City Clerk