

29

COUNTY OF SACRAMENTO
DEPARTMENT OF AIRPORTS

6968 AIRPORT BOULEVARD
SACRAMENTO, CALIFORNIA 95837
(916) 929-5411



DIRECTOR OF AIRPORTS
George W. McLaughlin

FILED

By the City Council
Office of the City Clerk
*referred to
City Atty &
Report due 7-8-80
JUL 1 1980*

May 27, 1980

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: Lease Agreement - Patterson Aircraft Company - Sacramento Executive Airport

SUMMARY

Patterson Aircraft Company (PATCO) is a full-service Fixed Base Operator (FBO) at Sacramento Executive Airport providing aircraft sales, repairs and maintenance, aircraft rentals, and flight instruction. As part of the Executive Airport Master Plan, many buildings now leased by PATCO were identified for removal because of their age, condition, and appearance. The County of Sacramento and PATCO have agreed to a new long-term lease agreement under which PATCO will privately invest nearly \$2.0 million in constructing a new facility on the airport, to include removal of all the old buildings at the southwest corner of their site. Because the term of the lease needed for financing, thirty-five years, exceeds the current term of the lease between the City and County for the airport, the County is presenting the lease to the City for approval.

BACKGROUND INFORMATION

On March 25, 1980, the County Board of Supervisors approved the above noted lease between the County and PATCO and authorized the Department of Airports to present the lease to the Sacramento City Council for approval. On March 10, 1980, the Department of Airports' staff met with the City Planning Department staff to provide the lease for staff review prior to presentation to the City Council. Previously, Airport staff met with other City officials to review the project.

The lease is scheduled to go into effect the first day of the month following approval by the County and action by the City. Since PATCO would like to commence construction as soon as possible but must first prepare final plans and bid specifications, time is of the essence in obtaining approval by the City so that the project may proceed.

The following is a summary of the highlights from the PATCO lease:

1) Full Service Fixed Base Operation (FBO). PATCO has been a tenant at Executive Airport since 1954. Some of the buildings they have been leasing date back to 1929 and their condition and appearance reflect this. As a full service FBO under the new lease, they will be required to provide the following services to the public throughout the term of the lease: aircraft dealer or distributor; repair of aircraft engines, airframes, avionics and instruments; sale of aircraft parts, supplies, avionics and instruments; flight and ground instruction; aircraft rental; and, aircraft storage.

2) Triple Net Building and Ground Lease. The property to be leased includes:

- a) 7+ acres of ground area at the corner of Freeport Boulevard and the airport exit road. This is one of the most highly visible commercial sites on the airport and is currently occupied by PATCO and other tenants housed in old and unsightly buildings. A portion of the site is also used for aircraft ramp space.
- b) Several buildings will be included in the lease, including those currently occupied by PATCO (hangars, office building, and shops--most to be destroyed under the required construction) and a row of offices attached to a large PATCO leased hangar (designated Hangar M-3). The Hangar M-3 offices contain three offices currently leased to PATCO, restrooms, and five small offices leased to others. County will lease to, but retain possession of, two shops in this row of M-3 offices. One contains the electrical vault that provides electricity for areas of the airport other than PATCO, including the runway lights, and the other shop is the former Boiler Room now utilized as a maintenance shop by County personnel.
- c) The lease requires demolition or removal of all buildings on the site except Hangar M-3 and the M-3 office complex.
- d) The lease requires PATCO to provide all maintenance, interior and exterior, to the buildings and maintenance of the grounds, including the paved ramp area.

3) Investment/Construction.

- a) PATCO's investment in the new construction included in Phase I and II will range from \$1.5 - \$2.0 million.
- b) Phase I construction includes: (1) the destruction of two old lean-to office buildings on the south side of Hangar M-3 (the existing tenants will be relocated on the airport);

- (2) the construction of a new building on the cleared site on the south side of Hangar M-3 to house parts' storage and sales, avionics sales and repair, shops and shop offices;
- (3) the construction of ten or more T-hangars along the northern boundary of the leased site for aircraft storage to house aircraft that will be displaced from Hangar M-3; and, (4) the relocation of PATCO facilities so that Hangar M-3 is converted into exclusive use as a commercial aircraft maintenance building (thus greatly improving the efficiency and capacity of PATCO's aircraft maintenance operation), the existing Hangar 1 and Paint Hangar are cleared of maintenance activity, and the shops are moved from their old facilities to the new parts' building.
- c) Final plans for Phase I construction must be submitted to County for review within 90 days of the date that the lease goes into effect. County then has 60 days to review the plans and issue a Notice to Proceed. If plans cannot be agreed upon within this 60 day period then either PATCO or County may elect to terminate the lease. After receipt of Notice to Proceed from County, PATCO has 12 months to complete Phase I construction. Thus, construction will be completed no more than 17 months after the lease goes into effect (i.e. at the end of November 1981, if the lease becomes effective on July 1, 1980).
- d) Phase II construction includes the destruction or removal from the airport of five old buildings on the southwest corner of the site and the construction on the cleared site of a new building to house aircraft sales, flight training, and general administrative offices. It also includes the construction of a small auto parking area, some aircraft paving, and landscaping around the site.
- e) Plans for Phase II must be submitted to County by December 1, 1980. County has 60 days to review plans and issue a Notice to Proceed. After receipt of Notice to Proceed, Lessee has up to twelve months to commence construction, but Lessee may extend start-up of construction if adequate financing cannot be obtained. Once construction is commenced, PATCO has ten months to complete all of Phase II. However, if Phase II plans are not approved by County or if the approved Phase II projects are not under construction by February 1, 1983, then PATCO is obligated to immediately undertake either Phase II-A or Phase II-B construction. Phase II-A is simply the clearing of the southwest corner of the site of all the old buildings identified for destruction or removal under Phase II, paving the cleared site for aircraft parking, and surrounding the site with attractive landscaping. Phase II-B construction

has the same basic requirements as Phase II but would most likely provide plans for an office building on a smaller scale than the one now envisioned for Phase II. Under this time schedule, the latest that Phase II or Phase II-A (the clearing of the site and landscaping) construction could be completed would be the end of November 1983. If Phase II-B (another office building plan) replaced Phase II, its construction would have to be completed no later than the end of January 1984.

- f) PATCO also has the optional right to construct a fixed fueling facility on the leased premises. If PATCO exercises this right, the specific requirements for services to be provided are specified in the agreement.

4) Term. The term of the agreement, if the lease is approved by the City is thirty-five years. This length is needed to give PATCO adequate time to amortize their substantial investment and to secure long-term financing. If the City does not approve the lease, the lease will go into effect under County approval only, for a period of 35 years, but not to exceed the length of the term of the City/County lease for the airport.

5) Rights at Expiration of the Lease. At the end of the lease term, all improvements on the leased premises become the property of the County. Or, at County's option, PATCO may be requested to clear the site. If the County intends to relet the premises, PATCO has the right of first refusal to lease same.

6) Rent. Rental for the property is set to provide for a developmental period at the beginning of the lease term to allow for construction and the effect it will have on operations until the facility is completely developed. Rent is \$30,000.00 for the first year, \$32,400.00 for the second year, \$42,000.00 per year for the third through seventh years (the period when all the old buildings on the corner will be destroyed that house existing shops, administrative offices, flight training department, and maintenance hangars), and \$94,236.00 per year for the eighth and ninth years. The rent set in the eighth and ninth years is then used as the base for future increases. Rent for each subsequent three-year period and the final two-year period is increased by any increase in the Consumer Price Index for All Urban Consumers for the San Francisco-Oakland area. However, in the event Patterson does carry through with the construction of Phase II improvements as scheduled, their rental for the eighth and ninth years, the base for all future increases, will be reduced by \$13,596.00 to \$80,640.00. This recognizes their investment in the facility and also provides an incentive to carry through with the Phase II construction. A schedule is also provided which

allows a partial credit if Phase II is not commenced by February 1, 1983, as specified in the lease, but subsequently is commenced and completed prior to February 1, 1986. The credit is reduced by 25% for each year after February 1, 1983, in which construction is not completed.

In addition to the property rental, Patterson will pay commercial operating fees for their commercially operated aircraft. The fee is currently \$35.00 for the first aircraft and \$15.00 for each additional aircraft. Patterson will pay for a minimum of fifteen aircraft and any operated over the minimum.

In the event Patterson commences operation of an aircraft fueling facility, they will also pay fuel and oil flowage fees. The fuel flowage fees will be based on 4¢ per gallon for the first year of the lease, increasing by 0.5¢ each year. Oil flowage fees will be based on 5¢ per gallon for the first through third years of the lease, increasing by 0.5¢ each subsequent three-year and final two-year periods of the lease. The fees will go into effect when Lessee commences fuel and oil sales and will be the fees that would be in effect during that lease year. The fees will be reviewed by County every five years and if found to be substantially inequitable considering other airports' fees and relevant factors, the lease will be modified to change the fees.

7) Assignment and Sublease. Three of the existing M-3 office complex leases with the County will be assigned to PATCO and are attached to the lease (Robert P. Smith - expires February 1981, U.S. Dept. of Commerce National Weather Service - expires June 1981, and E & D Aviation Services - expires June 1981). Two additional offices will be subleased by Patterson back to the County, who may continue leases through 1984 with two long-term tenants of the airport. After that time the space will be turned over to PATCO, who may continue or not continue the subleases. County also reserves the right to approve any new subleases by PATCO and to require operating permits of airport subtenants.

8) Relocation of Other Tenants.

- a) Three tenants now located on the PATCO site will have to be relocated. Gottschalk Flight Center, a flying club offering flight instruction, rentals, and charters; and, Airborne Electronics, an avionics sales and repair business; are currently leasing space in the two old lean-to's at the north side of Hangar M-3. These buildings are scheduled for destruction under PATCO's Phase I construction plans. PATCO has allocated space on their site for the temporary location of two trailers for Gottschalk and Airborne. Both tenants

are then tentatively planning to move into a new building proposed by E & D Aviation Services. However, if E & D's building is not constructed, the County is investigating alternate existing facilities that may accommodate them.

- b) The site of the State Fish & Game hangar, located on the southwest corner of PATCO's proposed site, will not become a part of PATCO's leased premises until cleared, but not later than July 1981. Fish & Game's current lease expires in February 1981, at which time the building becomes the property of the County. It is the intent of the County to move the hangar to another site on the airport and we are now negotiating a new lease with the State.

9) Advantages of PATCO Lease. In summary we would like to enumerate some of the main advantages we believe will be derived from the implementation of this lease:

- a) It is a major step toward implementing the Executive Airport Master Plan, which earmarked old facilities on this site for removal.
- b) It provides for the destruction of old, unsightly and inefficient buildings.
- c) It provides for the construction of new, properly designed and aesthetically pleasing buildings on a highly visible location.
- d) It will act as an incentive for upgrading other airport facilities.
- e) Substantial private (and no public) investment will be made on the airport.
- f) New private employment and taxes will be created through the construction of the new facility.
- g) The lease provides for a fair return to the County.

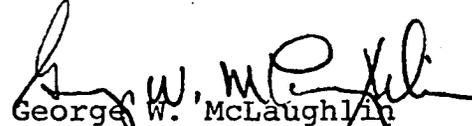
FINANCIAL IMPACT

No City or County investment will be required in the development of this facility. Additional tax revenue will result from the construction of new buildings which will have greatly increased value compared to the existing structures.

RECOMMENDATION

It is recommended that the City Council approve the attached resolution authorizing the execution of the lease between the City of Sacramento, the County of Sacramento and Patterson Aircraft Company (PATCO) for property rental for Fixed Base Operator (FBO) development at Sac-Executive Airport.

Respectfully submitted,


George W. McLaughlin
Director of Airports

Attachment

June 4, 1980
All Districts

RESOLUTION NO.

Adopted by The Sacramento City Council on date of

June 4, 1980

RESOLUTION AUTHORIZING THE EXECUTION OF AGREEMENT BETWEEN THE COUNTY OF SACRAMENTO, CITY OF SACRAMENTO, AND PATTERSON AIRCRAFT COMPANY FOR PROPERTY RENTAL FOR FIXED BASE OPERATOR (FBO) DEVELOPMENT AT SACRAMENTO EXECUTIVE AIRPORT

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

That the Mayor or Vice Mayor and the City Clerk are hereby authorized to execute on behalf of the City of Sacramento an agreement between the County of Sacramento, the City of Sacramento and Patterson Aircraft Company for property rental by Patterson Aircraft Company for Fixed Base Operator (FBO) development at Sacramento Executive Airport.

MAYOR

ATTEST:

CITY CLERK

44.78'

BOULEVARD

FREEPORT

5 14' 10" 21" W

N 88° 43' 39" W

705.38'

N 59° 51' E

PATTERSON AIRCRAFT COMPANY CONSTRUCTION PLANS

POINT OF BEGINNING

STATE OF CALIFORNIA
AGRICULTURE LABOR
RELATIONS LEASED
PROPERTY

F.A.A. DISTRICT
OFFICE LEASED
PROPERTY

BACK OF WALK

FENCE LINE

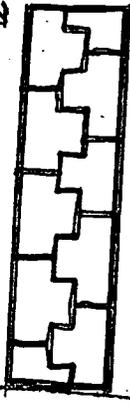
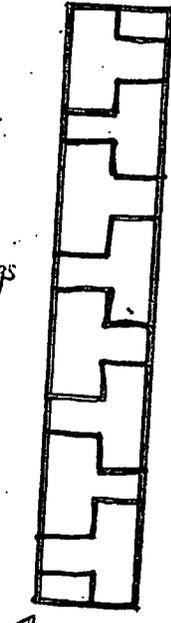
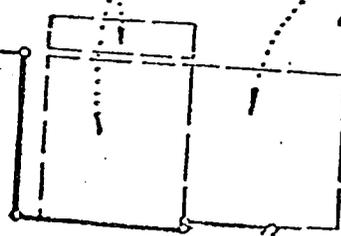
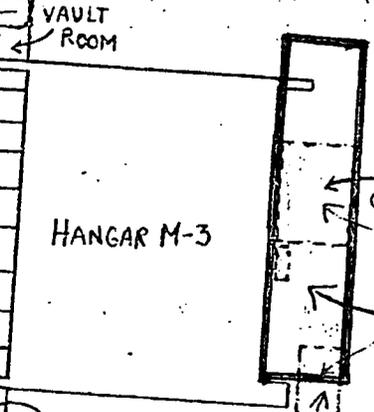
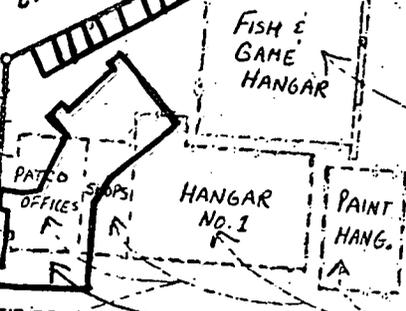
BLDG. LINE

PHASE II:
 Remove Fish & Game Hangar
 Remove Old PATCO Buildings
 Construct New Admin. Building
 Paved Auto Parking
 Paved Aircraft Ramp
 Under Removed Buildings
 Landscaping

PHASE I:
 Remove Buildings Behind Hangar M-3
 Construct New Parts Building
 Construct New T-Hangars

5000.0 TRANSFORMER

M-3 OFFICE COMPLEX



BRICK WALL

FENCE

CONC. GUTTER



M & M CONSULTANTS, INC.

ENGINEERING · SURVEYING · PLANNING

1491 RIVER PARK DR.
SACRAMENTO, CA 95815 (916) 929-1122

EXHIBIT MAP

SACRAMENTO EXECUTIVE AIRPORT
PROPOSED PATTERSON LEASE

PTN. SEC. 25, T. 8 N., R. 4 E., M. D. M.

CITY OF SACRAMENTO, CALIFORNIA

SCALE 1" = 100'

DATE AUG. 1979

DR. W.M.

CHK. R.F.

FIELD BK. 92

SECRET

29
A

RESOLUTION NO.

Adopted by The Sacramento City Council on date of

A RESOLUTION PARTIALLY CONSENTING TO
PROPOSED LEASE BETWEEN PATTERSON
AIRCRAFT COMPANY AND COUNTY OF SACRAMENTO

WHEREAS, Patterson Aircraft Company and County of Sacramento have made a lease agreement dated March 25, 1980;

WHEREAS, the term of said lease agreement, as provided in Section 5.01, is thirty-five (35) years or when the airport lease between the City of Sacramento and County of Sacramento expires, whichever shall first occur;

WHEREAS, Patterson Aircraft Company and County of Sacramento have requested City of Sacramento to consent to said lease agreement between Patterson Aircraft Company and County of Sacramento pursuant to Paragraph 12 of the executive airport lease between City of Sacramento and County of Sacramento,

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO AS FOLLOWS:

That City of Sacramento consents to the lease agreement dated March 25, 1980 between County of Sacramento and Patterson Aircraft Company, excepting specifically the term of said lease as described in Section 5.01 of said lease as that term may exceed the current term of the executive airport lease between County of Sacramento and City of Sacramento; and, as to said specific exception, City of Sacramento refuses to consent.

MAYOR

ATTEST:

CITY CLERK

29
A

RESOLUTION NO.

Adopted by The Sacramento City Council on date of

A RESOLUTION PARTIALLY CONSENTING TO
PROPOSED LEASE BETWEEN PATTERSON
AIRCRAFT COMPANY AND COUNTY OF SACRAMENTO

WHEREAS, Patterson Aircraft Company and County of Sacramento have made a lease agreement dated March 25, 1980;

WHEREAS, the term of said lease agreement, as provided in Section 5.01, is thirty-five (35) years or when the airport lease between the City of Sacramento and County of Sacramento expires, whichever shall first occur;

WHEREAS, Patterson Aircraft Company and County of Sacramento have requested City of Sacramento to consent to said lease agreement between Patterson Aircraft Company and County of Sacramento pursuant to Paragraph 12 of the executive airport lease between City of Sacramento and County of Sacramento,

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO AS FOLLOWS:

That City of Sacramento consents to the lease agreement dated March 25, 1980 between County of Sacramento and Patterson Aircraft Company, excepting specifically the term of said lease as described in Section 5.01 of said lease as that term may exceed the current term of the executive airport lease between County of Sacramento and City of Sacramento; and, as to said specific exception, City of Sacramento refuses to consent.

MAYOR

ATTEST:

CITY CLERK



CITY OF SACRAMENTO

OFFICE OF THE CITY CLERK

915 I STREET

CITY HALL ROOM 203

SACRAMENTO, CALIFORNIA 95814

TELEPHONE (916) 449-5426

LORRAINE MAGANA
CITY CLERK

MEMORANDUM

TO: CITY ATTORNEY JAMES JACKSON

FROM: LORRAINE MAGANA, CITY CLERK *jm*

SUBJECT: REFERRAL OF ITEM NO. 29, AGENDA OF JULY 1, 1980

DATE: JULY 2, 1980

Pursuant to Council action, the following subject matter is referred to you for report and recommendation due on July 8, 1980:

County Department Airports, lease agreement - Patterson Aircraft Co. - Sacramento Executive Airport.

cc: City Manager