



# CITY OF SACRAMENTO

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## DEPARTMENT OF LAW

812 TENTH ST.  
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SACRAMENTO, CALIF. 95814  
TELEPHONE (916) 449-5346

July 10, 1980

Honorable City Council  
City of Sacramento  
City Hall  
Sacramento, California

In re: Resolution Consenting to Proposed Lease  
Between Patterson Aircraft Company and  
City of Sacramento

Members in Session:

### SUMMARY

Two weeks ago the City Council directed the City Attorney to prepare a resolution consenting to a proposed lease between Patterson Aircraft Company and the County of Sacramento subject to specific conditions. We are forwarding with this letter the resolution which we have prepared.

### BACKGROUND INFORMATION

Two weeks ago the Council was requested to consent to a 35-year term for the referenced proposed lease. Upon consideration, the Council directed the City Attorney's office to prepare a resolution doing the following:

1. preserve the right of the City to give 25 years notice of termination of the City-County lease;
2. to specifically approve the 35-year lease to Patterson;  
and,
3. in the event the County airport lease is terminated, the Patterson lease term would be accordingly shortened.

During the discussion of the motion, an additional element seemed to be added and that was to discuss this matter with representatives from Patterson and the County Department of Airports in an effort to couch the resolution in language most beneficial to Patterson in its anticipated arrangements with financial institutions.

APPROVED  
BY THE CITY COUNCIL

JUL 15 1980 A-80015

OFFICE OF THE  
CITY CLERK

Honorable City Council  
July 10, 1980  
Page Two

After consultation with Patterson, I prepared the attached resolution. There was a slight difference of opinion as to what I thought the Council decided and what Patterson desired. As a consequence, there is a blank in the resolution which may be inserted at the time of consideration. The blank in the resolution indicates the length of time of written notice to terminate the Patterson lease. The available alternatives are to either leave the blank blank or to insert in the blank a time period. In the event the resolution is left blank, the City would be in a position to terminate the Patterson lease concurrently with the termination of the City-County lease. In the event that a time period is inserted in the blank, it may be that the City would have an obligation to operate the airport for that period of time after the termination of the City-County lease. This is the alternative which Patterson would prefer the Council follow.

The attached resolution is submitted for consideration by the Council.

Very truly yours,

  
LELIAND J. SAVAGE  
Deputy City Attorney

LJS:kn

Attachment

Cc's: Walt Slipe  
Marty Van Duyn  
Tom Engel  
John Gudebski, Patterson Aircraft Co.  
Ryan Polstra

# RESOLUTION NO.

Adopted by The Sacramento City Council on date of

## RESOLUTION CONSENTING TO PROPOSED LEASE BETWEEN PATTERSON AIRCRAFT COMPANY AND COUNTY OF SACRAMENTO SUBJECT TO CONDITIONS

WHEREAS, City of Sacramento leases Sacramento Executive Airport to County of Sacramento by Lease Agreement dated May 17, 1965, and the parties have from time to time amended said lease (such lease as amended is hereafter referred to as the "City-County lease"); and,

WHEREAS, Patterson Aircraft Company and County of Sacramento have made a lease agreement for the lease of property and for Fixed Base Operation at Sacramento Executive Airport dated March 25, 1980 (hereafter referred to as the "Patterson lease"); and,

WHEREAS, the term of the Patterson lease, as provided in Section 5.01, is thirty-five (35) years or when the City-County lease is terminated, whichever shall first occur; and,

WHEREAS, Patterson Aircraft Company and County of Sacramento have requested City of Sacramento to consent to the Patterson lease pursuant to Paragraph 12 of the City-County lease;

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

The City Council consents to all the terms and conditions of the Patterson lease; provided, however, that this consent is subject to the condition that, in the event City shall terminate the City-County lease, then effective as of the date the City-County lease is terminated, City shall have the right at any time before the expiration of the Patterson lease to terminate the Patterson lease on \_\_\_\_\_ written notice; and, provided further, the foregoing notwithstanding, this consent is subject to the further condition that pursuant to Paragraph 1 of the September 25, 1972 amendment to the City-County lease, City reserves absolutely its right to serve notice at any time that the automatic renewal provision in said Paragraph 1 is terminated.

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

**APPROVED**  
BY THE CITY COUNCIL

JUL 15 1980

OFFICE OF THE  
CITY CLERK

# RESOLUTION NO.

Adopted by The Sacramento City Council on date of

RESOLUTION CONSENTING TO PROPOSED LEASE  
BETWEEN PATTERSON AIRCRAFT COMPANY AND  
COUNTY OF SACRAMENTO SUBJECT TO CONDITIONS

WHEREAS, City of Sacramento leases Sacramento Executive Airport to County of Sacramento by Lease Agreement dated May 17, 1965, and the parties have from time to time amended said lease (such lease as amended is hereafter referred to as the "City-County lease"); and,

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WHEREAS, the term of the Patterson lease, as provided in Section 5.01, is thirty-five (35) years or when the City-County lease is terminated, whichever shall first occur; and,

WHEREAS, Patterson Aircraft Company and County of Sacramento have requested City of Sacramento to consent to the Patterson lease pursuant to Paragraph 12 of the City-County lease;

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

The City Council consents to all the terms and conditions of the Patterson lease; provided, however, that this consent is subject to the condition that in the event City shall terminate the City-County lease, the Patterson lease shall terminate concurrently with the City-County lease unless by its terms it would expire at an earlier date; and, provided further, the foregoing notwithstanding, this consent is subject to the further condition that pursuant to Paragraph 1 of the September 25, 1972 amendment to the City-County lease, City reserves absolutely its right to serve notice at any time that the automatic renewal provision in said Paragraph 1 is terminated.

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK



# CITY OF SACRAMENTO

~~21~~  
21

## CITY PLANNING DEPARTMENT

725 "J" STREET

SACRAMENTO, CALIF. 95814

TELEPHONE (916) 449-5604

MARTY VAN DUYN  
PLANNING DIRECTOR

FILED  
June 26, 1980

By the City Council  
Office of the City Clerk

*Referred to City  
Atty & Report  
due 7-8-80  
JUL 1 1980*

*08-51-7*

City Council  
Sacramento, California

Honorable Members in Session:

SUBJECT: Proposed Lease Between Sacramento County and Patterson Aircraft Company for Development at Executive Airport (M-473)

### SUMMARY

Sacramento County has entered into a lease agreement with Patterson Aircraft Company for the construction of Fixed Base Operator facilities at Executive Airport. The term of the lease (35 years) exceeds that of the City/County Airport lease (25 years, automatically self-renewing). Pursuant to a provision in the City/County lease which requires City approval of sub-leases which exceed the time period of the master lease agreement, the County and PATCO are now submitting the sub-lease for City approval. The Planning staff recommends that the City Council not approve the additional ten-year time period for the PATCO lease.

### BACKGROUND INFORMATION

One of the increments of the Executive Master Plan, approved by the City Council in 1979, was the removal of certain older structures, and their replacement with new facilities. Patterson Aircraft Company (PATCO) has now prepared a plan to undertake a nearly \$2 million program in that regard. However, PATCO states that they are unable to obtain adequate financial backing unless they have a 35-year lease from the airport operator (the County) in order to amortize all the improvements. The County and PATCO have subsequently entered into a lease (or sub-lease, from the City's point of view), dated March 25, 1980, which provides for a term 35 years, unless the City/County airport lease expires at an earlier date (see the enclosed submittals from the County Department of Airports). They are now submitting that lease to the City inasmuch as City consent is necessary for any lease term period longer than that provided for in the master City/County lease (25 years with an annual self-renewing clause). In the event that consent is not given by the City Council, the County/PATCO lease, in their words, "shall terminate 35 years from the commencement...or upon the termination date of the...lease from the City... to the County..., whichever is earlier." (See the accompanying letter from the City Attorney's office).

It should be noted, incidentally, that the Council is not being asked to approve any aspect of the County/PATCO lease other than the term for same. The master City/County lease gives the County full authority to negotiate whatever leases it deems appropriate within the parameters created by the master City/County agreement.

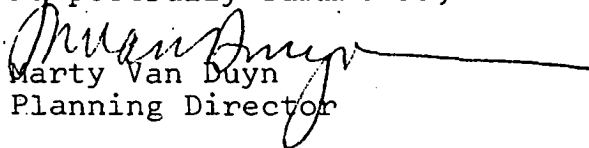
The Planning staff is very concerned about the proposed extended term of the County/PATCO lease for two basic reasons:

1. There is no guarantee that any of the Phase II improvements (more than half of the value of the proposed development) will ever be built. Instead, Phase II A-B could be undertaken, which merely involves building demolition, site preparation, construction of aircraft parking, and installation of fringe landscaping. Yet the City is being asked to approve a lease extension to obtain complete funding for the whole package at this time, irrespective of the nature of Phase II or II A-B, and/or the commencement date for same.
2. Considering that this lease could become precedent-setting with respect to other leases, it could be used as leverage to effectively preclude the City from issuing a Notice of Non-Renewal on the master lease (thus giving the County at least a de facto 35-year lease, far in excess of that originally deemed appropriate by the City). Staff strongly questions the desirability of being placed in such a position, even though the City may well, as a normal course of affairs, permit the City/County lease to run for 35 years or more.


Staff also questions why the entire financing package must be obtained now for construction which is not assured, since this is the decision upon which the 35-year requirement is apparently based. An as-yet-unanswered question is whether splitting the financial package into the same increments as the project phasing would not remove the need for the lease extension and/or provide residual benefits to the lessee (such as lower interest rates and greater availability of funds).

RECOMMENDATION: Staff recommends that the City Council either deny the 35-year term for the County/PATCO lease or, in the alternative, consent to all of the terms and conditions of the County/PATCO lease except as it may extend beyond the term of the City/County master lease in accordance with alternate number 2 of the attached memorandum from the City Attorney's office.

Respectfully submitted,

  
Marty Van Duyn  
Planning Director

RECOMMENDATION APPROVED:

  
Walter J. Slupe, City Manager

MVD:AP:bw

July 1, 1980  
District No. 7

Attachments

M-473



# CITY OF SACRAMENTO

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THEODORE H. KOBEY, JR.  
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## DEPARTMENT OF LAW

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SACRAMENTO, CALIF. 95814  
TELEPHONE (916) 449-5346

June 11, 1980

Honorable City Council  
City of Sacramento  
City Hall  
Sacramento, California

In re: PROPOSED AGREEMENT FOR PROPERTY AND BUILDING  
RENTAL AND OPERATING RIGHTS - SACRAMENTO  
EXECUTIVE AIRPORT

### Members in Session:

The County of Sacramento and Patterson Aircraft Co., a California corporation, propose to apply to the City Council for consent to the proposed referenced agreement. The basis for the application for consent is Section 5.01 of the proposed agreement which states:

Term. Subject to prior termination as provided for in this agreement, the term of this Lease shall be for a period of thirty-five (35) years commencing upon the first day of the month following execution of this agreement; provided, however, that should the City of Sacramento not consent to the portion of such term that exceeds the term of that certain lease of the Sacramento Municipal Airport to the County of Sacramento dated May 17, 1965, (such consent being required pursuant to Section 12 of said lease), then this Lease agreement between County and Lessee shall terminate 35 years from the commencement date hereof or upon the termination date of the aforesaid lease from the City of Sacramento to the County of Sacramento, whichever is earlier.

Paragraph 12 of the lease agreement between the City of Sacramento and the County of Sacramento states:

### Right to Assign and Sublet

"County" shall not, without first receiving written consent of "City", make any assignment in whole or in part of this Lease. "County" shall, however, have the right to sublet any portion of the Sacramento Municipal Airport for general airport purposes for any term which does not extend beyond the term of this Lease, or any renewal or extension thereof.

"City" shall not, without first receiving written consent of "County" sublet or sublease any portion of the Sacramento Municipal Airport or enter into any agreement with any air line for any term extending beyond the commencement date of the term of this Lease.

The term of the original lease agreement between the City of Sacramento and the County of Sacramento was 25 years commencing not later than 30 days after service by County of a written notice that the Metropolitan Airport had been sufficiently completed to be available for civil air carrier traffic and open as a public airport. This term was modified by amendment to lease agreement dated September 25, 1972. The term was modified by paragraph 1 of said amendment which stated:

1. The term stated in Section 2 of that certain Lease Agreement between City and County dated May 17, 1965, whereby City leases Sacramento Municipal Airport to County, is changed to be twenty-six (26) years from July 1, 1972, and terminating June 30, 1998. Provided, however, that as of June 30 of each year commencing with 1973, the lease term shall be automatically extended for an additional period of one year, so that the remaining lease life shall not be less than twenty-five (25) years at any time. Provided further that upon written notice given within the sixty (60) days prior to June 30th of any year commencing with 1973, either party may terminate the foregoing automatic renewal provision, in which case the lease shall terminate twenty-five (25) years from that particular June 30th and shall not be further extended without the mutual consent of the parties.

It follows from the above that if the City Council does not consent to the referenced agreement, then the term of the referenced agreement is either 35 years from the date thereof or upon the termination date of the lease agreement between the City of Sacramento and the County of Sacramento whichever is earlier. It appears that the City Council has four alternatives from which certain consequences appear to follow. These alternatives are:

1. The City Council may approve the referenced agreement unconditionally. This would appear to have the effect of extending the notice period for terminating the lease as set forth in the 1972 amendment from the automatic additional period of one year to an additional period of ten years. In addition, the remaining lease life would be not less than 25 years at any time; thus, in practical effect, the term of the lease would be 35 years. However, at the expiration of the first 10 years of the lease, if there were no further modifications or consents, the term would again be 25 years plus the remainder of the automatic one year extension.



2. The City Council could give its conditional consent to the referenced agreement. The anticipated condition would be that the City Council consents to all of the terms and conditions of the referenced agreement but does not consent to the term of the agreement as it may extend beyond the 26 years remaining on the lease as of June 30 of any given year. The effect of such a conditional consent would appear to give Patterson Aircraft Co. creditors an appearance of at least some legitimacy. The effect on the lease agreement between the City of Sacramento and the County of Sacramento would be the same as refusing consent to the referenced agreement.

3. The City Council could take no formal action. The legal effect of taking no formal action would appear to be the same as a refusal to consent.

4. The City Council could refuse to consent to the referenced agreement. The legal effect of a refusal to consent to the agreement would be to transfer the risk of the term of the lease agreement between City of Sacramento and County of Sacramento to Patterson Aircraft Co. and its creditors. As of June 30, 1980, there remains 26 years on the term of the lease. In the event the City of Sacramento does not terminate the lease agreement between the City of Sacramento and the County of Sacramento during the next 9 years, then in effect, the referenced agreement would be for a term of 35 years from its commencement date.

There is no compulsion on the City Council to act in any given way and the matter of consent is solely within the discretion of the City Council.

Very truly yours,



LELIAND J. SAVAGE  
Deputy City Attorney

LJS:kn