



AGENDA MEMORANDUM

First Reading Item for the City Council Meeting of December 16, 2014
Second Reading Item for the City Council Meeting of January 13, 2015

DATE: November 4, 2014
TO: Ronald L. Olson, City Manager
FROM: Fred Segundo, Director of Aviation
FredS@cctexas.com
(361) 289-0171 ext. 1213

Authorize an addendum to five-year lease agreement with Atlantic Aviation for operation of Fixed Base Operator Lease on the west side of the airfield at the Corpus Christi International Airport.

CAPTION:

Ordinance ratifying the addition of Atlantic Aviation FBO Holdings, LLC (the "Lease Guarantor"), as an original party to the lease between the City and Mercury Air Center – Corpus Christi, Inc., doing business as Atlantic Aviation, and authorizing the City Manager, or designee, to execute Addendum No. 1 to the lease in order to join the Lease Guarantor and to correct, clarify, and add specific provisions to the lease; providing for severance; providing for publication; and providing for an effective date.

PURPOSE:

On November 19, 2013, the City Council approved a base five-year lease agreement with the West-End Fixed Based Operator (FBO) at Corpus Christi International Airport (CCIA). The addendum revises language in the agreement to reflect similar provisions negotiated with the East-End FBO. Among the revisions is clarification of the effective date and conditions of the property appraisal process. Also language was inserted to detail the bond / letter of credit requirements for the lease. Several administrative and legal form revisions were made to the indemnity clause by changing font size and language. The remaining changes involve compliance with applicable governmental wage and employment laws and City Charter. The Addendum provides consistency between the agreements and does not change the core business terms. The lease has up to four 5-year extension options subject to commensurate levels of capital improvements.

BACKGROUND AND FINDINGS:

An FBO is a commercial business granted the right by an airport to operate on airport property and provide aeronautical services to customers. The current West-End FBO, Atlantic Aviation, provides a range of aviation services including the following:

- sale of aviation fuel,
- aircraft storage,
- aircraft repair and maintenance
- pilot training
- aircraft rental and sightseeing

- sale of aircraft parts
- aircraft sales and service.

Other than fueling of commercial aircraft, these services are primarily directed to General Aviation (GA) aircraft which are usually smaller and privately-owned.

The current FBO, Mercury Air Center – Corpus Christi, Inc. dba Atlantic Aviation, assumed operations of the lease from Chaparral Aviation on November 19, 2002. Chaparral Aviation originally initiated FBO operations at CCIA on October, 14, 1979. Chaparral constructed the current hangar complex in exchange for a 30 year agreement. At the end of the lease term, the facilities reverted to the City.

The current hangar complex requires maintenance identified as part of the Airport’s facility assessment. As part of the new agreement, Atlantic will perform approximately \$290,000 of deferred maintenance on the leased premises to be completed no later than 18 months after the effective date of the lease. In addition to required maintenance, the amended agreement requires Atlantic to pay the City rent at fair market value (**see detail below**). The revised rental rate will result in annual revenue to the City of approximately \$202,000 compared with the current annual amount of \$53,253. The land rental rate will be subject to adjustment every five (5) years during the Term of the Agreement and any executed Options through an updated fair market appraisal process to be conducted by the City. The fuel flowage fee, which is determined by the City, will remain at \$0.0625 per gallon of fuel dispensed.

The leased premises included in this agreement will include three (3) hangars and twenty five percent (25%) of the aircraft parking ramp located in front of the facilities. In the event Atlantic needs aircraft ramp parking space greater than the allocated portion, Atlantic will be allowed to utilize available space on the City owned aircraft parking ramp and Atlantic will collect fees for the city-owned aircraft ramp parking and retain 25% and remit the remaining 75% of the collected fees to the City. The fourth hanger historically associated with the west FBO (northernmost hangar) has been excluded from the lease and retained by the City for potential redevelopment.

PREMISES RENT

<u>Premises</u>	<u>Area SF</u>	<u>Acreage</u>	<u>Rent per SF/YR</u>	<u>Annual Rent</u>
WGA-H1	14,000	0.32	\$1.500	\$21,000.00
WGA-H2	14,000	0.32	\$1.500	\$21,000.00
WGA-H3	11,500	0.26	\$1.650	\$18,975.00
WGA-OF1(TERM)	3,105	0.07	\$6.000	\$18,630.00
WGA-OF2	4,680	0.11	\$5.650	\$26,442.00
PARKING LOT	44,141	1.01	\$0.300	\$13,242.30
CONCRETE APRON	116,629	2.68	\$0.350	\$40,819.98
UNDEVELOPED	40,955	0.94	\$0.300	\$12,286.50
FUEL FARM PAD	11,246	0.26	\$0.350	\$ 3,963.10
TOTAL	260,255.50	5.97		\$176,331.88

FUEL FARM RENT

<u>Description</u>	<u>Capacity (Gallons)</u>	<u>Rent per GAL/YR</u>	<u>Annual Rent</u>
JETA	24,000	\$0.750	\$18,000.00
AVGAS	10,000	\$0.750	\$7,500.00
UNLEADED	500	\$0.750	\$375.00
TOTAL	34,500		\$25,875.00

The agreement provides that Atlantic may extend the base agreement of 5 year increments for up to an additional four 5-year options. To execute each 5 year option, Atlantic will be required to make a \$1.1 million capital investment for each 5 year option period. Subject to the required capital investment, the agreement could be extended to a maximum of 25 years.

ALTERNATIVES:

No viable alternatives exist as General Aviation customers would be negatively impacted.

OTHER CONSIDERATIONS:

Not Applicable

CONFORMITY TO CITY POLICY:

This project is consistent with the Department of Aviation Business Plan requiring the maintenance of all city owned facilities on airport property and management of all leased property within the airport perimeter.

EMERGENCY / NON-EMERGENCY:

Non-Emergency

DEPARTMENTAL CLEARANCES:

Legal
Finance

FINANCIAL IMPACT:

Operating Revenue Capital Not applicable

Fiscal Year: 2014-2015	Project to Date Expenditures (CIP only)	Current Year	Future Years	TOTALS
Line Item Budget		\$202,207	\$808,828	\$1,011,035
Encumbered / Expended Amount				
This item (<i>additional revenue</i>)				
BALANCE		\$202,207	\$808,828	\$1,011,035

Fund(s): Airport Fund - 4610

Comments: None

RECOMMENDATION:

Staff requests approval of lease addendum as submitted.

LIST OF SUPPORTING DOCUMENTS:

Ordinance
Atlantic Aviation - Lease Addendum No. 1