

AGENDA MEMORANDUM

First Reading Ordinance for the City Council Meeting January 30, 2024
Second Reading Ordinance for the City Council Meeting March 19, 2024

DATE: January 30, 2024
TO: Peter Zanoni, City Manager
FROM: Kevin Smith, Director of Aviation
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Ordinance authorizing the City Manager to execute a lease agreement for a commercial aeronautical service provider with Sterling Air Service LLC to occupy office and hangar space at the Corpus Christi International Airport

CAPTION:

Ordinance authorizing a 15-year lease agreement, with one five-year option to renew, with Sterling Air Service, LLC, for a fixed base operator to occupy hangars, office, lobby, and maintenance space at the Corpus Christi International Airport; and providing for publication and an effective date.

SUMMARY:

The proposed lease agreement between the City of Corpus Christi and Sterling Air Service LLC for premises located at the Corpus Christi International Airport for an initial term of fifteen years with one option to extend the term for an additional five years. Monthly rent totals \$17,675.51 for a total annual rent of \$212,106.12. During the initial term of the lease, all rental rates will undergo a 3% increase annually beginning October 1, 2024, and all properties will be reappraised at the conclusion of the initial term of the lease.

The lease agreement is for multiple locations for hangars, storage, fuel farm, apron, parking, and office facilities on the east side of the airport.

With the execution of this lease agreement, Sterling Air Service will meet all Minimum Standards to become a Fixed Based Operator, along with all privileges and obligations that are associated with operating as this class of operator.

The lease was approved by the Airport Board on September 27, 2023.

BACKGROUND AND FINDINGS:

Sterling Air Service is an existing tenant at CCIA in good standing with multiple leased premises and provides pilot and aircraft services for various clients including Driscoll Children Hospital. They own and manage a fleet of aircraft including single and twin-engine propeller and turboprop aircraft. Sterling Air Service has been a good tenant during its tenure at CCIA.

Until 2020, CCIA had two based FBOs on site- Atlantic Aviation on the west side of the airport and Signature Flight Support on the east side of the airport. Each FBO had multiple tenants of their own who operated under subleases. Sterling partially operated under a sublease with Signature Flight Support on the east side of the airfield. Upon Signature's withdrawal from CCIA in March 2020, the City entered a management agreement with Atlantic Aviation to manage Signature's former facilities. In 2021, the City ceased the management agreement and began managing Signature's former facilities directly.

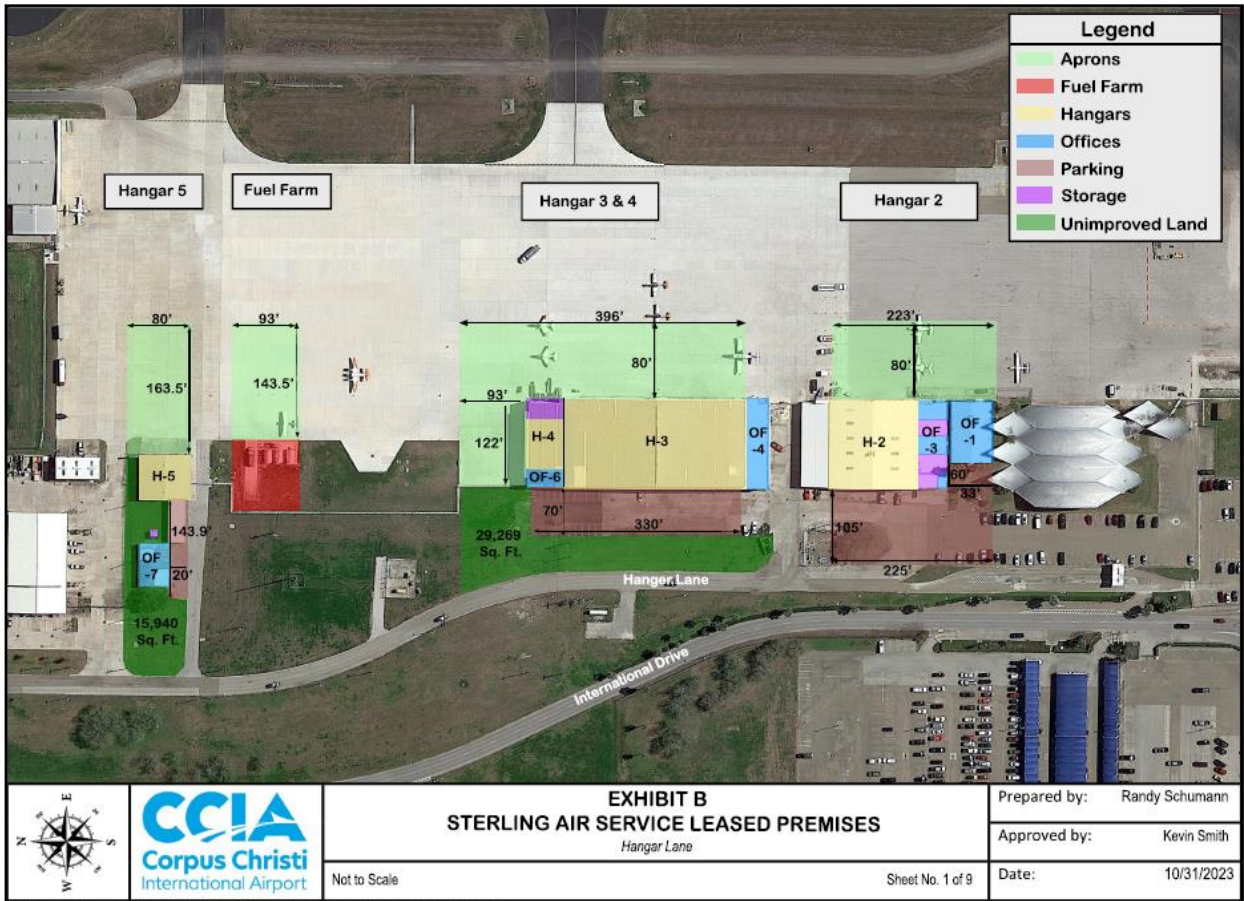
The new size and scope of the lease allows Sterling Air Service to meet the standards for a Fixed Based Operator set forth by the Minimum Standards for Commercial Aeronautical Service Providers document approved by the Airport Board in May 2017.

Becoming a Fixed Based Operator (FBO) allows Sterling Air Service to provide a wider scope of services to airport customers, most importantly the ability to sell fuel. CCIA currently has one FBO, Atlantic Aviation, located on the west side of the airfield; adding a second FBO will introduce competition, increase the airport's service capacity, and stimulate economic growth at CCIA.

The lease agreement requires Sterling Air Service to invest a minimum of \$1,100,000 in capital improvements in the first ten years of the term, and an additional \$1,100,000 in the first 3yrs of the renewal period. The City will acknowledge a credit in the amount of \$358,903 during the initial term for capital improvements for fuel farm improvements already completed on the leased premises.

PREMISES RENTAL RATES

Premises	SF from 2023	Annual Market Per SF	Monthly Rent Per SF	Monthly Cost	Annual Cost
HANGAR 2					
EGA-APRON (Hangar 2)	17,840	\$0.60	\$0.05000	\$ 892.00	\$10,704.00
EGA-H2 (Hangar 2)	15,000	\$1.60	\$0.13333	\$ 2,000.00	\$24,000.00
EGA-OF-1 (Office adjacent to Hangar 2)	4,895	\$7.50	\$0.62500	\$ 3,059.38	\$36,712.56
EGA-OF-3 (Office adjacent to Hangar 2)	2,470	\$1.60	\$0.13333	\$ 329.34	\$3,952.08
EGA-OF-3 (Storage with Hangar 2)	2,170	\$1.80	\$0.15000	\$ 325.50	\$3,906.00
EGA-VEHICLE AREAS (Hangar 2)	25,605	\$0.45	\$0.03750	\$ 960.19	\$11,522.28
				\$ 7,566.41	\$90,796.92
HANGARS 3					
EGA AERONAUTICAL LAND (H-3)	29,269	\$0.35	\$0.02917	\$ 853.68	\$10,244.16
EGA-APRON (Hangar 3)	31,680	\$0.60	\$0.05000	\$ 1,584.00	\$19,008.00
EGA-H3 (Hangar 3)	30,000	\$0.40	\$0.03333	\$ 1,000.00	\$12,000.00
EGA-VEHICLE AREAS (H-3)	23,100	\$0.45	\$0.03750	\$ 866.25	\$10,395.00
				\$ 4,303.93	\$51,647.16
HANGARS 4					
EGA-APRON (Hangar 4)	11,346	\$0.60	\$0.05000	\$ 567.30	\$6,807.60
EGA-H4 (Hangar 4)	4,880	\$0.40	\$0.03333	\$ 162.67	\$1,952.04
EGA-H4 (Storage inside Hangar 4)	1,220	\$0.40	\$0.03333	\$ 40.67	\$488.04
EGA-OF-6 (Office adjacent to Hangar 4)	1,220	\$0.40	\$0.03333	\$ 40.67	\$488.04
				\$ 811.31	\$9,735.72
HANGAR 5					
EGA AERONAUTICAL LAND (H-5)	15,940	\$0.35	\$0.02917	\$ 464.92	\$5,579.04
EGA-APRON (Hangar 5)	13,080	\$0.60	\$0.05000	\$ 654.00	\$7,848.00
EGA-H5 (Hangar 5)	4,200	\$3.90	\$0.32500	\$ 1,365.00	\$16,380.00
EGA-OF-7 (Office adjacent to Hangar 5)	2,400	\$7.15	\$0.59583	\$ 1,430.00	\$17,160.00
EGA-OF-7 (Storage adjacent to Hangar 5)	81	\$3.75	\$0.31250	\$ 25.32	\$303.84
EGA-VEHICLE AREA (H-5)	2,878	\$0.45	\$0.03750	\$ 107.93	\$1,295.16
				\$ 4,047.17	\$48,566.04
FUEL FARM					
EGA AERONAUTICAL LAND (Fuel Farm)	9,579	\$0.35	\$0.02917	\$ 279.39	\$3,352.68
EGA-APRON (Fuel Farm)	13,346	\$0.60	\$0.05000	\$ 667.30	\$8,007.60
				\$ 946.69	\$11,360.28
TOTALS				\$17,675.51	\$212,106.12



ALTERNATIVES:

The alternatives include issuing a formal solicitation for an FBO operator. This alternative would require another company to construct additional facilities, including a fuel farm facility, or for the City to lease the referenced properties to a third party, requiring Sterling Aviation to sublease them.

FISCAL IMPACT:

The proposed new lease agreement will provide CCIA with additional rent revenue of \$212,106 per year.

FUNDING DETAIL:

Fund:	4610
Organization/Activity:	35000 – Airport Administration
Department:	53
Project # (CIP Only):	N/A
Account:	320120

RECOMMENDATION:

City staff and the Airport Board recommend approval of this item.

LIST OF SUPPORTING DOCUMENTS:

Ordinance

Lease Agreement with Exhibits