



AGENDA MEMORANDUM

First Reading Item for the City Council Meeting of March 8, 2016
Second Reading Item for the City Council Meeting of April 12, 2016

DATE: February 12, 2016

TO: Ronald L. Olson, City Manager

FROM: Fred Segundo, Director of Aviation
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Authorize second amendment to original five-year lease agreement with Atlantic Aviation to extend term for additional 15 years for operation of Fixed Base Operator Lease on the west side of the airfield at the Corpus Christi International Airport.

CAPTION:

Ordinance authorizing the City Manager, or designee, to execute a second amendment to the lease between Mercury Air Center – Corpus Christi, Inc., dba Atlantic Aviation (“Atlantic”), Atlantic Aviation FBO Holdings, LLC (“Atlantic Holdings”), and the City for completion of \$3,300,000 in capital improvements for an additional 15-year lease term; authorizing the execution of a short-term license agreement as part of the second amendment; and providing for severance, publication, and an effective date.

PURPOSE:

On January 13, 2015, the City Council approved an addendum to the lease agreement with the West-End Fixed Based Operator (FBO) at Corpus Christi International Airport (CCIA). The addendum revised language in the agreement to reflect similar provisions negotiated with the East-End FBO. The Addendum and Base Agreement provide that Atlantic may extend the base agreement of 5 years for up to an additional four 5-year options. To execute each 5 year option, Atlantic is required to make a \$1.1 million capital investment. Atlantic has submitted a proposed Capital Investment and Development Proposal of \$3.3 million in improvements resulting in an additional 15 years in term resulting in 20 year agreement. During the construction period, Atlantic Aviation will operate its aviation terminal out of temporary modular facilities on separate licensed airport property. The temporary facilities will require a short-term license agreement.

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 existing agreement has resulted in Atlantic performing approximately \$290,000 of deferred maintenance on the leased premises and fair market rental payments to the City of approximately \$202,000. The land rental rate is 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.

Atlantic Aviation intends to renovate the facilities to meet company standards in regards to appearance, technology and operations. Six major areas that will be renovated are as follows:

- General Aviation Terminal Building (new two-story building)
- Hangar One (replace door tracks, painting, lighting upgrades and concrete replacement)
- Intermediate Offices (renovation of space including entrances and tenant spaces)
- Hangar Two (painting, lighting upgrades and concrete replacement)
- Hangar Three (painting, lighting upgrades and concrete replacement)
- Existing Vehicle Parking Area (repair damaged base, new surfaces and striping)

ALTERNATIVES:

No viable alternatives at this time due to limited departmental funding

OTHER CONSIDERATIONS:

This item requires a 28 day delay between readings.

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: 2015 - 2016	Project to Date Expenditures (CIP only)	Current Year	Future Years	TOTALS
Line Item Budget		\$202,207		\$202,207
Encumbered / Expended Amount				
This item (<i>additional revenue</i>)		0		0
BALANCE		\$202,207		\$202,207

Fund(s): Airport Fund - 4610

Comments: None

RECOMMENDATION:

Staff requests approval of lease agreement as submitted.

LIST OF SUPPORTING DOCUMENTS:

Ordinance

Atlantic Aviation – Second Amendment to Lease

Drawing Exhibit – Proposed New Atlantic Terminal.