



## **TRUCKEE TAHOE AIRPORT DISTRICT STAFF REPORT**

**AGENDA TITLE: Consideration of Approval of Amendments to the Lease Agreement for Tahoe Food Hub to include a Tenant Improvement Allowance and Lease Rate Adjustment**

**MEETING DATE: April 24, 2019**

**PREPARED BY: Hardy Bullock, Director of Aviation & Community Services**

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**RECOMMENDED ACTION:** Approve staff recommended amendments to the existing Tahoe Food Hub (TFH) Warehouse Lease Agreement outlined in Table 2 providing for a tenant improvement (TI) allowance in an amount not to exceed \$75,000 in exchange for adjustments to the lease rate and term schedule for the lease. The modified rent schedule is outlined in Table 1.

**DISCUSSION:** The original non-commercial, non-aeronautical lease agreement was approved in April 2018. The agreement provided warehouse space D-1, a 4,000 square-foot heated space with lighting, exits, and a newly installed restroom. Over the past year the TFH has worked in conjunction with District Construction Project Manager, Peter Beaupre to complete the installation of a commercial refrigerator, a retail farm shop space, an office loft and assorted other electrical and mechanical improvements required for business operation.

The District has completed extensive plumbing, electrical, structural and mechanical work in contribution to the project which adds long term value for the District. Improvements related directly to the TFH operation were the demarcation of District investment and are solely the responsibility of TFH. The refrigerator, its systems, the office, and other structures related to the farm shop are solely the responsibility of the tenant, TFH.

While originally not requested during initial lease negotiations, TFH is requesting a TI allowance in an amount not to exceed \$75,000 for the following items:

Final Installation of Cooler/Freezer	\$6,000.00
Carpentry Office etc. (Peter PBD)	\$15,000.00
Cooler Condenser Platform	\$10,000.00
Plumbing	\$3,500.00
Farm Shop Build-Out	\$5,000.00
Epoxy Floor	\$20,000.00
Office Floor	\$1,500.00
Sliding Door To Hallway	\$1,500.00
Contingency	\$12,500
<b>TOTAL TI TO OPEN</b>	<b>\$75,000</b>

The District has provided TI allowances to other tenants in the past in exchange for extended lease terms as tenant turnover is expensive. This proposed TI credit allowance allows TFH to pay for needed improvements, open the doors and begin serving the community. The current market rent for the other commercial warehouse spaces A, B, and C is .94/sq. ft. The rent outlined in Table 1 has been increased from the original rate to acknowledge the increased TI investment. The lease term has been extended to 10 years from the previous 2 years. The District will recapture slightly more than its' \$75,000 investment over the ten year term of the lease.

Table 1. Sample Rent Schedule

Year	Existing Rate Per Sq. Ft.	Modified Rate Per Sq. Ft.	Final Monthly Rent
2019 *year one*	.11	.25	\$1,000
2020	.22	.35	\$1,400
2021	.32	.45	\$1,800
2022-2029	.42	.55	\$2,200

Staff has had several meetings with the TFH to ensure the organization has adequate capital reserves to handle pending move in and operational costs. TFH has stated, in meetings and through email dialogue, it is prepared to complete the TI's, open the doors in late May and begin paying rent on October 1, 2019. Deferred rent until October 1, 2019 provides additional needed working capital and is similar to the deferred rent agreement the District provided to Truckee Roundhouse. Aside from the items listed here, the lease agreement between Tahoe Food Hub and the Truckee Tahoe Airport District dated April 25, 2018 remains the same.

Table 2. Lease Agreement Terms Modified

Item	Existing	Changed
Effective Date	April 25, 2018	May 17, 2019
Base Term Ends	September 29, 2020	May 16, 2029
Section 5 Rents, Fees, and Other Charges	Specifies rent.	Modified Rent (Table 1)
Security Deposit	\$2,000	\$0
Miscellaneous Sections	References to Charges, Payments, Interest, Late Penalties etc.	Updated to reflect the TI Credit Allowance

**WHAT'S NEXT:** Approve or deny the requested lease amendments and TI allowance. Staff will work with District Counsel to create a lease addendum with changes outlined herein. Staff will authorize TFH to proceed with tenant improvements.

**FISCAL IMPACT:** \$75,000 expenditure. Recapture of TI allowance over the ten-year term of the lease from additional rental income realized. The TI allowance if approved will be expensed against the CY2019 warehouse improvement budget of \$200,000.

**SAMPLE MOTION(S):** I move to (approve, deny, continue) the requested lease amendments and tenant improvement allowance, in an amount not to exceed \$75,000, and authorize the Board president to sign a lease addendum with changes outlined herein following appointed District Counsel review.

**ATTACHMENTS:**

Existing TFH Lease Agreement Dated April 25, 2019