

TRUCKEE TAHOE AIRPORT DISTRICT
BOARD OF DIRECTORS AGENDA ITEM SUMMARY

Topic: Sierra Aero Lease Location Transfer

Purpose	Information:	Guidance:	Decision: X
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Recommendation Approve request from Sierra Aero (current tenant in good standing, Hangar 2) for transfer of lease to Hangar 1, in accordance with Section 5, PI 645, subject to the following terms.

Term: Sept 1, 2013 - Aug 30, 2017. Option to renegotiate new lease at conclusion of term.

Lease Rate: No CPI to be applied during this period.

Period	Rate
Sept 1, 2013 - Aug 30, 2014	\$1200
Sept 1, 2014 - Aug 30, 2015	\$1500
Sept 1, 2015 - Aug 30, 2016	\$1800
Sept 1, 2016 - Aug 30, 2017	\$2100

Subleasing:

Tenant to have the option of sub-leasing office space to other aviation related businesses. Landlord to keep the two (2) rooms upstairs that are currently used for archives and storage.

Property Access:

Tenant to have full and complete access to the Property thirty (30) days prior to Lease Commencement date in order for us to initiate improvements necessary and be able to be operational during the moving process.

Tie-downs :

Tenant to have non-exclusive use of six (6) tie downs.

Changes to be included in an addendum to existing lease.

Last Action The District issued Sierra Aero Commercial Operating Permit for aircraft rental and flight training in November 2010. The operated from Hangar B-1.

An RFP for Hangar 2 was issued in May 2011. The RFP was disseminated through multiple channels. The only response received was from Sierra Aero. Sierra Aero began operations February 1, 2012. From Hangar 2. The initial monthly lease rate was \$1,093. The size and age of the Hangar 2 make it less desirable for commercial SASO operations.

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Discussion	<p>Regent Air ended operations in March, 2012. The final lease rate was \$2,389. Staff retained Hangar 1 and A-9 for District use. Both hangars have been used for overnight aircraft storage, and community events. Hangar 1 is heated and the ability to “defrost” aircraft was evaluated. From May 2012 to present 25 nights of aircraft storage occurred in the hangar. 67 nights were utilized in the District’s other large overnight hangar A-9. Over 25 community events occurred during the same period. Staff has noted a steady increase in the interest for community use of the hangar.</p> <p>Sierra Aero is very limited in their ability to efficiently operate the business in Hangar 2. The facility will only accommodate one aircraft inside the hangar. Aviation maintenance often will have schedule changes and delays. Hangar 1 will allow multiple aircraft to be worked on at the same time indoors. It is important to the District and airport users to have a viable SASO providing aviation maintenance at TRK. The market has changed over the past few years making the success of two maintenance SASO’s at TRK questionable.</p>
Fiscal Impact	<p>Hangar 1 is 4800 square feet and has 2120 of office space. Staff proposed a multi-year rate escalation to move Sierra Aero to a higher rent rate while growing the business. While the final rate of \$2,100 is less than the calculated potential rate of \$2547 (+ CPI’s) staff believes this is an appropriate rate for the facility and the circumstances at TRK. Other airports in the region with similar commercial aeronautical facilities have ground leases in effect with privately developed facilities.</p> <p>Future options for Hangar 2 could include overnight aircraft storage, community events or aeronautical non-profit uses.</p>
Communication Strategy	<p>Staff has received unsolicited input from airport users supporting the relocation of Sierra Aero.</p> <p>The airport E-newsletter will announce the location change and opening data.</p>
Attachments	<p>Non-Binding Letter of Intent for Lease Transfer Hangar 1 Lease Rate Determination Detail</p>



Non Binding Letter of Intent for Lease Transfer

March 1st, 2013

Truckee Tahoe Airport
Attention: Mr. Kevin Smith
10356 Truckee Airport Rd
Truckee, CA 96161

Re: Letter of Intent for Lease Transfer

Dear Kevin,

Per our conversation, this shall serve as a Non-binding letter of Intent to lease the property known as "Hangar #1" (formerly Regent Air). Sierra Aero will hereby be referred to as "Tenant" and Truckee Tahoe Airport District will hereby be referred to as "Landlord".

Proposed Terms and Conditions:

Property:	Hangar #1, formerly the Regent Air hangar, including non-exclusive use of six (6) tie downs per attached map.
Lease Term:	Using our existing lease, extending the term to five (5) years, starting September 1 st , 2013, plus another 5 years.

Property Access:	Tenant to have full and complete access to the Property thirty (30) days prior to Lease Commencement date in order for us to initiate improvements necessary and be able to be operational during the moving process.
Lease Rate:	\$1,107.00 per month for the first one (1) year of the term. Rent for year two (2) shall be \$1,350.00 per month. Rent for year three (3) and following years of lease shall be \$1,550.00. We think that this would be a fair agreement due to the current economic slowdown and the decline in General Aviation recreational flying in general.
Deposit:	Current lease deposit of \$3,000 that was paid in 2012 to be transferred over to new lease.
Expenses:	<p>Tenant to be responsible for electricity and gas costs, interior improvements such as paint and carpet cleaning.</p> <p>Landlord to be responsible for water and sewer costs, maintenance on building such as roof, structural, HVAC, pavement, windows, and all exterior maintenance such as pavement.</p>
HVAC:	Landlord to ensure that all HVAC systems are in good working condition prior to occupancy and shall be responsible for any repairs and/or maintenance needed.
Electrical/Plumbing:	Landlord to insure that all electrical system(s) and plumbing system(s) are in good operating condition prior to occupancy and shall be responsible for all electrical and plumbing maintenance.
Signage:	Tenant to be responsible for any new signage in front of or on the leased property.
ADA Compliance:	If required by the State of California or Federal Law, landlord shall be responsible for the property to comply with ADA regulations for restrooms and property access.
Lease Agreement:	Lease Agreement or Addendum to existing Lease Agreement shall be provided by the Landlord.

TRUCKEE TAHOE AIRPORT DISTRICT
HANGAR ONE LEASE RATE DETERMINATION
16-Jul-13

When Regent signed there last lease in 2008 the rate was determined as follows:

<u>Type of space</u>	<u>Square ft</u>	<u>rate per</u>	<u>rate</u>
Office Space	2120	0.39	827
Hangar Space	4800	0.31	1488
total		\$	2,315

The above rates per square foot were based on the following:

- Office space, the AMCG studies finding of operating cost for office space, based on the West-end modular, plus the actual capital costs and allocated costs assigned to hangar 1 by the AMCG study.

- Hangar space, the rate in effect for T-hangars at that time.

The Regent rent increased in accordance with the following schedule, based on CPI adjustments:

2008	2315
2009	2317
2010	2349
2011	2389

vacated March 2012

If we apply the same concept to the space now, the rent is:

<u>Type of space</u>	<u>Square ft</u>	<u>rate per</u>	<u>rate</u>
Office Space	2120	0.418	886
Hangar Space	4800	0.346	1661
total		\$	2,547