

**RESOLUTION NO. \_\_\_\_\_ (N.C.S.)**

**RESOLUTION CONSENTING TO ENCUMBRANCE OF SEATEC UNDERGROUND UTILITIES, INC. LEASEHOLD AT THE SALINAS MUNICIPAL AIRPORT AT 467 AIRPORT BLVD. IN THE AMOUNT NOT TO EXCEED \$1,309, 903.00 IN FAVOR OF BANK OF AMERICA.**

**WHEREAS**, on September 20, 2016, by way of Resolution No. 21054, Seatec Underground Utilities, Inc. (Seatec) entered a 50-year ground lease (Original Lease) with the City of Salinas (City) for 1.174 acres of land located on the Salinas Airport at 467 Airport Boulevard. (the “Property”); and

**WHEREAS**, on August 27, 2019, by way of Resolution No. 21699, the City and Seatec amended the Original Lease (Amendment No. 1) for the purposes of increasing the Demised Premises by adding approximately 0.244 acres of land (Lot D-1) for the construction of a 6,000 square foot aeronautical storage hangar as more particularly described in Amendment No. 1; and

**WHEREAS**, on October 12, 2021, by way of Resolution 22221, the City and Seatec amended the Original Lease (Amendment No. 2) for the purposes of adjusting the Premise, Lot D-1 Legal Description, Exhibit A, and Plat, Exhibit B dated June 10, 2021, to reflect changes desired by Seatec; and

**WHEREAS**, on or about April 4, 2017, Seatec encumbered the leasehold by obtaining a loan from Bank of America, N.A., with an outstanding principal amount of \$599,903.01 as of April 18, 2023; and

**WHEREAS**, pursuant to Section 42 - Encumbrances of Leasehold Interest, of the Original Lease, Seatec is entitled to encumber the Premise up to \$750,000.00 without Salinas City Council’s approval; and

**WHEREAS**, Seatec is seeking additional financing from Bank of America, N.A., in an amount not to exceed \$710,000.00, thus increasing the total Premise encumbrance above the \$750,00.00 threshold; and

**WHEREAS**, Seatec desires to encumber the Premise in an amount not to exceed \$1,309,903.00 (existing loan plus new loan); and

**WHEREAS**, staff has reviewed the general terms of the loans and recommends the City Council consent to the lease encumbrances with the following conditions:

1. The total loan encumbrance against the Premise will not exceed \$1,309,903.00; and
2. The loans and terms will not extend beyond the Seatec lease expiration date of September 27, 2066; and
3. All other terms, conditions, provisions, and covenants of the lease shall remain and continue in full force and effect, and no further encumbrance of the lease or any part thereof shall be made without the prior written consent of the City Council in each instance, as provided in the lease; and

4. It is understood that the City has not reviewed or approved the terms and conditions of the proposed encumbrance documents, such as the leasehold deeds of trust or notes secured thereby, and is not agreeing to be a party to the leasehold deeds of trust, notes or other documents; and
5. Nothing contained in the conditions of approval shall be construed to modify, amend or waive any provisions of the lease; and
6. The City's consent to the encumbrances shall be null and void and of no further force and effect if Seatec does not obtain financing from Bank of America, N.A., as confirmed by receipt of final loan documents signed by both Seatec and Bank of America, N.A., within ninety (90) days of City's consent; and
7. Seatec acknowledges that it will not seek rent relief as a result of not being able to meet its debt service or debt repayment obligations; and
8. The City's consent to this encumbrance is conditioned upon the leasehold having no other loans in effect against the Premise other than the April 4, 2017 loan and the proposed 2023 loan.

**WHEREAS**, at the July 27, 2023, Airport Commission meeting, the Airport Commission recommended City Council consent to the lease encumbrances; and

**WHEREAS**, on September 28, 2021, the Salinas City Council adopted Resolution 22219 declaring the parcel of land containing the Property to be Exempt Surplus Land as defined in Government Code Section 54221; and

**WHEREAS**, Salinas Municipal Code Section 37-10.070 allows the City Council to allow land owned or leased by the City of Salinas to be used in a manner that it finds to be proper and in the public interest; and

**WHEREAS**, Salinas Municipal Code Section 12-13 allows the City Council to approve the leasing of any City-owned real property if the Council determines that the real property interest leased will not be necessary for municipal purposes during the term of the lease.

**NOW, THEREFORE, BE IT RESOLVED** that the Salinas City Council hereby finds and determines that the above recitals and accompanying Staff Report are true and correct and have served as the basis, in part, for the actions of the City Council set forth below; and

**BE IT FURTHER RESOLVED THAT** the City Council hereby finds that the use of the property in accordance with the terms of the lease is proper and in the public interest; and

**BE IT FURTHER RESOLVED THAT** the City Council hereby determines that the real property interest conveyed by the lease will not be necessary for municipal purposes during the term of the lease; and

**BE IT FURTHER RESOLVED THAT** the Mayor of Salinas or her designated representative be and is hereby authorized and directed, for and on behalf of the City of Salinas,

to consent to the encumbrances of the Seatec Underground Utilities, Inc. leasehold in favor of Bank of America, N.A., in an amount not to exceed \$1,309,903.00, and to execute mutually agreeable documentation with or in favor of Bank of America, N.A., that are consistent with this Resolution, at the Salinas Municipal Airport.

**PASSED AND APPROVED** this 22<sup>nd</sup> day of August 2023, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAINED:

APPROVED:

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Kimbley Craig, Mayor

ATTEST:

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Patricia Barajas, City Clerk