



**CITY OF SALINAS
CITY COUNCIL STAFF REPORT**

DATE: AUGUST 8, 2023
DEPARTMENT: PUBLIC WORKS, AIRPORT DIVISION
FROM: DAVID JACOBS, PUBLIC WORKS DIRECTOR
BY: BRETT J. GODOWN, C.M., C.A.E., AIRPORT MANAGER
TITLE: CONSENT TO ENCUMBRANCE OF SEATEC UNDERGROUND UTILITIES, INC. LEASEHOLD AT THE SALINAS MUNICIPAL AIRPORT AT 467 AIRPORT BLVD. IN FAVOR OF BANK OF AMERICA

RECOMMENDED MOTION:

A motion approving a resolution consenting 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.

RECOMMENDATION:

It is recommended that the City Council approve a resolution consenting 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.

BACKGROUND:

On September 28, 2016, by way of Resolution No. 21054, Seatec Underground Utilities, Inc. (Seatec) entered into a 50-year ground lease agreement with the City of Salinas for 1.174 acres of land (Lot D) located on the Salinas Airport at 467 Airport Blvd. On August 27, 2019, by way of Resolution No. 21699, the Lease was amended (Amendment No. 1) to accommodate a new 6,000 square foot hangar. Amendment No. 1 increased the total Demised Premise by adding Lot D-1, 0.244 acres of land (10,638 square feet). While navigating the City Building Permit Process, it was determined the proposed building needed to shift away from Airport Blvd. to meet City Building standards. The building shift necessitated shifting portions of Lot D-1.

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. 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

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. 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. 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 \$750,000.00 threshold. Seatec desires to encumber the Premise in an amount not to exceed \$1,309,903.00 (existing loan plus new loan). Due to the total encumbrance exceeding \$750,000.00, Seatec is required to receive consent from City Council to encumber the Premise.

The proposed lease is located on the main Airport parcel. Under the Surplus Lands Act, prior to any sale or lease of the property, the City Council must first declare the property in question to be either Surplus Land or Exempt Surplus Land. On September 28, 2021, the Salinas City Council adopted Resolution 22219, declaring that the main Airport parcel is Exempt Surplus Land. Therefore, the Salinas City Council is not required to take any further action under the Surplus Lands Act.

At the July 27, 2023, Airport Commission meeting, the Airport Commission recommended City Council consent to the lease encumbrances.

ANALYSIS:

City 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.
2. The loans and terms will not extend beyond the Seatec lease expiration date of September 27, 2066.
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.
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.
5. Nothing contained in the conditions of approval shall be construed to modify, amend or waive any provisions of the lease.

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.
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.
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.

CEQA/NEPA CONSIDERATION:

The City of Salinas has determined that the proposed action is statutorily exempt as defined by the California Environmental Quality Act (CEQA) (CEQA Guidelines Section 15268(a)).

STRATEGIC PLAN INITIATIVE:

This action supports the City Council's Strategic Plan Goals for Economic Diversity and Prosperity.

DEPARTMENTAL COORDINATION:

The Consenting agreement was reviewed as to form by the City Attorney.

FISCAL AND SUSTAINABILITY IMPACT:

The execution of this amendment will have no fiscal impact.

ATTACHMENTS:

Original Lease between the City of Salinas and Seatec Underground Utilities Inc.

Resolution - Consenting to the encumbrance of Seatec underground utilities, Inc. Leasehold at the Salinas municipal airport at 467 Airport Blvd. in Favor of Bank of America