



CITY OF SALINAS

CITY COUNCIL STAFF REPORT

DATE: JANUARY 23, 2023

DEPARTMENT: PUBLIC WORKS, AIRPORT DIVISION

FROM: DAVID JACOBS, PUBLIC WORKS DIRECTOR

TITLE: ARCHER AVIATION, 30 MORTENSEN AVENUE, SUITE 170,
FACILITY LEASE AGREEMENT AT THE SALINAS MUNICIPAL
AIRPORT

RECOMMENDED MOTION:

A motion to approve a resolution approving and authorizing the Mayor to execute a Facility Lease Agreement with Archer Aviation Inc. for the property located at 30 Mortensen Avenue, Suite within the Salinas Municipal Airport.

EXECUTIVE SUMMARY:

Archer Aviation, Inc. (Archer), an electric aircraft manufacturer based at the Salinas Airport, has experienced significant planned growth over the last year. Their operational needs require additional office space to facilitate their business operations. The City and Archer have negotiated a nine-year facility lease agreement for Archer's use. The first-year rental amount will positively benefit the Airport enterprise fund by \$36,000. Airport staff is recommending that City Council approve the accompanying resolution and lease with the associated terms and conditions.

BACKGROUND:

Archer is a publicly traded company headquartered in San Jose, California, which is developing eVTOL (electric vertical takeoff and landing) aircraft. Its eVTOL aircraft are planned to transport people in and around cities in an air taxi service and are claimed to have a range of up to 100 miles at speeds of up to 150 miles per hour. United Airlines was its first major corporate partner and has most recently signed partnership agreements with United Emirates.

An eVTOL aircraft is a variety of VTOL (vertical take-off and landing) aircraft that uses electric power to hover, take off, and land vertically. This technology came about thanks to major advances in electric propulsion (motors, batteries, fuel cells, electronic controllers) and the emerging need for new aerial vehicles for urban air mobility that can enable greener and quieter flights.

Archer has been operating at the airport through two subleases since 2021. Their primary business operations at the airport include research and development and flight test operations with their aircraft. From 2021 – 2023, Archer has been flight testing their prototype research and development aircraft named "Maker." Additionally, Archer has been designing and building their

production model aircraft, “Midnight.” Planning for 2024 and beyond, Archer requires additional office space for the flight test personnel.

In 2022, the airport administration moved out of the office space located in the terminal; this left the office space available for rent. The City and Archer have been negotiating the space rental since early 2023.

Airport staff reviewed existing airport office space rental rates and office space market rents throughout Salinas. A primary concern for Airport Sponsors when negotiating leases is the Federal Aviation Administration (FAA) compliance measures such as the FAA Airport Compliance Manual – Order 5190.6B Airports and Federal Grant Assurances. Order 5190.6B sets forth policies and procedures for the FAA Airport Compliance Program. It provides basic guidance in interpreting and administering the various continuing commitments airport sponsors make to the United States as a condition for the grant of federal funds or the conveyance of federal property for airport purposes. The Order discusses the obligations set forth in the standard airport sponsor assurances, addresses the application of the assurances in the operation of public-use airports, and facilitates interpretation of the assurances.

The lease accompanying this report has been reviewed against [grant assurances]: Federal Requirements, Preserving Rights and Powers, Consistency with Local Plans, Consideration of Local Interest, Consultation with Users, Operations and Maintenance, Compatible Land Use, Economic Nondiscrimination, [no] Exclusive Rights, Fee and Rental Structure, Airport Revenues, Airport Layout Plan, Civil Rights, and Disadvantaged Business Enterprises.

At the November 16, 2023, meeting, the Airport Commission recommended approval of the item, thereby advancing the Archer Aviation, 30 Mortensen Avenue, Suite 170, Facility Lease Agreement at the Salinas Municipal Airport, to the City Council for final approval.

LEASE TERMS & CONDITIONS:

Proposed Transaction Terms:

- **Premise:** Approximately 1,000 square feet of building
- **Uses:** Archer shall have the right to use the Leased Premises for the purpose of conducting permitted uses as identified in the lease. The uses are based on the necessary workspace for flight test engineers.
- **Original Term:** three years.
- **Options to Extend:** two three-year options.
- **Total Lease duration:** nine years.
- **Rental Escalations:** 3% annually.
- **Rental Schedule**

<u>Year</u>	<u>Monthly Rent</u>	<u>Annual Rent</u>
1	\$3,000.00	\$36,000.00
2	\$3,090.00	\$37,080.00
3	\$3,182.70	\$38,192.40

4	\$3,278.18	\$39,338.17
5	\$3,376.53	\$40,518.32
6	\$3,477.82	\$41,733.87
7	\$3,582.16	\$42,985.88
8	\$3,689.62	\$44,275.46
9	\$3,800.31	\$45,603.72

- **Leasehold Improvements:** Archer is authorized to make various minor tenant improvements such as painting, improving the break room amenities, and removing a partition wall. Archer will need access to the roof to install an antenna to communicate among all their facilities throughout the airport. Archer is required to pull necessary City Building permits as required.

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 Development.

DEPARTMENTAL COORDINATION:

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

FISCAL AND SUSTAINABILITY IMPACT:

Archer will pay the Airport Enterprise Fund an annual base rent of \$36,000 including rental escalations going forward, following the approval of the Lease Amendment.

ATTACHMENTS:

Archer Aviation, 30 Mortensen Ave., Suite 170 Facility Lease Agreement
Resolution - Archer Aviation, 30 Mortensen Ave., Suite 170 Facility Lease Agreement