



**CITY OF SALINAS
CITY COUNCIL STAFF REPORT**

DATE: JUNE 21, 2022

DEPARTMENT: PUBLIC WORKS, AIRPORT DIVISION

FROM: DAVID JACOBS, PUBLIC WORKS DIRECTOR

BY: BRETT J. GODOWN, C.M., C.A.E., AIRPORT MANAGER

TITLE: ADDENDUM NO. 3 TO THE FUEL FACILITY LEASE AGREEMENT BETWEEN THE CITY OF SALINAS AND JET WEST, INC. AT THE SALINAS MUNICIPAL AIRPORT

RECOMMENDED MOTION:

A motion recommending City Council approve a resolution approving Addendum No. 3 to the Fuel Facility lease between the City of Salinas and Jet West, Inc.

RECOMMENDATION:

It is recommended the City Council approve a resolution approving Addendum No. 3 to the Fuel Facility lease between the City of Salinas and Jet West, Inc.

BACKGROUND:

On December 12, 2006, by way of Resolution No. 19123, the City of Salinas and Central Coast Aviation Services, Inc. entered into a Fuel Facility Lease for the establishment of an above-ground aviation fuel storage location and accompanying dispensers. On September 17, 2008, the lease was amended (Addendum No. 1) to clarify the City's and Central Coast's rights and obligations of the lease with regards to the demised premise following the expansion of the Terminal Building. On March 15, 2012, the Lease was further amended (Addendum No. 2) to clarify the City's and Central Coast's rights and obligations of the lease with regard to past due rents from Central Coast to the City of Salinas. On July 1, 2012, the City consented to Central Coast Aviation Services and Jet West entering into an Assignment and Assumption of Lease Agreement, whereby Central Coast assigned conveyed, transferred, and set over unto Jet West all rights, title, interest, and estate under the Lease.

Electric-powered aircraft are becoming more common in the national fleet of aircraft. Jet West intends on entering into a sub-lease agreement with Beta Technologies, an aircraft manufacturer, and investor to construct an electric aircraft charging station on the Fuel Farm demised premise (as identified on Exhibit A – Fuel Farm Premise, of Addendum No.3). The Addendum, as further

described in the Analysis Section of this report, will amend the Lease to accommodate the construction, installation, operation, and maintenance of the Electric Aircraft Charging Station.

At the May 26, 2022, Airport Commission meeting, the Commission recommended City Council adopt a resolution approving Amendment No. 3 to the Fuel Facility lease between the City of Salinas and Jet West, Inc.

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.

ANALYSIS:

Lease and Addendum No. 3 Terms:

Use of Premises:

Section 1, Paragraph 1 Leased Premises; Uses of Leased Premises will be replaced in whole to accommodate the operation and maintenance of an aircraft electric charging station.

Electric Charging Station:

Exhibit A of the Addendum identifies the Electric Aircraft Charging Station. Conditions have been included in the Addendum ensuring user access to the Charging Station and that those areas are maintained for user access and no other purposes. As similar conditions are included in all Airport Leases, the Lessee shall have the right to sublet the operation and contract the maintenance of the electric aircraft charging station.

Term:

The Subtenant (Beta Technologies) requires a 10-year lease. In order to accommodate the Subtenant's operational need, the existing option to extend the lease is being assumed into the original term. Jet West's Original Term is set to expire in 2026, leaving only four years on the Original Term. With only four years guaranteed under the lease terms, this creates some uncertainty for Beta Technologies to invest. The Lease provides a 10-year option to extend the lease, with a final lease expiration date of December 11, 2036. To alleviate Beta's uncertainty, the solution is to combine the Original Term and the Option to Extend into the Original Term.

Annual Rent Adjustments:

Rent adjustments are being changed from the San Francisco Bay Area Consumer Price Index (CPI) every 30 months to annual three percent (3%) adjustments.

Electric Aircraft Charging Station Fees:

Similar to how Aircraft Fuel Flowage Fees are collected, Electric Aircraft Charging Station Fees will be collected. Lessee shall pay or shall arrange with Lessee's subtenant(s) to pay, to Lessor a gross revenue of sales fees of one percent (1%) of commercial sales generated from the Electric

Aircraft Charging Station. The gross revenue of sales fee may be adjusted by the Lessor's City Council, from time to time, as is commercially reasonable.

Exhibit A- Fuel Farm Premise

Exhibit A is modified by identifying the Electric Aircraft Charging Station.

No Further Modifications:

All other provisions in the original Lease and Addendum No. 1 and No. 2 will remain in full force as per the original lease.

Effective Date:

This Addendum will be effective as of July 1, 2022.

CEQA/NEPA CONSIDERATION:

CEQA - 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)).

NEPA - The City of Salinas has coordinated with the Federal Aviation Administration (FAA) regarding their (FAA's) approval authority of this project through the Section 163(d) determination process. Through this process, it was determined that the FAA does have authority, which requires National Environmental Policy Act (NEPA) to be completed. It is expected that the FAA will further determine that the project will qualify for a categorical exclusion as the project does not have a significant effect on the human environment (FAA Order 5050.4) within the next 90 days.

STRATEGIC PLAN INITIATIVE:

This action supports the City Council's Strategic Plan Goals for Investment Strategies, New Revenue, and Operational Efficiencies.

DEPARTMENTAL COORDINATION:

The City of Salinas Airport Fuel Facility Lease was reviewed as to form by the City Attorney.

FISCAL AND SUSTAINABILITY IMPACT:

Revenues collected from this Addendum will be remitted to the Airport Enterprise Fund.

ATTACHMENTS:

- Third Addendum to the Fuel Facility Lease between the City of Salinas and Jet West, Inc.
- Original Lease between the City of Salinas and Central Coast Aviation (Jet West, Inc.)
- Resolution - Resolution approving Addendum No. 3 to the Fuel Facility Lease between the City of Salinas and Jet West, Inc. at the Salinas Municipal Airport.