



CITY OF SALINAS

CITY COUNCIL STAFF REPORT

DATE: **APRIL 30, 2019**

DEPARTMENT: **PUBLIC WORKS, AIRPORT DIVISION**

FROM: **DAVID JACOBS, PUBLIC WORKS DIRECTOR**

BY: **BRETT J. GODOWN, AIRPORT MANAGER**

TITLE: **CALSTAR AIR MEDICAL SERVICES, LLC, 240 MORTENSEN
FACILITY LEASE AT THE SALINAS MUNICIPAL AIRPORT**

RECOMMENDED MOTION:

A motion is sought to approve a resolution regarding a facility lease between the City of Salinas and CALSTAR Air Medical Services, LLC at the Salinas Municipal Airport.

RECOMMENDATION:

It is recommended City Council approve a resolution approving a facility lease between the City of Salinas and CALSTAR Air Medical Services, LLC at the Salinas Municipal Airport.

BACKGROUND:

CALSTAR Air Medical Services, LLC (Calstar) first entered into a facility lease with the City of Salinas for office space in the airport terminal in 2012. Calstar desires to increase their in-house maintenance capability at the Salinas Airport. In 2018, Calstar approached the City requesting additional space. Due to Wilbur Ellis' expiring lease and their desire to reduce their total leased space in the 240 Mortensen Building, space was available for lease.

On July 24, 2018, a Request for Proposal (RFP) was advertised for competitive proposals. The RFP was structured in such a manner that provided the respondents the option to either lease the entire available space or lease only portions of the available space. Proposals were due on August 17, 2018. Responsive proposals were received from CalStar and Wilbur Ellis. Both proposals were accepted. Wilbur Ellis submitted a proposal to lease space B (235 sqft), Space D (1,297 sqft), and approximately 7,420 square feet of ramp space abutting the east side of Building 240 Mortensen. CalStar submitted a proposal to lease Space A (3,448 sqft), Space C (312 sqft), and approximately 4,800 square feet of ramp space abutting the south side of Building 240 Mortensen.)

Of importance, the following terms and conditions have been negotiated:

- Facility rents are being adjusted to reflect rents being collected by other businesses located within Building 240 Mortensen

- Rental credits equal to six months base rent totaling \$11,491.98 were provided for tenant improvements.

At the March 28, 2019 Airport Commission meeting, the Airport Commission recommended City Council move to adopt a resolution approving a facility lease between the City of Salinas and Calstar at the Salinas Municipal Airport.

ANALYSIS:

Term

The lease provides one five-year initial term and one five-year option to renew the lease.

Space

The facility area within Building 240 Mortensen consists of 3,760 square feet (Exhibit A). Additionally Calstar will have exclusive use of 4,800 square feet of ramp space abutting Building 240 Mortensen.

Uses

The negotiated uses include current/existing uses only. Following the execution of the lease, the lessee may request to add additional uses through a lease amendment process. The following uses are included in the lease:

1. Aircraft Storage;
2. Aircraft Maintenance;
3. Operation of a helicopter medical transport service;
4. Temporary or long-term storage;
5. Operation and maintenance offices for associated business purposes.

Base Rent

The monthly rate for Warehouse Space is \$.46 per square foot (annually \$5.50 per square foot), which equals \$1,723.33 per month, (\$20,680.00 annually).

The monthly rate for Ramp Space is \$.04 per square foot (annually \$0.48 per square foot), which equals \$192.00 per month (\$2,304.00 annually).

Together the Warehouse Space and Ramp Space the monthly rent is \$1,915.33 (\$22,984.00 annually) ("Base Rent").

Escalator

The annual rent shall be increased by an amount equal to three percent (3%) of the annual rent in effect during the immediately preceding year.

Improvements/Investments

- Expand opening and install a hangar door (approximately 45' wide by 14' high) – approximate cost of \$30,000

- Demolish Space C and construct a similar sized office on West side of Space A – approximate cost of \$8,000
- Evaluate and/or upgrade existing electrical service to accommodate helicopter maintenance operations – approximate cost of \$2,000
- Install man door between Space A and corridor leading to restroom and lobby – approximate cost of \$750.
- Close off access between Space A and adjacent work areas – approximate cost of \$1,500
- Provide phone and internet services to Space A and relocated Space C – approximate cost of \$850

CALSTAR may perform this work in calendar year 2019:

- Upgrade and/or replace existing sink with a new unit. Remove water heater and install a new insta-hot water heater – approximate cost of \$1,500
- Upgrade & replace existing hangar lights with LED units – approximate cost of \$12,000

CEQA/NEPA CONSIDERATION:

The City of Salinas has determined that the proposed action is not a project and therefore exempt as defined by the California Environmental Quality Act (CEQA) (CEQA Guidelines Section 15378).

STRATEGIC PLAN INITIATIVE:

Approval of this lease will support City Council goals of Effective, Sustainable Government, and Economic Diversity and Prosperity.

DEPARTMENTAL COORDINATION:

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

FISCAL AND SUSTAINABILITY IMPACT:

Revenues from this lease will provide an annual positive impact to the Airport Enterprise Fund of \$22,984.00. Each year thereafter, the rent will be adjusted by a fixed three percent (3%) escalator. Over the term of this lease, a total positive impact of \$251,994.00 will be remitted to the Airport Enterprise Fund.

| Year | Annual Rent |
|------|-------------|
| 1 | \$11,492.00 |
| 2 | \$23,673.52 |
| 3 | \$24,383.73 |
| 4 | \$25,115.24 |

| | |
|----|-------------|
| 5 | \$25,868.69 |
| 6 | \$26,644.76 |
| 7 | \$27,444.10 |
| 8 | \$28,267.42 |
| 9 | \$29,115.44 |
| 10 | \$29,988.91 |

ATTACHMENTS:

Calstar Facility Lease

Resolution