



## **CITY OF SALINAS**

### **CITY COUNCIL STAFF REPORT**

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**DATE:** JUNE 20, 2017

**DEPARTMENT:** PUBLIC WORKS, AIRPORT DIVISION

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

**TITLE:** AT&T SERVICES INC., FIRST AMENDMENT TO AIRPORT LEASE

**RECOMMENDED MOTION:**

A motion to approve a resolution approving the lease amendment between the City of Salinas and AT&T services, Inc. for the use of an office building located at 445 Airport Boulevard.

**RECOMMENDATION:**

It is recommended that the City Council approve a resolution for the lease amendment between the City of Salinas and AT&T Services Inc. This action will support City Council's goal of Economic Diversity and Prosperity and ensure the Salinas Municipal Airport remains viable as an essential service provider for the local community, and enhance the airport enterprise fund.

**BACKGROUND:**

This report presents a recommendation by Airport Staff and the Airport Commission to City Council to approve a lease amendment between the City of Salinas and AT&T Services Inc. (AT&T). AT&T leases the 445 Airport Boulevard property from the City, and the lease is nearing the end of the current term, which will expire on November 30, 2017. AT&T has one remaining five-year renewal option and is required to provide at least six months' notice prior to expiration of the current term to exercise the option. The renewal notice date to exercise the five-year option is May 31, 2017.

AT&T seeks to "push-out" the May 31, 2017 option notice date by one year to May 31, 2018 (which would concurrently push-out the lease expiration date to November 30, 2018). The request would essentially extend AT&T's lease for one year. AT&T is requesting the one-year term extension because they are in the midst of an extensive long range portfolio planning review of all AT&T owned and leased properties in the Western Region. For leased locations, AT&T is contacting all property owners for extensions of leases expiring within the next year, and the Airport property fits this condition.

At the April 27, 2017 meeting, the Airport Commission recommended approval of the item, thereby advancing the AT&T Services Inc., First Amendment to the lease to City Council for final approval.

## LEASE TERMS & CONDITIONS:

### *Proposed Transaction Terms:*

- **One Year Extension:** Memorialize the one-year extension and the new option deadline date (May 31, 2018) along with the new expiration date (November 30, 2018.)
- **One Year Extension Rent:** The Lease already has a stipulated rent connected with the existing five-year renewal option (starting at \$1.15/SF/Mo with an annual escalation of 2.5% thereafter.) The one-year extension rent calculates to be \$7,309.40/month (\$1.15 x 6,356 SF).
- **Five Year Option:** Preserve the five-year option, and tack-on a new fifth year, continuing with the stipulated option rent regime (2.5% year escalations.)

Time Period	Rent/Mo	Description
12-1-17 to 11-30-18	\$7,309.40	One Year Extension
12-1-18 to 11-30-19	\$7,492.14	Option Year 1
12-1-19 to 11-30-20	\$7,679.44	Option Year 2
12-1-20 to 11-30-21	\$7,871.42	Option Year 3
12-1-21 to 11-30-22	\$8,068.21	Option Year 4
12-1-22 to 11-30-23	\$8,269.92	Option Year 5

Airport Staff and the City Attorney's Office have reviewed the lease and found the request not to be unreasonable or outside of acceptable practice.

## CEQA/NEPA CONSIDERATION:

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

## STRATEGIC PLAN INITIATIVE:

In the Fiscal Years 2016-2019, Salinas City Council Strategic Plan, Council's goal statement for *Economic Diversity and Prosperity* states, "The City of Salinas has the business environment to attract, create, and retain businesses that enhance our area's economic diversity and the economic prosperity of all our residents." This action complements the City Council's Goals for Economic Diversity and Prosperity as it ensures that the Salinas Municipal Airport retains businesses that enhance our area's economic prosperity and continues to remain viable as an essential service provider for the local community, and enhance the airport enterprise fund.

## FISCAL AND SUSTAINABILITY IMPACT:

AT&T will pay to the Airport Enterprise Fund an annual base rent of \$87,712.80 following the approval of the Lease Amendment.

ATTACHMENTS:

AT&T Services Inc., First Amendment to Airport Lease

Resolution - AT&T Services Inc., First Amendment to Airport Lease