



CITY OF SALINAS

AIRPORT COMMISSION STAFF REPORT

DATE: OCTOBER 26, 2017

DEPARTMENT: PUBLIC WORKS, AIRPORT DIVISION

FROM: BRETT J. GODOWN, AIRPORT MANAGER

TITLE: AIRPORT RANCH LLC FIRST AMENDMENT TO GROUND
LEASE AT THE SALINAS MUNICIPAL AIRPORT

RECOMMENDED MOTION:

It is recommended that the Airport Commission move to recommend City Council adopt a resolution approving the First Amendment to the ground lease between the City of Salinas and Airport Ranch LLC.

RECOMMENDATION:

City Staff has concluded that by the Airport Commission recommending City Council adopt a resolution to approve the First Amendment to the ground lease between the City of Salinas and Airport Ranch LLC., the Commission will support City Council's Strategic Plan Goal for Effective, Sustainable Government.

BACKGROUND:

In late 2016, JR Norton Ventures approached City Staff regarding two issues: 1.) the potential sale of their land south of the airport (land that is not controlled by the City); and 2.) expressed interest in exercising the assignment clause provided in their ground lease for agricultural land south of the airport with the City. City Staff reviewed the request and found no reasonable cause to deny the request. In April of 2017, following the review and acceptance by the City Attorney, a Consent to Assignment of Lease Agreement was executed by City Staff. The Assignment transferred all of JR Norton Ventures interests and obligations under the original lease to Airport Ranch LLC.

JR Norton entered into a ground lease for the land in 2006. The original terms included a seven-year lease with two five-year options. The original term expired in 2013 and one five-year option was exercised. The first option is set to expire in 2018.

Airport Ranch LLC approached staff regarding adding additional term to their lease. Being that Airport Ranch purchased the other landholding abutting the leased area, Airport Ranch LLC desires to add additional lease term security by extending the terms of the lease. Airport Ranch LLC is requesting three additional five-year options following the expiration of the current option in 2018.

ANALYSIS:

While reviewing the assignment, several issues were discussed with both JR Norton and Airport Ranch LLC:

- 1.) Leased Premise Acreage Adjustment
- 2.) Maintenance Issues
 - a. Storm water canal
 - b. Airport perimeter fence line damage/repair

Leased Premise Acreage Adjustment

While reviewing the Consent to Assign, both Parties (JR Norton/City of Salinas) were made aware that the existing Exhibit A – Proposed Agricultural Lands was ambiguous regarding boundary/plot lines. Surveys of the leased area rendered more farmable acreage than what is identified in the original lease. This is due in part that the Exhibit is hand drawn. Survey calculations rendered an additional 1.6 more acres. To that end, a revised Exhibit A was developed to reflect the change in the total farmable acres to 78.6 farmable acres. The revised Exhibit A is included in the First Amendment to the Ground Lease.

Maintenance Issues

Over the years, the airport perimeter fence abutting the leased area has been damaged from farm equipment and farming operations. Additionally poorly placed irrigation systems have eroded areas around the perimeter fence line. A storm water canal runs between the airport property and abutting properties. Natural causes and irrigation systems cause the storm water embankments to erode. The original lease remains mostly silent on the specific issues regarding maintenance and care of the fence line and storm water canal. Provisions regarding maintenance and repair of the fence line and storm water canal have been included in the amendment. Airport Ranch LLC will be required to repair existing and future fence line damage that is caused by farming operations. Regardless of the cause, Airport Ranch LLC will be required to maintain the storm water canal on the airport property side of the lease.

Lease Terms:

Leased Premises:

The Leased premise is being adjusted from 77.0 acres to 78.6 farmable acres.

Lease Duration:

Three Five-year options following the expiration of the current term. In consideration for the Leased Premise Acreage Adjustment, concessions to maintenance issues, continued care of the land, and secured future funding for the airport enterprise fund, additional lease term is being recommended for approval.

Lease Rate:

\$74,984.00 per year (\$954.00 per acre per year). This rate will remain effective through October 31, 2018.

No Further Modifications:

All other provisions, including Rent Adjustments, will remain in full force as per the original lease.

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:

In the Fiscal Years 2016-2019, Salinas City Council Strategic Plan, Council's goal statement for *Effective, Sustainable Government* in part reads, "Resources are allocated effectively and fiscal solvency and sustainability are achieved. This action complements the City Council's Strategic Plan Goals for Effective, Sustainable Government.

FISCAL AND SUSTAINABILITY IMPACT:

The execution of this amendment lease will continue with a positive impact of \$74,984.00 per year to the Airport Enterprise Fund.

ATTACHMENTS:

First Amendment to the ground lease between the City of Salinas and Airport Ranch LLC

Original Lease between the City of Salinas and JR Norton Ventures