



Legislation Text

File #: 20-023, **Version:** 1

Report Prepared by: Martin Pehl, Airport Manager, Merced Regional Airport

SUBJECT: Consideration of a Ground Lease Between the City of Merced and Vegetable Flight Resources, LLC for Development of a Private Hangar on Approximately 10,000 Square Feet of Land on the Merced Regional Airport with Rent Starting at \$3,100.00 per Year for a Term of Thirty (30) Years, with an Option Term of Fifteen (15) Years

REPORT IN BRIEF

Considers a lease agreement (30-year term with 15-year option) with Vegetable Flight Resources, LLC for use of approximately 10,000 square feet located on the Merced Regional Airport for development of a private aircraft hangar.

RECOMMENDATION

City Council - Adopt a motion approving a lease agreement between Vegetable Flight Resources, LLC and the City of Merced and authorizing the City Manager or the Assistant City Manager to execute all necessary documents.

ALTERNATIVES

1. Approve as recommended by staff; or,
2. Approve, subject to modifications as conditioned by Council; or,
3. Deny the request completely; or
4. Refer back to staff for reconsideration of specific items as requested by Council; or,
5. Continue item to a future Council meeting (date to be specified in City Council motion).

AUTHORITY

Charter of the City of Merced, Section 200.

CITY COUNCIL PRIORITIES

City of Merced adopted Budget Fiscal Year 2019-2020.

DISCUSSION

The City of Merced owns property on which the Merced Regional Airport is operated and upon which structures are built for housing and storing aircraft and related equipment. Vegetable Flight Resources, LLC desires to construct an 80' x 80" hangar on 10,000 square feet of land for the storage of Vegetable Flight Resources, LLC owned aircraft. The location of the proposed premises and use are consistent with the Merced Airport Master Plan.

Vegetable Flight Resources, LLC concurs with the terms of the proposed Ground Lease (See

Attachment 2.)

Key Lease Terms: Notable term of the Lease Agreement include:

Parties: Lessor: City of Merced
Lessee: Vegetable Flight Resources, LLC

Premises: The subject site is 10,000 square feet of City-owned property located on the Merced Regional Airport. (See Attachment 1).

RENT: A. \$0.31 per square foot for the Leased Premises annually for the first 10-years of the Lease (\$3,100.00 annually); B. \$0.38 per square foot for the Leased Premises annually for the second 10-year period of the Lease (years 11-20) (\$3,800.00 annually); C. \$0.44 per square foot for the Leased Premises annually for the third 10-year period of the Lease (years 21-30) (\$4,400.00 annually).

Term: Thirty (30) year lease with fifteen (15) year option.

Tenant

Improvements: No tenant improvement allowance is included.

Utilities and Maintenance: Lease is triple net with Vegetable Flight Resources, LLC being responsible for all utilities and maintenance for the premises.

Assignment and Subletting: Lessee may assign its interest in this Lease with the prior written consent of Lessor.

The Lessee is responsible for all costs related to the design and construction of the hangar including associated development and permit fees.

IMPACT ON CITY RESOURCES

The rent revenue generated are deposited into the Airport Revenue Account 561-1303-352.03-05 and this rent revenue will be included in the annual budget process.

ATTACHMENTS

1. Ground Lease General Location Map
2. Vegetable Flight Resources, LLC Lease Agreement