

AGENDA ITEM NO. 2 B
COUNCIL MEETING: 3/20/14
APPROVED BY


DEPARTMENT DIRECTOR

CITY MANAGER

Date: March 20, 2014

FROM: Kevin R. Meikle, Director of Aviation
Airports Department

BY: Kevin R. Meikle, Director of Aviation
Airports Department

SUBJECT: Actions pertaining to a lease agreement for hangar and ramp space at Fresno Yosemite International Airport (Council District 4) – Airports Department

1. Adopt a finding of Categorical Exemption pursuant to Article 19, Section 15301 (a) and (d) / Class 1 (Existing Facilities) of the California Environmental Quality Act (CEQA) Guidelines to authorize Lease Amendment 9 with SkyWest Airlines Inc. at Fresno Yosemite International Airport
2. Approve Lease Amendment No. 9 to the lease between the City and SkyWest Airlines, Inc. related to leasehold boundary modifications at Fresno Yosemite International Airport (FAT) with no change in compensation

RECOMMENDATIONS

Staff recommends that City Council:

1. Adopt a finding of Categorical Exemption pursuant to Article 19, Section 15301 (a) (d) / Class 1 (Existing Facilities) of the CEQA Guidelines to authorize a Lease with SkyWest Airlines at FAT.
2. Approve Lease Amendment No. 9 to the lease between the City and SkyWest Airlines, Inc. (SkyWest) at FAT related to leasehold boundary modifications with no change in compensation.

EXECUTIVE SUMMARY

SkyWest operates an aircraft maintenance facility at FAT that is located on the north side of the airfield, and commonly referred to as P-3 hangar and ramp area. Configuration of the existing leasehold, (i) does not allow for the optimum utilization by SkyWest, (ii) blocks convenient access from Taxiway C to other non-leased ramp space, and, (iii) is negatively impacted by the presence of an abandoned and deteriorated structure. Amendment No. 9 will rectify these issues without any change in the lease term or compensation, improve SkyWest's utilization of their leasehold, and

provide necessary access to neighboring ramp space for future lease opportunities. Refer to the attached Site Plan.

BACKGROUND

The SkyWest maintenance base employs approximately 170 mechanics and other skilled workers, with aggregate salaries of \$8.88 million per year. Their continuing operations and presence are very important to the City and the region. Both SkyWest and the Airports Department recognize the economic impact and jobs that SkyWest brings to the City and surrounding area.

The underutilized area is caused by infrastructure put in by the military in the 1940's and 1950's, which includes the deteriorated structure (referred to as Building T-262). The removal of Building T-262 will be a separate but related Council action. The boundary change in this area will add 36,207 square feet to the leasehold. There is also vacant ramp space adjoining the SkyWest lease boundary that currently has no convenient access from the taxiway system. A portion of the SkyWest leasehold will be turned back to the Airport in this area so access can be provided to the vacant ramp area. This change will make the vacant ramp area much more marketable. The boundary change in this area will deduct 9,846 square feet from the leasehold. The net change in leasehold area will be an increase of 26,361 square feet. The value added to each party is in the increased utilization for both the City and SkyWest.

The SkyWest lease was first executed in 1986, expires in 2017 and provides the Department with annual revenue of \$679,317. In addition to the lease revenue generated and employment levels, their presence also helps to retain airline service at FAT by virtue of the fact that SkyWest is a regional code share partner with all of our major carriers. As such, SkyWest provides branded regional air service for the major airlines, and retaining one of their maintenance bases at FAT supports SkyWest's ability to continue providing those airline services.

In consideration of the relatively short duration remaining on the lease of approximately three and one half years, and the turn back of 9,846 square feet of ramp to the City to enhance aircraft access to ramp area adjacent to their lease, the net area being added to the leasehold is proposed to be at no increase in rent.

ENVIRONMENTAL FINDINGS

Staff has determined that this lease falls within the Class 1 Categorical Exemptions set forth in California Environmental Quality Act (CEQA) Guidelines, Sections 15301(a) and (d) (Existing Facilities), as it involves minor or no alteration of existing leasehold structures with no expansion of use, and will not result in any significant negative effects relating to traffic, noise, air quality or water quality. None of the exceptions to Categorical Exemptions set forth in the CEQA Guidelines, Section 15300.2 apply to this project.

LOCAL PREFERENCE

The City's Local Preference Ordinance (FMC 4-108) does not apply because this action is not related to the procurement of materials, supplies or equipment.

FISCAL IMPACT

There will be no change in revenue with Lease Amendment No. 9. The value added to each party is with an increase in land utilization for both SkyWest and the City. The leasehold space reverted back to the City represents an operational and potential future revenue enhancement for Airports. This action also supports SkyWest's long term plans for operations at FAT, which supports the City's ongoing efforts to foster job growth and economic sustainability. There is no impact to the General Fund from this item.

Attachments:

- Site Plan
- SkyWest Lease Amendment No. 9

LEASE AMENDMENT NO. 9

to the

AVIATION LAND AND BUILDING LEASE AND AGREEMENT

Between

CITY OF FRESNO, CALIFORNIA

And

SKYWEST AIRLINES, INC.

THIS LEASE AMENDMENT NO. 9 is made and entered the ____ day of _____, 2014 by and between the CITY OF FRESNO, CALIFORNIA, a municipal corporation hereinafter referred to as "Lessor" and SKYWEST AIRLINES, INC., a Utah corporation hereinafter referred to as "Lessee" (collectively, the "Parties").

WITNESSETH

WHEREAS, the Parties are parties to a certain Aviation Land and Building Lease and Agreement dated June 15, 1993 (the "Agreement") covering Hangar P-3 Lease Area at the Fresno Yosemite International Airport, which Agreement has heretofore been amended eight times, and

Whereas, the northwest corner of the lease area contains irregular lease boundaries which run through an unused and deteriorating barracks building which straddles the lease area, and

WHEREAS, Lessor has bid a project for rehabilitation of the northwest corner of the lease area, which includes demolition of the barracks building also known as T-262 and paving the site (the "Rehabilitation Project"), and

WHEREAS, the Rehabilitation Project will correct irregular lease boundaries, and by doing so, Lessor agrees to increase Lessee's lease area by approximately 36,207 square feet, and

WHEREAS, in exchange for the increased area resulting from the Rehabilitation Project, Lessor and Lessee agree that the southeast corner of the aircraft ramp area will be reduced by 9,846 square feet to provide the area needed to designate an access taxilane to the non-leased aircraft ramp adjacent to Lessee's leased ramp, and

WHEREAS, in consideration of the Lessor benefits derived from correcting the irregular lease boundaries, demolishing the deteriorating building and recapturing lease area needed for a taxilane, Lessor and Lessee agree that the changes in the lease area will be made at no change in the rental amount, and

WHEREAS, the Rehabilitation Project is categorically exempt from California Environmental Quality Act ("CEQA") review pursuant to Guideline 15301 (existing facilities) and 15302 (replacement or reconstruction), and

NOW, THEREFORE, in consideration of the mutual promises herein contained, it is hereby agreed:

1. Lessor's Rehabilitation Project is an approved and agreed upon improvement. Lessor will proceed with the Rehabilitation Project forthwith.
2. Parcel 8C shall be increased by approximately 36,207 square feet as depicted on Exhibit A.
3. Parcel 8A shall be decreased by approximately 9,846 square feet as depicted on Exhibit A.
4. The existing rental amount derived from the existing Parcel 8C will be allocated to the total square feet of Parcel 8C increased by this Amendment No. 9 resulting in no adjustment to the dollar amount of rental payments due to Lessor under the Agreement

5. Except as expressly provided in this Amendment No. 9, all the terms and provisions of the Agreement as heretofore amended shall continue in full force and effect.

SIGNATURES

EXECUTED and effective this _____ day of _____, 2014 ("Effective Date") by the City of Fresno, Lessor, and by, SkyWest Airlines, Lessee, acting by and through its duly authorized officer.

LESSOR:
CITY OF FRESNO
A Municipal Corporation

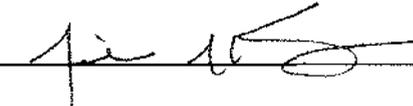
LESSEE:
SKYWEST AIRLINES
A Utah Corporation

By: _____
Kevin R. Meikle,
Director of Aviation

By:  _____
Name: Bill Dixes

Address for Notice:
City of Fresno
Airports Department
4995 E. Clinton Way
Fresno, CA 93727

Title: V.P. mx
(if corporation or LLC, Board
Chair, Pres. or Vice Pres.)

By:  _____
Name: MICHAEL J. KRAUPP
CHIEF FINANCIAL OFFICER AND TREASURER

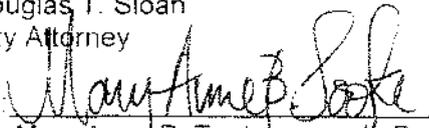
ATTEST:
Yvonne Spence, CMC
City Clerk

Title: _____
(if corporation or LLC, CFO,
Treasurer, Secretary or
Assistant Secretary)

By: _____
Deputy

APPROVED AS TO FORM:

Douglas T. Sloan
City Attorney

By:  _____ Date Feb 27, 2014
Mary Anne B Tooke
Deputy City Attorney

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