



## CITY COUNCIL STAFF REPORT

DATE: December 14, 2011 Consent Agenda

SUBJECT: SKYWEST AIRLINES AND ATLANTIC AVIATION LEASE  
AMENDMENTS

FROM: David H. Ready, City Manager

BY: Palm Springs International Airport

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### SUMMARY

Request the City Council to approve a lease modification and an economic incentive for Palm Springs International Airport's tenant, SkyWest Airlines, to accommodate the expansion of its aircraft maintenance operation.

### RECOMMENDATION:

- 1) Approve Amendment No. 3 to the Operation and Lease Agreement No. A2388 with SkyWest Airlines, Inc., adding an amount of undeveloped leasehold land to accommodate an expansion of SkyWest's maintenance operations and providing SkyWest with development assistance of up to 15 months of rent abatement, not to exceed \$51,000; and
- 2) Approve Amendment No. 2 to the Operation and Lease Agreement No. A1764 with Atlantic Aviation FBO, Inc., reducing the amount of its undeveloped leasehold land; and
- 3) Authorize City Manager to execute all necessary documents.

### STAFF ANALYSIS:

SkyWest Airlines and Atlantic Aviation are both longstanding tenants at Palm Springs International Airport. These properties are adjacent to each other on the east side of

the airport off of Gene Autry Road. The SkyWest Airlines facility is used for aircraft fleet maintenance and the Atlantic Aviation facility is a full service Fixed Base Operator.

The PSP SkyWest Maintenance Station is now servicing more aircrafts than originally planned, including those that provide commercial air service in the PSP market, and the airline needs to expand their aircraft parking apron to accommodate the increasing numbers of aircrafts. In order to facilitate this expansion, SkyWest has requested to add an additional 2.5 acres to the current lease, which extends through 2027. The neighboring tenant, Atlantic Aviation, has agreed to reduce its lease acreage by 2.5 acres and provide it to SkyWest's leasehold.

Airline maintenance facilities are considered prime developments for airports because they help sustain air service to a market, generate well paying skilled jobs, and create added airport revenue in rents and fuel sales. Because there are only a small number of these types of airline facilities nationwide, airports typically find themselves competing for these tenants by offering financial development incentives.

SkyWest has requested a development incentive in the amount of \$51,000 or the equivalent of up to 15 months of rent abatement. The Airport Commission voted at its November meeting in favor of providing this incentive – as SkyWest is an important airline partner serving our market, while employing over 100 skilled workers.

The Airport Director has confirmed that the rent abatement is consistent with the FAA guidelines for airline incentives.

#### FISCAL:

The current Atlantic Aviation lease generates \$41,382 annually for this 2.5 acre parcel. Once the property is transferred to the SkyWest lease, it will generate \$37,026 annually. The reason for the differential is because the previous Atlantic lease established the value for this property back in 2005 when values were significantly higher. The revised cost to SkyWest is consistent with today's lower market values and FAA regulations regarding land rental rates at airports. Over the course of the remaining SkyWest lease, which expires in 2027, there will be three CPI increases. The total gross rent projected for this parcel under SkyWest is expected to generate approximately \$600,000 over the remaining life of the lease.


Other positive financial factors related to this support of the SkyWest expansion include retaining over 100 jobs at the facility and added revenue from landing fees and fuel sales.

The only direct expense to be incurred by the airport for this expansion will be the relocation of a small section of security fence line to delineate the new leasehold boundary. The details of that modification will be refined once the project gets

underway and, if possible, the new FAA security fencing project, that is currently underway, may be able to handle that expense.



Thomas Nolan, A.A.E.  
Executive Director



David H. Ready, Esq., Ph.D.,  
City Manager

Attachments

**AMENDMENT NO. 3 TO INDENTURE OF LEASE NO. 2388  
SKYWEST OPERATING AND LEASE AGREEMENT  
AT PALM SPRINGS INTERNATIONAL AIRPORT**

THIS AMENDMENT NO. 3 TO LEASE NO. 2388 ("Amendment") is made and entered into this fifteenth day of December 2011, by and between the CITY OF PALM SPRINGS, a charter city and California municipal corporation ("Lessor"), and SKYWEST AIRLINES, INC., a corporation organized and existing under the laws of the State of Utah ("Lessee").

**RECITALS**

WHEREAS, Lessor and Lessee entered into Lease Agreement No. 2388 ("Agreement"), effective January 15, 1987; and

WHEREAS, the parties wish to amend the Agreement pursuant to the terms of Amendment No. 3 as follows;

WHEREAS, Lessor owns and operates an airport known as the Palm Springs International Airport, located in the City of Palm Springs, County of Riverside, State of California ("Airport"); and

WHEREAS, to further its business of aeronautics and aircraft modification, Lessee is desirous of leasing certain real property consisting of extending Parcel 5 by 200 feet to the south, which is 550.90 feet wide, (110,180 square feet) and which property is part of the Airport. It is more specifically described and depicted as Parcel 4A on Exhibit "A", attached hereto and incorporated herein ("Parcel 4A"); and

WHEREAS, Lessor is desirous of leasing the Parcel 4A to Lessee and granting Lessee certain rights to access the Airport from Parcel 4A to allow Lessee to perform its business of aeronautics and aircraft modification thereon.

NOW, THEREFORE, in consideration of the mutual covenants set forth herein and for other good and valuable considerations, Lessor does hereby lease to Lessee, and Lessee does lease from Lessor, the parcel of land containing the northern 200 feet of Parcel 4, which is 550.90 feet wide, which property is part of the Airport, as more specifically described and depicted as Parcel 4A on Exhibit "A", attached hereto and incorporated herein ("Parcel 4A"); for all purposes, together with those rights and privileges stated elsewhere in this agreement upon the following terms and conditions, to become effective December 15, 2011:

**AGREEMENT**

Section 1. The ending date of the term of this Amendment No. 3 shall be the same as that described in Article I of Lease 2388, January 14, 2027.

Section 2 Parcel 4A, hereinafter more fully described on Exhibit "A", contains the northern 200 feet of Parcel 4, which is 550.90 feet wide.

Section 3 The rental value of Parcel 4A as determined by Lessor at the inception of this Amendment will be the same rental rate as Lease No. 2388 and as adjusted on January 14, 2012. In consideration for the improvements made by the lessee, rental payments shall begin on February 1, 2013.

Section 4 Rental adjustments shall be as per Article II of Lease Agreement No. 2388, the first rental adjustment to take effect as of January 14, 2017.

Section 5 All other conditions of Lease Agreement No. 2388 not in conflict with this Supplemental Agreement shall remain in full force and effect and shall apply to Parcel 4A.

(SIGNATURE PAGE FOLLOWS)

IN WITNESS WHEREOF, the parties have executed and entered into this Agreement as of the date first written above.

ATTEST:

CITY OF PALM SPRING  
a municipal corporation

By: \_\_\_\_\_  
City Clerk

By: \_\_\_\_\_  
City Manager

APPROVED AS TO FORM:

By: \_\_\_\_\_  
City Attorney

CONTRACTOR: Check one:  Individual  Partnership  Corporation

Corporations require two notarized signatures: One from each of the following: A. Chairman of Board, President, or any Vice President: AND B. Secretary, Assistant Secretary, Treasurer, Assistant Treasurer, or Chief Financial Officer.

By: \_\_\_\_\_  
Signature (notarized)

By: \_\_\_\_\_  
Signature (notarized)

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

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State of \_\_\_\_\_

County of \_\_\_\_\_

On \_\_\_\_\_ before me, \_\_\_\_\_

personally appeared \_\_\_\_\_  
who proved to me on the basis of satisfactory  
evidence to be the person(s) whose name(s)  
is/are subscribed to the within instrument  
and acknowledged to me that he/she/they  
executed the same in his/her/their authorized  
capacity(ies), and that by his/her/their  
signature(s) on the instrument the person(s),  
or the entity upon behalf of which the  
person(s) acted, executed the instrument.

personally appeared \_\_\_\_\_  
who proved to me on basis of satisfactory  
evidence to be the person(s) whose name(s)  
is/are subscribed to the within instrument  
and acknowledged to me that he/she/they  
executed the same in his/her/their authorized  
capacity(ies), and that by his/her/their  
signatures(s) on the instrument the person(s)  
or the entity upon behalf of which the  
person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY  
under the laws of the State of California that  
the foregoing paragraph is true and correct.

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under the laws of the State of California that  
the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

WITNESS my hand and official seal.

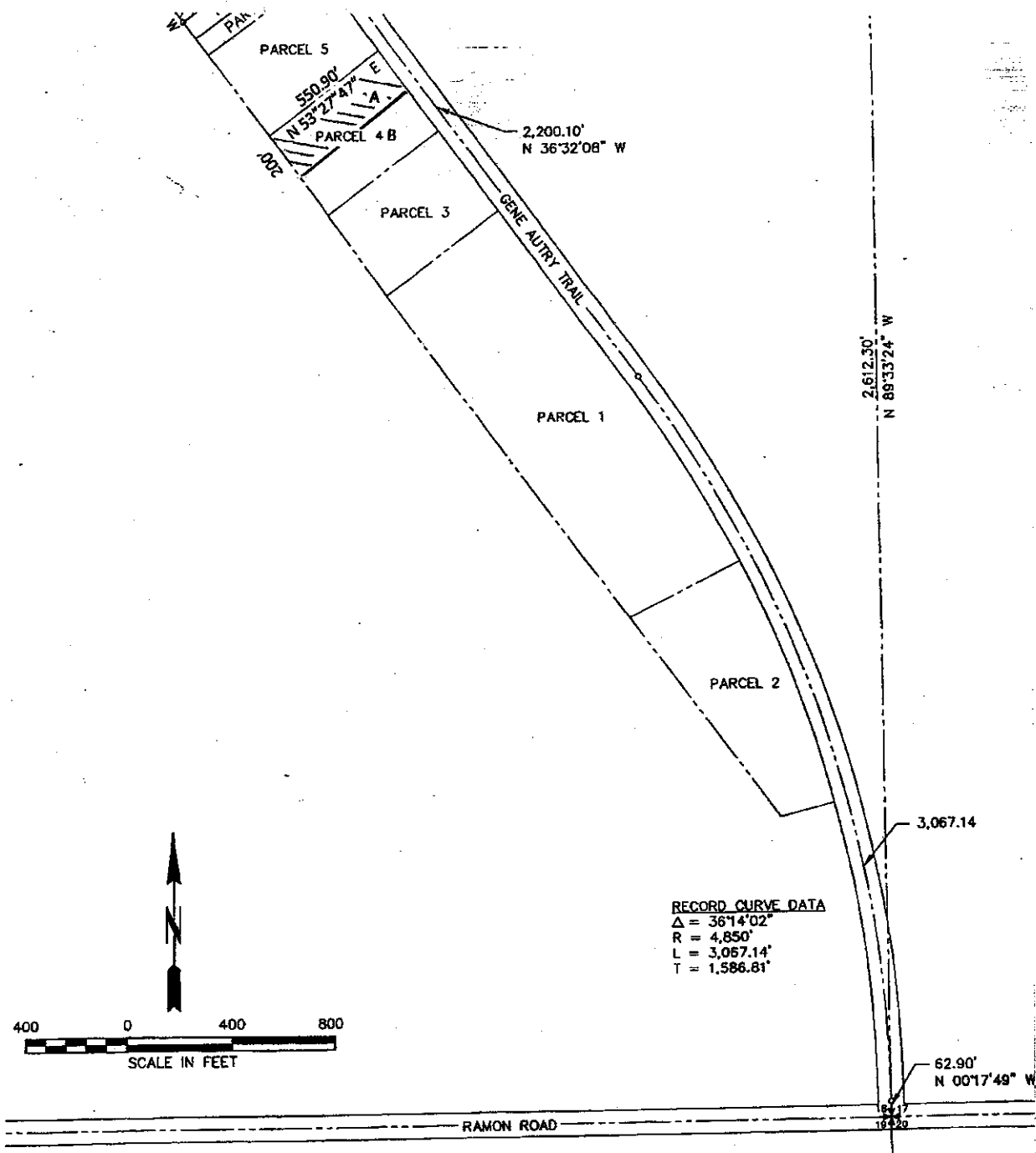
Notary Signature: \_\_\_\_\_

Notary Signature: \_\_\_\_\_

Notary Seal:

Notary Seal:

Exhibit "A" Revised



AMENDMENT NO. 2 TO INDENTURE OF LEASE NO. 1764  
ATLANTIC AVIATION FBO, INC.  
AT PALM SPRINGS INTERNATIONAL AIRPORT

THIS AMENDMENT NO. 2 TO LEASE NO. 1764 ("Amendment") is made and entered into this fifteenth day of December 2011, by and between the CITY OF PALM SPRINGS, a charter city and California municipal corporation ("Lessor"), and ATLANTIC AVIATION FBO, INC., a corporation organized and existing under the laws of the State of Delaware, ("Lessee").

**RECITALS**

WHEREAS, Lessor and Lessee entered into Lease Agreement No. 1764 ("Agreement"), effective December 15, 1981; and

WHEREAS, the parties wish to amend the Agreement as provided in this Amendment to reduce the total square footage of property to be leased as follows;

WHEREAS, Lessor owns and operates an airport known as the Palm Springs International Airport, located in the City of Palm Springs, County of Riverside, State of California ("Airport"); and

WHEREAS, Lessee currently leases Parcel 4, as more specifically described and depicted on Exhibit "A", which is attached hereto and incorporated herein; and

WHEREAS, Lessee is agreeable to amending and reducing the portion of the real property that it currently leases from the Lessor. Lessee specifically agrees to terminate its lease and all associated rights for that portion of the real property described in the Agreement consisting of the northern 200 feet of Parcel 4, a section of property which is 550.90 feet wide and covers 110,180 square feet. The section of the property for which Lessor relinquishes all rights is labeled as Parcel 4A on the attached Exhibit "A" and is hereafter referred to as "Parcel 4A;" and

WHEREAS, it is agreed that Lessee will continue to lease the remaining southern most portion of Parcel 4, more specifically described and depicted as Parcel 4B on Exhibit "A"; and

NOW, THEREFORE, in consideration of the mutual covenants set forth herein and for other good and valuable considerations, Lessor and Lessee do hereby agree as follows:

## AGREEMENT

- Section 1 The ending date of the term of this Amendment No. 2 shall be the same as that described in Article I of Agreement No. 1764 for the remaining southern most portion of Parcel 4, and referenced in Exhibit "A" as Parcel 4B.
- Section 2 Lessee agrees to relinquish any and all rights under the Agreement to Parcel 4A.
- Section 3 The rental value of Parcel 4A, as determined by Lessor at the inception of this Amendment is \$3,525.76 per month. As such, the lease payment due to Lessor from Lessee shall be reduced by \$3,525.76 per month for the remaining term of the Agreement.
- Section 4 Rental adjustments for lease payments for Parcel 4B shall be as per Article II of Lease Agreement No. 1764, the first rental adjustment to take effect as of December 15, 2011. For partial December credit of \$1,762.88
- Section 5 In consideration of Lessee's agreement to terminate its lease and all associated rights for Parcel 4A, during the term of the Agreement Lessor grants Lessee a right of first refusal to separately lease Parcel 4A, Parcel 5, Parcel 5A or 5B, commonly known as the Skywest Airlines Maintenance Facility, all as depicted on Exhibit "A." Prior to leasing Parcel 4A, Parcel 5, Parcel 5A or 5B to any third party, separately or in combination, during the term of the Agreement Lessor shall first give Lessee notice and the opportunity to lease these properties on the same terms and conditions offered to such third party and shall not lease these properties to any third party unless and until Lessee declines to lease these properties on the same terms and conditions.
- Section 6 All other conditions of Lease Agreement No. 1764 not in conflict with this Supplemental Agreement shall remain in full force and effect and shall apply to Parcel 4A.


(SIGNATURE PAGE FOLLOWS)

IN WITNESS WHEREOF, the parties have executed and entered into this Agreement as of the date first written above.

ATTEST:

CITY OF PALM SPRING  
a municipal corporation

By: \_\_\_\_\_  
City Clerk

By: \_\_\_\_\_  
City Manager 

APPROVED AS TO FORM:

By: \_\_\_\_\_  
City Attorney

CONTRACTOR: Check one: \_\_\_ Individual \_\_\_ Partnership \_\_\_ Corporation

Corporations require two notarized signatures: One from each of the following: A. Chairman of Board, President, or any Vice President: AND B. Secretary, Assistant Secretary, Treasurer, Assistant Treasurer, or Chief Financial Officer.

By: \_\_\_\_\_  
Signature (notarized)

By: \_\_\_\_\_  
Signature (notarized)

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

State of \_\_\_\_\_

State of \_\_\_\_\_

County of \_\_\_\_\_

County of \_\_\_\_\_

On \_\_\_\_\_ before me, \_\_\_\_\_

On \_\_\_\_\_ before me, \_\_\_\_\_

personally appeared \_\_\_\_\_  
who proved to me on the basis of satisfactory  
evidence to be the person(s) whose name(s)  
is/are subscribed to the within instrument  
and acknowledged to me that he/she/they  
executed the same in his/her/their authorized  
capacity(ies), and that by his/her/their  
signature(s) on the instrument the person(s),  
or the entity upon behalf of which the  
person(s) acted, executed the instrument.

personally appeared \_\_\_\_\_  
who proved to me on basis of satisfactory  
evidence to be the person(s) whose name(s)  
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or the entity upon behalf of which the  
person(s) acted, executed the instrument.

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under the laws of the State of California that  
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WITNESS my hand and official seal.

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Notary Signature: \_\_\_\_\_

Notary Signature: \_\_\_\_\_

Notary Seal:

Notary Seal:

Exhibit "A" Revised

