

RESOLUTION NUMBER R- 311540DATE OF FINAL PASSAGE FEB 14 2018

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN DIEGO AUTHORIZING THE MAYOR OR HIS DESIGNEE TO EXECUTE A FIFTY YEAR FLAT RATE PARCEL GROUND LEASE AGREEMENT WITH AIR CENTER MYF, LLC FOR UP TO 9.87 ACRES OF UNIMPROVED LAND LOCATED AT THE REAL PROPERTY COMMONLY KNOWN AS MONTGOMERY-GIBBS EXECUTIVE AIRPORT.

WHEREAS, the City of San Diego (City) owns that certain parcel of real property consisting of approximately 9.87 acres of unimproved land (Property) located at 3750 John J. Montgomery Drive, San Diego, California 92123, and commonly known as Montgomery-Gibbs Executive Airport (Airport); and

WHEREAS, Air Center MYF, LLC (Air Center) has requested a fifty-year flat rate parcel ground lease for the Property (Lease). The Lease provides for the initial use and development of 4.63-acres of the Property (Parcel 1); and

WHEREAS, during the first seven years of the Lease term, Lessee has options to amend the Lease to add up to three additional contiguous parcels, for a total possible leasehold of up to 9.87 acres (Options); each amendment shall also include the increased rent for the additional leasehold area(s), as determined by an appraisal at fair market value and any then-current City lease requirements; and

WHEREAS, the Lease requires Air Center operate full service Fixed Base Operator (FBO) services including charters, tours, flight training, aircraft hangar rentals, helicopter sales and maintenance, full line-service, full-service avionics, utility services, fuel sales, and aerial filming and photography; and

WHEREAS, the Lease requires that Air Center construct City-approved improvements on Parcel 1 at an expense to Air Center of at least \$5 million dollars; and

WHEREAS, the Options require Air Center to pay additional fair market rent on any leasehold area(s) added to the Lease and to install City-approved improvements of up to \$4 million dollars on those added leasehold area(s); and

WHEREAS, Air Center's operations under the Lease will improve safety operations between helicopters and fixed winged aircraft at the Airport, provide a world-class helicopter aviation facility that will continue to service helicopters and other general aviation aircraft, attract business, and generate economic activity for the region; and

WHEREAS, as appraised by an independent fee appraiser, the market value of the Property is \$2,437,000; and

WHEREAS, the rent payable to the City shall be \$105,648 a year during the first five years of the Lease, subject to adjustments thereafter as described in the Lease; and

WHEREAS, pursuant to Council Policy 700-10 "Leasing of City-Owned Real Property" section C "Lessee Selection for New Leases," the City entered into exclusive negotiations with Air Center for the Lease because Air Center's business case provided the City with sufficient justification as to how Air Center is capable of optimizing the use of the Property and the return to the City, thereby negating the need for a competitive process; and

WHEREAS, City Council Policy 700-10 "Leasing of City-Owned Real Property" section M "Leasehold Financing" requires that City staff take appropriate steps to review the proposed financing and ensure that the loan proceeds be invested in the leasehold and limits the maximum loan proceeds to seventy-five percent of the value of the leasehold improvements; and

WHEREAS, Air Center has proposed a ninety percent loan-to-value ratio for financing of the leasehold improvements in order to enable Air Center to construct the improvements on Parcel 1 required under the Lease; and

WHEREAS, Shier Aviation Corporation (Shier), a current tenant at the Airport, has agreed to be a guarantor for Air Center under the Lease until Air Center has completed construction of the \$5 million improvements on Parcel 1; and

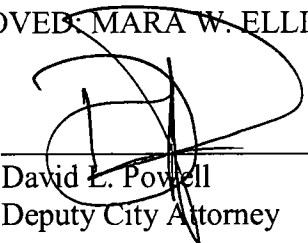
WHEREAS, City staff has reviewed and approved the financial condition of both Air Center and Shier and has determined they have the financial capability, expertise, and experience to develop and operate the leasehold proposed by this Lease, and therefore recommends the City Council of the City of San Diego waive City Council Policy 700-10 "Leasing of City-Owned Real Property" section M "Leasehold Financing;" NOW, THEREFORE,

BE IT RESOLVED, by the City Council of the City of San Diego, that the Mayor, or his designee, is authorized and directed to execute that certain Flat Rate Parcel Ground Lease between the City of San Diego and Air Center MYF, LLC, as more fully set forth in Document No. RR- 311540 on file with the City Clerk.

BE IT FURTHER RESOLVED, that the City Council hereby waives that portion of City Council Policy 700-10 "Leasing of City-Owned Real Property," section M, "Leasehold Financing" with respect to Air Center's financing of improvements on Parcel 1.

APPROVED: MARA W. ELLIOTT, City Attorney

By



David E. Powell
Deputy City Attorney

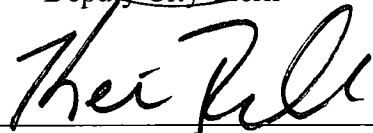
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01/26/18
Or.Dept: READ
Doc. No.: 1658182

I certify that the foregoing Resolution was passed by the Council of the City of San Diego, at this meeting of 2/13/2018.

ELIZABETH S. MALAND
City Clerk

By 
Deputy City Clerk

Approved: 2/14/18
(date)


KEVIN L. FAULCONER, Mayor

Vetoed: _____
(date)

KEVIN L. FAULCONER, Mayor

Passed by the Council of The City of San Diego on FEB 13 2018, by the following vote:

Councilmembers	Yeas	Nays	Not Present	Recused
Barbara Bry	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lorie Zapf	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Chris Ward	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Myrtle Cole	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mark Kersey	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Chris Cate	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Scott Sherman	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
David Alvarez	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Georgette Gomez	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Date of final passage FEB 14 2018

(Please note: When a resolution is approved by the Mayor, the date of final passage is the date the approved resolution was returned to the Office of the City Clerk.)

AUTHENTICATED BY:

KEVIN L. FAULCONER
Mayor of The City of San Diego, California.

ELIZABETH S. MALAND
City Clerk of The City of San Diego, California.

(Seal)

By , Deputy

Office of the City Clerk, San Diego, California

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