

FALLBROOK AIRPARK ADVISORY COMMITTEE
August 3, 2015

AGENDA ITEM #5

Proposed New Aviation Lease with Murray Investment Company, LLC

Background

On June 19, 2002 (9), the County of San Diego ("County") Board of Supervisors ("Board") approved a 30-year lease for approximately 0.976 net acres at Fallbrook Community Airpark with Fallbrook Flyers, LLC. This lease, known as County Contract No. 75586R, commenced on July 1, 2002 and is scheduled to terminate on June 30, 2032. The leased parcel has been improved with six aircraft storage hangars.

In March 2015, Fallbrook Flyers, LLC assigned its leasehold interest to Murray Investment Company, LLC ("Murray"). Murray requested a new 30-year aviation lease that would supersede and replace the current Contract No. 75586R on November 1, 2015.

PROPOSED NEW LEASE WITH MURRAY INVESTMENT COMPANY, LLC

Premises – The same parcel of approximately 0.976 net acres.

Term – The new lease will have a term of 30 years, commencing on November 1, 2015, and terminating on October 31, 2045.

Capital Investment – Within the first 36 months of the new lease, Murray must satisfy the minimum capital investment requirement of \$65,067. As this parcel has been completely built out, the capital improvement projects should be aimed on enhancing safety, security and energy efficiency of the leasehold. For example, potential capital improvement projects may include: insulation of the roof and walls of hangars, addition of LED security lighting and security cameras, and installation of a solar power system. All improvements would require the County's prior written approval. If any of the \$65,067 minimum required capital investment remains unspent at the end of the 36-month period, the lessee will pay such difference to County as a lump sum.

Rent – The initial base monthly rent of \$415 will be subject to annual cost of living adjustments and periodic rental rate renegotiations. The first renegotiation of the base monthly rent will be done in 2017. Then, the rental rate will be renegotiated every five years. This schedule will keep Murray's rental adjustments in line with the two other aviation leases at the Airpark.

Equity – Within 30 days of Board's approval, Murray will pay to County a lump sum payment of \$59,146, for the postponement of the County's reversionary

interest in leasehold improvements for the additional term granted as a result of this proposed new lease.

Benefits to County

The new lease will result in improved property that will enhance safety and energy efficiency of the leasehold. Airports will benefit through continued dependable rent revenue, as well as a one-time equity payment from the lessee.

RECOMMENDED MOTION

“Fallbrook Airpark Advisory Committee recommends the Board of Supervisors approve the new 30-year lease with Murray Investment Company, LLC, as recommended by staff.”

