

PALOMAR AIRPORT ADVISORY COMMITTEE  
Thursday, August 20, 2009  
AGENDA ITEM #5

Proposed Rent Abatement Due to Closure for  
Rehabilitation of Runway 6/24

County Airports will be awarded a Federal Aviation Administration grant of approximately \$9 million for the McClellan-Palomar Airport Runway 6/24 Rehabilitation Project. The project will reconstruct the runway pavement structure, correcting aging distresses and ride-ability. It will also improve load carrying capacity for the runway. This project has been in the long-term plans for this Airport for a number of years. This is not a stimulus project, but a needed improvement to the runway that will prevent the possibility of longer emergency closures of the runway in the future.

As explained during the presentation given on July 30, 2009 and previously tonight, it's not possible to complete the project using only night construction due to the nature of the required work. This means the airport must be closed around the clock for some period(s) of time to complete the work. The County is working with the consultants and contractors to determine the best schedule for closure, and input for airport users has been collected. County will announce the schedule for closure as soon as it has been determined. At this point, it is anticipated the closure will be for a period of 12-23 days, depending on which closure scenario is used for the planned repair. The work will be done around the clock, employing as many time-saving strategies as possible. The project is targeted to begin in approximately 60 days.

According to the terms of the leases, the County has the right to improve the runway as needed. However, even though the long-term benefits of the Runway 6/24 Rehabilitation Project are significant, County Airports understands the economic impacts to businesses at McClellan-Palomar Airport are real. County Airports is interested in keeping our tenants operating. We want to mitigate this impact to the extent we are able. As such, we plan to offer a rent abatement of one full month of ground rent plus 5% of sublease rents typically paid to the County to each of the master lessees impacted by the runway closure.

County Airports realizes rent abatement will not mitigate all business impacts that the Master Lessees will experience during this project, but as the County costs for operation and maintenance of the airport will continue, it represents the most we can offer. All impacted FBOs will be receiving offers of the same terms, making the total rent credits to FBOs over \$100,000. These funds will have to come out of the County's Airport Enterprise Fund, as this expense is not eligible for FAA capital improvement grant funds.

As additional measures to help minimize impacts to businesses, Master Lessees have been offered use of County-operated available ramp space at Gillespie Field and Ramona Airport to store aircraft and the County will waive fees for such aircraft during

that period. Staff has also offered to assist with identifying Lessees at Gillespie Field and Ramona Airport that have current hangar vacancies and would be open to a one-month agreement to use vacant hangars to store aircraft.

Additionally, the County plans to revise agreements with Skywest/United Express, Aaron Aviation, True North Fuel and the True North tie down permits to abate one month of rent but these agreements do not require Board approval to revise so they will not need a formal recommendation from PAAC.

Proposed Lease Amendments

The County proposes to amend the following aviation leases to abate a sum equal to one month of ground rent plus one month of the 5% of sublease rents typically paid to the County for the following leases:

	<b>Contract #</b>	<b>5% Sublease</b>	<b>Ground Rent</b>	<b>Proposed Abatement</b>
<b>Jet Source, Inc.</b>	75758R	\$53	\$18,557	<b>\$18,610</b>
<b>Magellan Aviation-South</b>	104567	\$1,173	\$22,313	<b>\$23,486</b>
<b>Magellan Aviation - North</b>	104566		\$9,593	<b>\$9,593</b>
<b>BVP - Ocean Air Charters, Inc.</b>	70757R		\$2,821	<b>\$2,821</b>
<b>Palomar Airport Center, LLC 1</b>	75627R		\$1,002	<b>\$1,002</b>
<b>Palomar Airport Center, LLC 2</b>	75628R	\$3,879	\$12,613	<b>\$16,492</b>
<b>Palomar Airport Center, LLC 3</b>	75629R		\$6,431	<b>\$6,431</b>
<b>Palomar Airport Center, LLC 4</b>	75630R		\$5,557	<b>\$5,557</b>
<b>Palomar Airport Center, LLC 5</b>	75631R		\$3,094	<b>\$3,094</b>
<b>Western Flight, Inc. 1</b>	75728R	\$1,514	\$7,080	<b>\$8,594</b>
<b>Western Flight, Inc. 2</b>	75729R	\$1,294	\$6,666	<b>\$7,967</b>
<b>Western Flight, Inc. 3</b>	75730R	\$188	\$934	<b>\$1,122</b>

Amounts rounded to nearest dollar.

In addition, the On Airport Car Rental Providers pay a percentage of car rental sales with a Minimum Annual Guarantee (MAG) and space rent to the County for the offices and car rental preparation areas. In order to help mitigate for impacts to their business while the runway is closed, staff proposes to amend the lease agreements reduce their MAG by 1/12 of the annual amount and to abate an amount equal to one month of space rent as follows:

	<b>Contract #</b>	<b>Reduction to MAG</b>	<b>Proposed Abatement of Ground Rent</b>
<b>Avis Rent a Car System</b>	PA082	\$11,750	\$2,000
<b>Hertz Corporation</b>	PA286	\$9,667	\$2,300

Amounts rounded to nearest dollar.

Recommended Motion

*“Palomar Airport Advisory Committee recommends that the Board of Supervisors approve the Amendments to Aviation Master Leases and Car Rental Leases listed above.*