

PALOMAR AIRPORT ADVISORY COMMITTEE
June 19, 2008

AGENDA ITEM # 6

CARLSBAD LANDINGS, INC.
D.B.A. THE LANDINGS AT CARLSBAD
PROPOSED NEW RESTAURANT GROUND LEASE

In December 2007, County Airports issued a Request for Proposals (“RFP”) to Design, Develop, and Operate a Restaurant Concession in the new terminal building at McClellan-Palomar Airport in Carlsbad, California. No qualifying bids were received and a Revised RFP was issued in April 2008. Carlsbad Landings, Inc., a California corporation (“Carlsbad Landings”) was selected as the successful Proposer following the Revised RFP. The parties have negotiated a proposed Restaurant Ground Lease to be presented to the County Board of Supervisors for approval.

PROPOSAL

The key terms for the proposed new restaurant ground lease with Carlsbad Landings are as summarized below:

Premises Size – The Premises will include the approximately 2,481 square foot restaurant footprint and an approximately 1,275 square foot portion of the outdoor courtyard adjacent to the restaurant.

Rent – County and Carlsbad Landings have agreed to a percentage based lease with a Minimum Monthly guaranteed rent (“MMG”) of \$2,500, subject to the rent credits described below. The lease will provide for annual cost of living adjustments to MMG after year three and rental rate renegotiation of MMG in year 10 of the lease. Percentage rent will be as follows:

<u>Business Activities</u>	<u>Percentages</u>
Food and Non-Alcoholic Beverages	5 %
Alcoholic Beverages	5 %
Aviation Catering Services	5 %
Other Uses Pre-Approved by County (e.g., banquets or off-site catering)	10 %
Vending Machines, Telephones, or Any Other Pay for Service Type Devices	12.5 %
Uses Not Pre-Approved by County	20 %

Rent Commencement – Rent will be payable beginning on the date a certificate of occupancy is issued for the restaurant or March 1, 2009, whichever is earlier.

Rent Credits – The proposed Lease allows for a maximum of \$144,000 in rent credit to help offset the up-front cost of improvements to be made in the restaurant by

Carlsbad Landings. The rent credits will be applied against the MMG, with the most substantial rent credit being realized in the first years of the proposed Lease. An additional Rent Credit Incentive of \$12,000 shall be granted to Carlsbad Landings if the restaurant is open for business by the opening of the New Terminal Building, currently targeted for December 2008.

Term – The lease will have a term of approximately 20 years commencing on the date the Lease is executed by the County Board of Supervisors and terminating on July 31, 2028.

Required Leasehold Improvements – Minimum capital investment of \$144,000, including but not necessarily limited to all restaurant interior build-outs, walls, bathrooms including fixtures, full kitchen including approved fixtures, electrical, wiring, and cabling for computers, televisions, and cameras, and an optional rooftop observation deck with stairs for access.

Lease Form – Carlsbad Landings has accepted the proposed Restaurant Ground Lease Agreement included with the Revised RFP, which includes updated County language. All changes to the lease document have been approved by County Counsel.

Recommended Motion

“Palomar Airport Advisory Committee recommends that the Board of Supervisors approve the new restaurant ground lease between the County of San Diego and Carlsbad Landings, Inc.”