

PALOMAR AIRPORT ADVISORY COMMITTEE

Thursday, August 17, 2017

AGENDA ITEM #7

FOURTH AMENDMENTS TO AVIATION LEASES WITH SCIF PALOMAR, LLC dba MAGELLAN AVIATION

BACKGROUND

On June 22, 2005, the Board approved two aviation leases with SCIF Palomar, LLC at McClellan-Palomar Airport. The leases were amended on December 6, 2006, to extend the term, on June 23, 2010, to adjust rent, provide better access to public parking lots and give a one-time rent credit, and on May 6, 2015 to adjust rent and update addresses, appraisal process, stormwater and hazardous material language. The leases currently terminate on June 30, 2045.



PROPOSED AMENDMENTS

This proposal is for two Fourth Amendments to aviation leases, County Contracts No. 104566 and No. 104567. The lessee has requested the lease amendments to accommodate changing requirements from its lender. The amendments will also increase monthly rent to reflect current market rate effective November 1, 2017 and update other provision to the County's current standard lease language. SCIF acquired financing to fund the construction of additional improvements on the leasehold, including construction of four buildings with aircraft hangars and office space by

acquiring a loan from Copia Lending, LLC. The County consented to this loan, as required by the lease. Copia Lending, LLC has recently changed its requirements and requested the County and SCIF amend the leases to revise the buy-out provision. The buy-out provision requires the lessee would be provided fair compensation in the case the County plans a future public project that would require terminating the lease early. The provision already allows this amount to be paid to the lender to cover an outstanding balance. The proposed amendment revises the buy-out provision to increase the number of days of past due interest that could be included in the balance, increasing it from the current maximum of 120 days to 240 days. County currently has no plans for any projects that would require it to buy out the leasehold.

The amendments also update the rent to reflect current market rates and revise the schedule for the next renegotiation. Rent renegotiations are typically every 5 years; the amendment would also update the schedule for future renegotiations with the next one taking place in 2022 and then every 5 years thereafter. Additionally, the amendments would update the language for customs, stormwater and hazardous materials, lenders notices and processing fees. All other terms of the lease remain the same.

Proposed Fourth Amendment to County Contract No. 104566 (4.93-acre parcel)

The proposed Fourth Amendment to this lease would amend the rental section based on the current market rent of \$2,525 per acre per month. Monthly rent would increase from \$12,388 to \$12,448, an increase of \$60.

Proposed Fourth Amendment to County Contract No. 104567 (11.57-acre parcel)

The proposed Fourth Amendment to this lease would amend the rental section to reflect the negotiated market rent of \$2,525 per acre per month. Monthly rent would increase from \$29,073 to \$29,214, an increase of \$141.

Recommended Motion

“Palomar Airport Advisory Committee recommends that the Board of Supervisors approve the Fourth Amendments to Aviation Leases between County of San Diego and SCIF Palomar, LLC (County Contract Numbers 104566 and 104567).”