



Legislation Text

File #: 18-564, **Version:** 1

Approve a 30 year Ground Lease Agreement with NACA 130, LLC (Steven Couthes) for a lease area of 8,045 square feet, for an initial annual rate of \$8,367, to allow construction of an aircraft hangar on the Nut Tree Airport; and Authorize the County Administrator, or designee, to execute the agreement and any amendments

Published Notice Required? Yes ☐ No ☒
Public Hearing Required? Yes ☐ No ☒

DEPARTMENTAL RECOMMENDATION:

The Department of General Services recommends that the Board of Supervisors:

1. Approve a 30 year Ground Lease Agreement (Attachment A) with NACA 130, LLC (Steven Couthes) for a lease area of 8,045 square feet, for an initial annual rate of \$8,367, to allow construction of an aircraft hangar on the Nut Tree Airport; and
2. Authorize the County Administrator, or designee, to execute the agreement and any amendments.

SUMMARY:

NACA 130, LLC (NACA), a private corporation, proposes to construct an 8,045 square foot aircraft hangar on the Airport for private use. The hangar will be used for aeronautical purposes including aircraft storage, maintenance, repair, restoration, and display. The hangar site is located within the Phase 1 Aeronautical Development Area identified in the Nut Tree Airport Business Plan. The location for the proposed hangar is shown on Attachment B.

FINANCIAL IMPACT:

Development of the proposed hangar and related improvements will be funded 100% by NACA. Annual rent on the recommended ground lease will start at \$8,367 per year and increase annually at a fixed rate of 3% over the term of the lease. The recommended ground lease rate is based on current rates of comparable leases on the Airport as advertised development marketing literature for the Airport. The ground lease is for a 30 year term to allow project financing during the lease term. Total rent during the first 10-year period will be \$95,918. Over the 30 year lease term, rent collected by the County is approximately \$398,000. Rent proceeds will be deposited in Nut Tree Airport Operating Budget Unit 9002 to support of the Airport operations and capital improvements.

Property taxes on the hangar improvements and the ground lease will be received by the County. Based on comparable hangars, property taxes are estimated at \$11,000 during the first year following completion of the project. The additional aircraft associated with the hangar will also generate personal property taxes and can be expected to purchase fuel from the Airport fuel operation.

DISCUSSION:

Development of the proposed hangar and improvements will be funded 100% by NACA. The project is estimated to cost \$360,000. The recommended ground lease is for a 30 year term to allow the lessee to finance project development costs. Commercial lending institutions are currently requiring a 37 year ground lease term to secure a 30 year loan. The recommended ground lease provides for an option to extend the lease for 10 years and to review the lease rental rate paid to the County.

The proposed hangar will be 8,045 square feet and include hangar doors on two sides. The building will be light stone/tan in color comparable with adjoining and nearby hangars. Construction will also include improvement of a taxiway for access to the hangar. Upon future development of the Phase 1 Aeronautical Area, the taxiway will be extended to serve future hangars. The proposed hangar will involve utility improvements including water, sanitary sewer, storm drainage and electrical power. Existing utilities are located adjacent to the hangar site. NACA is currently in the design and permitting phase on the hangar project and is planning to construct the project commencing late summer 2018.

The proposed hangar will be developed within an aeronautical development area that is identified by the Nut Tree Airport Master Plan and Airport Business Plan. The project is consistent with implementing actions of the Airport Business Plan aimed at further development of the Airport and generation of revenue to support airport operation and investment.

ALTERNATIVES:

1. The Board could choose not to approve the ground lease agreement. This action is not recommended as the requested lease agreement will enable further hangar development and added revenue for the Airport. The project is also time sensitive with respect to favorable weather conditions during the 2018 construction season.
2. The Board could elect to not delegate signing authority to staff. This action is not recommended since delegated authority will enable efficient execution of the ground lease agreement.

OTHER AGENCY INVOLVEMENT:

County Counsel has approved the ground lease contract as to form.

CAO RECOMMENDATION:

APPROVE DEPARTMENTAL RECOMMENDATION