



## Legislation Text

**File #:** 19-688, **Version:** 1

Approve a 30 year Ground Lease Agreement with Bubba Air, LLC (David Goodhue) for a lease area of 4,800 square feet, for an initial annual rate of \$4,992, to allow construction of an aircraft hangar on the Nut Tree Airport; and Authorize the County Administrator 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 with Bubba Air, LLC (David Goodhue) for a lease area of 4,800 square feet, for an initial annual rate of \$4,992, to allow construction of an aircraft hangar on the Nut Tree Airport (Attachment A); and
2. Authorize the County Administrator to execute the agreement and any amendments.

### **SUMMARY:**

Bubba Air, LLC, a private corporation, proposes to construct a 4,800 square foot aircraft hangar on the Airport for private use. The hangar will be used for aeronautical purposes including aircraft storage, maintenance, repair and restoration. 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. The recommended action includes the approval of a long-term ground lease.

### **FINANCIAL IMPACT:**

Annual rent on the ground lease will start at \$4,992 per year and increase annually at a fixed rate of 3% over the term of the lease. The ground lease rate is based on current rates of comparable leases on the Airport and as advertised in Airport development marketing literature. Total rent collected during the first 10-year period of the lease will be \$57,228. Over the 30 year lease term, rents collected by the County will total \$237,496. Rent proceeds will go to the Nut Tree Airport in support of Airport operations and capital improvements.

Property taxes on the proposed hangar improvements and the ground lease will be received by the County. Based on comparable hangars, property taxes are estimated at \$6,400 during the first year following completion of the hangar. 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.

The costs associated with preparing the agenda item are nominal and absorbed by the department's FY2019/20 Adopted Budget.

### **DISCUSSION:**

Development of the proposed hangar and associated improvements will be funded 100% by Bubba Air. The

project is estimated to cost \$185,000. 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 4,800 square feet and include hangar doors and other access. The building will be light stone/tan in color comparable to adjoining and nearby hangars. Construction will also include improvement of a taxiway and paved apron for access to the hangar. Upon future development of the Phase 1 Aeronautical Area, the taxiway will be extended to serve future hangars. The taxiway will connect to a new taxiway currently under construction for an adjoining new private hangar approved by the Board in late 2018.

The Bubba Air hangar will involve utility improvements including water, sanitary sewer, storm drainage and electrical power. Existing utilities are located adjacent to the hangar site. Bubba Air is currently in the design phase on the hangar project and is planning to construct the hangar commencing spring 2020.

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 operations 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.
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**