



City of Santa Barbara
Airport Department

DATE: July 15, 2015
TO: Airport Commission
FROM: Hazel Johns, Airport Director
SUBJECT: License and Lease Agreements with D&G Lin, LLC

RECOMMENDATION:

That Airport Commission recommend approval to City Council and authorize the Airport Director to execute the following agreements with D&G Lin, LLC, a California Limited Liability Company:

- A three-year License Agreement for the construction of an automobile dealership on 167,713 square feet of property located at 6210 Hollister Avenue at the Santa Barbara Airport, at a rental of \$1,000 per month, commencing upon the execution of the agreement by both parties;
- A twenty-year Lease Agreement, with two five-year options, for the operation of an automobile dealership at 6210 Hollister Avenue, commencing upon the issuance of a Certificate of Occupancy by the City, for a monthly rental of \$20,000 exclusive of utilities; and
- A five-year Lease Agreement, for 126,324 square feet (2.9 Acres) of paved land at 200 Frederick Lopez Road at the Santa Barbara Airport, for storage of inventory, commencing upon the adoption of the enabling ordinance of the dealership lease, for a monthly rental of \$7,000, exclusive of utilities.

DISCUSSION:

Proposal

The Airport received an unsolicited proposal from Steve Leider, Lee & Associates – Central Coast, a real estate broker, on behalf of Dennis Lin, New Century Group, who was looking for a site for an automobile dealership in the Santa Barbara area. Inasmuch as the Airport has had an auto dealership in the Commercial/Industrial area, located at the corner of La Patera and Hollister Avenue, this location was requested along with the adjacent vacant parcels fronting Hollister to David Love Place.

Mr. Lin, of D&G Lin, LLC has been the automotive sales and repair business for 23 years, and is a partner or sole proprietor of 14 dealerships throughout southern

California, including Alfa Romeo and Fiat, BMW, Infiniti, and Chrysler, Dodge, Jeep, Ram, and Volkswagen. New Century also has a recreational vehicle group that includes, Airstream, BMW Motorrad, Slingshot, Indian and Victory motorcycles. In addition, New Century operates Universal Financial Company, an auto finance company in San Gabriel. Mr. Lin has served on the boards of the San Gabriel Valley Medical Center, the Chinese Education Association, and the Chinese Club of San Marino and currently serves on the board of Pacific Alliance Bank. He also served on the San Marino General Plan Steering Committee and is a member of the San Marino Chamber of Commerce.

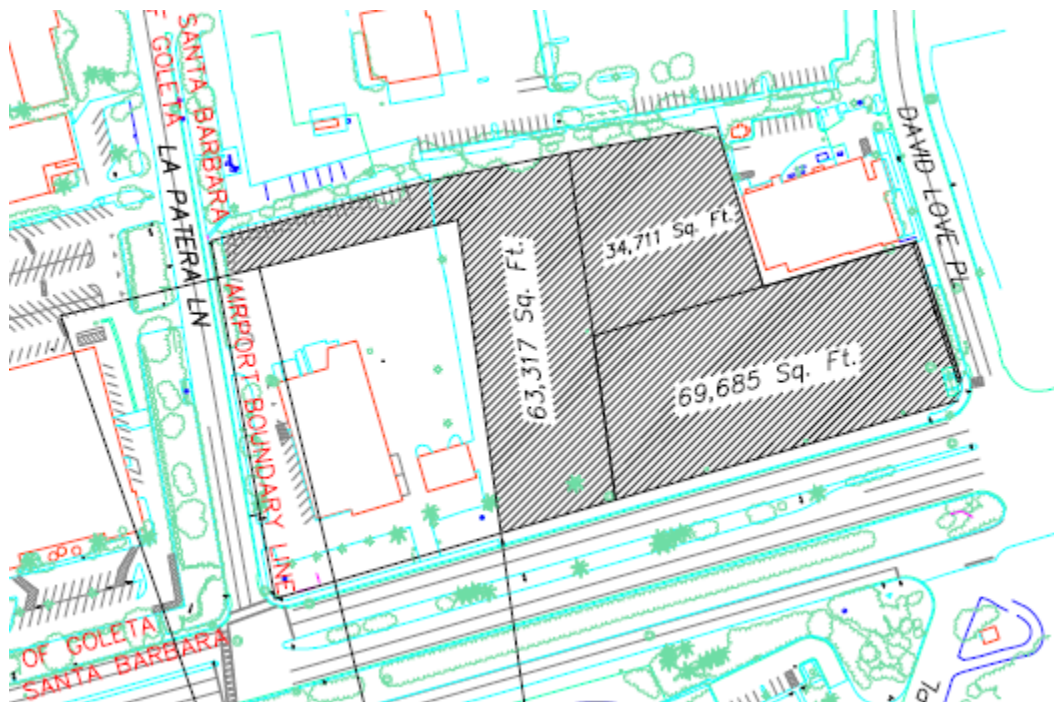
Mr. Lin proposes to bring back the Chrysler, Dodge, Ram and Jeep brands, and may add additional brands at a later date.

Airport Industrial Area Specific Plan (SP-6) Policy Consistency

City Council approved the Airport Specific Plan in 1997. It is the guiding document for development of the Airport's commercial/industrial properties north of Hollister Avenue.

The proposed lease site is located in Sub-Area #2 of the Airport Industrial Area Specific Plan (SP-6) in an area designated as "Light Industrial and/or Commercial" and "Jeep Dealership." The proposed lease is consistent with policies of the Specific Plan pertaining to the Airport Department's economic self-sufficiency and the pattern of development along Hollister Avenue. The lease site is in the Airport Industrial Zone (A-I-2) in which new car sales is an expressly permissible use.

Figure 1: Proposed Lease Parcels



Runway Protection Zone Restriction

A portion of the property located at 6210 Hollister Avenue is in the Runway Protection Zone (RPZ) for Runway 15L/33R. The RPZ is a critical safety area where aircraft are on short final approach and no new above-ground development is permissible. A portion of the proposed lease area had been previously developed as an auto dealership before Federal guidance precluded development in the RPZ. That auto dealership was demolished in 2012 pursuant to the Specific Plan and Federal RPZ guidance. The proposed lease boundary excludes land in the RPZ to avoid conflict with aviation safety regulations.

Land Value

The FAA requires that all Airport rentals of land or facilities be at market rates, the Airport had the area appraised and based on that appraisal negotiated a two agreements: a license agreement to secure the land while Mr. Lin completes the design, permit, entitlement and construction phase of the development; and a lease agreement to be effective upon issuance of a certificate of occupancy.

Proposed License Terms

The premises includes three parcels totaling approximately 167,713 square feet of vacant land. Title to the premises shall remain vested in the City.

The term of the License is three years, and may be extended an additional year at the sole discretion of the City. Rental during the license period shall be \$1,000 per month.

Improvements to be constructed include buildings, landscape, hardscape, driveways, sidewalks, utilities and other permanent structures at the sole costs and expense of D&G Lin, LLC. At the successful completion of construction, as evidenced by the issuance of a Certificate of Occupancy by the City, the Lease commences.

Proposed Lease Terms

The initial term of the proposed lease is twenty (20) years. There are two five-year options conditioned upon the tenant being in good standing under the terms of the lease.

Base rental for both the dealership lease is \$20,000 per month, exclusive of utilities. The dealership Lease agreement includes a market rate rental adjustment every five years on the anniversary date of the lease. In no case shall the new rent, be less than that of the previous month.

Vehicle Storage Lease Terms

The inventory parking Lease agreement commences upon issuance of the Certificate of Occupancy and has a five year term. Total area leased is 2.9 acres or 126,324 square feet of land. The base rental is \$7,000 per month with annual CPI adjustments of no less than 3%, nor greater than 8%, per year.

The total rent for the two sites will be \$27,000 a month or \$324,000 per year in revenue to the Airport, exclusive of utilities.

Environmental Review

The decision of the City Council to enter into a lease agreement is a discretionary project as defined by the California Environmental Quality Act (CEQA). Development similar to the proposed project was considered in the Airport Industrial Area Specific Plan (SP-6) Environmental Impact Report (EIR). Additionally build-out of the Airport Industrial Specific Plan was considered in the General Plan EIR. Therefore the proposed lease is exempt from further environmental review under CEQA Guidelines Section 15183 "Projects Consistent with a Community Plan or Zoning." If new project-specific impacts are identified in the development review process, additional environmental review may be necessary.