



City of Santa Barbara
Airport Department

DATE: July 20, 2016
TO: Airport Commission
FROM: Hazel Johns, Airport Director
SUBJECT: FY2017 Airport Commercial/Industrial Lease Rates

RECOMMENDATION:

That Airport Commission approve the proposed Fiscal Year 2017 Commercial/Industrial Rental Rates, for land and buildings at the Santa Barbara Airport.

DISCUSSION:

Background

The Business & Property Management Program is charged with maintaining the Airport's self-sufficiency and strong financial position by prudent fiscal management of its fixed assets.

The Division currently manages 298,100 leasable square feet of building space and 4,868,496 square feet of land including 142 tenants and subtenants and 160 agreements, not including taxicabs. These tenants include:

- Leases, licenses, and concession agreements associated with the operation of commercial air service (airlines, rental cars, restaurant, gift shop, TSA, shuttle services, parking, ATM machine etc.)
- General aviation agreements (FBOs, T-hangars, tie-downs, flight schools, maintenance & avionics shops, freight carriers, charter air services, and aircraft washing services.)
- Commercial/Industrial leases (offices, research & development, light industrial and storage spaces).

Thirty-six agreements with new and existing tenants were negotiated in CY 2015.

The occupancy rate for land in FY 2015 increased from 99.3% in July 2015 to 100% in June 2016. The occupancy rate for buildings remained at 98.6% over the same period. The High Sierra Grill's rent of \$12,694 per month commenced May 1, 2016. The lease of Parcels 1, 2, and 3B at 6210 Hollister Avenue to D & G Lin, LLC for development of a Chrysler, Jeep, Eagle, and Ram automobile dealership is currently in the planning and permitting process and will result

in an additional \$32,632 per month, including overflow parking, when the dealership opens to the public.

Parcel 22 – Direct Relief Project

Of the twenty-two tenants displaced by the Direct Relief Project, six were able to be accommodated with new premises, preserving rental income of \$5,308 per month.

Existing Vacancies

Most potential tenants continue to learn of Airport vacancies by word of mouth, and posting on Craig’s list.

At this time, the existing building vacancies consist of three small offices at 629 Firestone Road at 144, 144, and 102 square feet respectively, 560 square feet of office at 53 Cass Place, and 1399 square feet with airside access at 1503 Cook Place, and an airside storage space at the end of T-Hangar 7.

There are no land vacancies. All the City tie-downs and T-Hangars are currently leased.

Market Analysis

A market analysis was conducted by examining commercial real estate websites, the Radius Group and Hayes Commercial Realty bulletins, monthly and quarterly reports, and the UCSB Economic Forecast.

The current rental market in Goleta was evaluated over a seven week period from April 18 to May 30, 2016. Industrial vacancies in the Goleta area are at 5.5% according the Radius Group 2016 First Quarter Report. Goleta office vacancies are at 9%. Industrial rental rates are predicted to remain stable in 2016 with only slight increases.

	Goleta		Airport
	<u>2015</u>	<u>2016</u>	<u>2016</u>
	<i>UCSB</i>	<i>Radius/Hayes</i>	
Office:	\$1.76*	\$1.60	\$1.67
Industrial/R&D	\$1.23*	\$1.40	\$1.26
Warehouse	no comps	no comps	\$.77
Land	no comps	\$.20	\$.13 (<i>unpaved</i>)
	<i>*actual</i>	<i>*asking</i>	\$.20 (<i>paved</i>)

No comps were found for warehouse space during the survey period.

Rental Rate Analysis

Based upon Staff's analysis of all the information provided, and considering the relative condition and age of Airport buildings, Staff recommends no adjustments for Fiscal Year 2016. The last adjustment to the rental rates was July 1, 2015.

Proposed Rates for FY 2017

Buildings:

Office	\$1.40 to \$1.85 / square foot/ mo.
Industrial / R & D/ Shop / Assembly	\$1.00 to \$1.50/square foot / mo.
Storage / Warehouse	\$.70 to \$1.00/ square foot / mo.

Land:

Parking Spaces:	\$.13 to \$.30/ square foot / mo.
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\$14.00/space/mo.

FY2017 Budget

The Airport's budget is established by first projecting revenue from the tenant leases, and user fees. Budget projections are also included in the Airport's cash flow forecast. The projections do take into account possible vacant properties and potential development, so there is some flexibility in the estimates. Commercial/Industrial revenues for the FY2017 budget, including utilities and permits, were estimated at \$4,472,463 based on projected FY2016 Commercial/Industrial revenue of \$4,382,124, a 2% increase.

PREPARED BY: Business & Property Division