



City of Santa Barbara
Airport Department

Meeting: 05/16/18
Agenda Item No. 10

DATE: May 16, 2018
TO: Airport Commission
FROM: Hazel Johns, Airport Director *HJ*
SUBJECT: Tolling Agreement with Federal Express, Inc.

RECOMMENDATION:

That Airport Commission approve and authorize the Airport Director to execute a one-year Tolling Agreement with Federal Express, Inc. (FedEx), a Delaware corporation, for approximately 49,410 square feet of hangar space in Hangar 3 and approximately 10,000 square feet of office space located at 495 S. Fairview Avenue at Santa Barbara Airport for a monthly rental of \$42,786 exclusive of utilities.

DISCUSSION:

On May 9, 2018, the large multi-hangar facility at 495 S. Fairview Avenue reverted to City ownership in accordance with a 50-year ground lease signed in 1968 by the City and then tenant Aero Spacelines to build and operate hangars in the northeast portion of the Santa Barbara Airport airfield. In the late 1990s, the Lease for the hangars was acquired by Ampersand Aviation which has since that time managed and sublet hangar space to numerous other tenants. This use conforms to zoning for Aviation Facilities (AF).

In advance of the reversion to the City, Airport staff managed a "Request for Information" process that requested information and expressions of interest of any tenant that had held a subtenant agreement with Ampersand Aviation for consideration of a lease with the City. Unlike the other hangar spaces in the facility, Hangar 3 has not been used for the storage of aircraft since FedEx leased the hangar in 2006. Significant investment has been made by FedEx to adapt the hangar space for use as an air cargo receiving and processing facility. Due to the modifications of the hangar for this use and the value of the air cargo operation to the greater Santa Barbara region, the Airport recommends continuation of this use for Hangar 3 and recommends negotiation of a long term lease with FedEx. A Tolling Agreement is a legal instrument used to maintain 'status quo' in terms between two parties while a longer term agreement is negotiated and approved.

The finished office space in Hangar 3 is used as offices for FedEx managers and staff, but also as a customer retail location where residents can ship envelopes and packages with full-service assistance of FedEx staff. In addition to use of the hangar and office, FedEx also will use approximately 10,000 square feet of paved parking area on the east side of the hangar for loading and unloading of cargo, as well as parking for the 40

employees based at the facility. FedEx will use the ramp area on the airfield side of the hangar for staging of their feeder aircraft which arrives and departs three times daily between Santa Barbara and Ontario Airport in Orange County.

Under FedEx previous sublease agreement with Ampersand, the company paid \$41,299 a month, or roughly 84 cents per square foot. This rental rate is slightly below market. The Airport proposed a Consumer Price Index (CPI) increase of 3.6% to \$42,786 for the short-term Tolling Agreement. The Airport will negotiate the terms of a long-term agreement as soon as possible between both parties.

The City is currently undertaking a complicated and expensive repair of the hangars' electrical system which is anticipated to be complete by November 1, 2018. During the interim period beginning no later than June 1, the City will be providing permitted generator power to the facility at no cost to the tenants. Once regular power is restored, the tenants will pay the Airport for electricity and water service.

PREPARED BY: Business and Properties