



**City of Santa Barbara**  
Airport Department

Meeting: 03/20/19  
Agenda Item No. 8

**DATE:** March 20, 2019  
**TO:** Airport Commission  
**FROM:** Henry Thompson, Airport Director   
**SUBJECT:** Lease Agreement with Federal Express, Inc (FedEx)

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**RECOMMENDATION:**

That Airport Commission recommend approval to City Council and authorize the Airport Director to execute a ten-year Lease Agreement, with one five (5) year option to extend, with Federal Express, Inc. (FedEx), a Delaware corporation, for approximately 49,410 square feet of hangar space, approximately 10,000 square feet of office space, and 10,500 square feet of paved land in the parking area for exclusive use at Santa Barbara Airport's Northeast Hangar facility (Hangar 13) located at 495 S. Fairview Avenue for a monthly rental of \$46,980 exclusive of utilities and Common Area Maintenance (CAM) charges.

**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 agreement signed in 1968 between the City and then tenant Aero Spacelines, later acquired by Ampersand Aviation in 1998. The hangars have been used for both storage of aircraft and the air cargo operation of FedEx while under the agreement with Ampersand Aviation. Three of the four hangars are now currently leased by the Airport to Signature Flight Support and Atlantic Aviation, while the remaining hangar has continued to support the FedEx operation under a short-term license agreement. This use conforms to zoning for Aviation Facilities (AF).

FedEx Operations

FedEx leased its current hangar and office space in 2006 from Ampersand Aviation and at the time made significant investments to adapt the hangar space for use as an air cargo receiving and processing facility. The finished office space is used as a customer retail location where customers can ship envelopes and packages with full-service assistance of FedEx staff, as well as management office space. In addition, FedEx uses approximately 10,500 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 uses the ramp area on the airfield side of the hangar for staging of their feeder aircraft which arrives and departs up to three times daily between Santa Barbara and Ontario Airport in San Bernardino County.

Due to the improvements in the hangar to support air cargo operations, and the unique importance of the service FedEx provides, Airport staff believes that continued tenancy for FedEx is in the best interest of both the Airport and the greater Santa Barbara region.

#### Lease Agreement Terms

At the end of FedEx's agreement with Ampersand Aviation, Airport staff negotiated a one-year license agreement with FedEx in order to receive rent from FedEx while a longer term lease agreement could be negotiated. The new proposed agreement is substantially similar to the license agreement, but with the addition of terms to pay common area maintenance charges (CAM) to support upkeep of common areas such as the facility parking lot.

The lease agreement will commence on May 9, 2019 and expire May 31, 2029 unless the five (5) year option is exercised by the mutual consent of both parties. Rent will be prorated during the period May 9, 2019 through May 31, 2019. The new rent reflects a 3% increase over the prior license agreement.

FedEx also will pay its proportionate share of CAM, estimated at 27.4% annually. The monthly CAM charge will be \$1,027.89 based on an annual operating budget of \$44,980.00 for facility maintenance. An annual reconciliation of actual costs will occur within 30 days of each fiscal year's end.

The Airport will provide water and sewer service to the premises at a minimum rate of \$23.09 per month for water and \$15.39 for sewer, or the metered amount for water and 2/3 of the water calculation at these rates per unit. FedEx will pay the City for the cost of actual use of electricity and natural gas.

**PREPARED BY:** Business Development/Properties