



City of Santa Barbara
Airport Department

Meeting: 06/26/19
Agenda Item No. 5

DATE: June 26, 2019
TO: Airport Commission
FROM: Henry Thompson, Airport Director
SUBJECT: Lease Agreement – Mission Support and Test Services LLC (MSTS)

RECOMMENDATION:

That Airport Commission recommend approval to City Council and authorize the Airport Director to execute a seven year and six month (7.5 years) Lease Agreement with Mission Support and Test Services LLC (MSTS), formerly National Security Technologies, LLC a Delaware Limited Liability Company, for 8,800 square feet of Building 226 and 47,692 square feet of adjacent land, at 6190 Francis Botello Road effective August 1, 2019, for a monthly rental of \$29,722, exclusive of utilities.

DISCUSSION:

The subject Premises are located north of Hollister Avenue in an Airport Industrial (A-I-1) zone.

The U.S. National Nuclear Security Administration (NNSA), formerly, the Department of Energy, contracts with MSTS to conduct research, development, and light production in electronics and photogrammetry. MSTS, and its predecessor companies, NST, Bechtel Nevada and EG&G, have been Airport tenants at the subject premises working under Department of Energy contracts since 1965. The use conforms to existing zoning.

The proposed monthly rental is based on a rate of \$1.86 per square foot for the building and \$.28 for the adjacent land, which is within the Airport Commission approved rates. The proposed rent represents a 3.9% increase over the previous rental and equates to a total rent of \$2,674,958 over the life of the Lease Agreement exclusive of any CPI increases. MSTS will also pay monthly water & sewer charges of \$94.42 or the metered amount, whichever is greater. The 90-month term of the agreement was negotiated by MSTS to be in compliance with the maximum rent commitment allowed in consideration of the recently assessed market value of the property, which was \$3,250,000.

The building has not been significantly improved in the past 30 years, and does not meet the most recent structural requirements. As a result, the Airport will be required under the terms of the lease to make improvements to the building including a seismic retrofit, roof replacement, a new HVAC system, and exterior painting. The Airport's total investment in the building is estimated at approximately \$350,000, which is about 13% of the total rent. These improvements have been budgeted in the Airport's capital improvement budget.

The proposed Lease Agreement has been negotiated based upon the criteria set forth in Resolution 93-127, and has been reviewed and determined to be exempt from environmental review.

PREPARED BY: Business Development/Properties