



COUNTY OF SAN MATEO
Inter-Departmental Correspondence

County Manager's Office

DATE: September 4, 2002

BOARD MEETING DATE: September 17, 2002

TO: Honorable Board of Supervisors

FROM: Paul T. Scannell, Assistant County Manager

SUBJECT: Termination of Airport Concession Agreement and Lease at Mary Griffin Ramseur Terminal, San Carlos, with Lawrence Shapiro, dba J & L Aircraft Sales. (Lease No. 5237)

Recommendation

Adopt a Resolution authorizing the termination of an Airport Concession Agreement and Lease with Lawrence Shapiro dba J&L Aircraft Sales ("J&L") at San Carlos Airport.

Background

In the past, tenants at San Carlos Airport entered two separate agreements, a lease and a concession agreement, in connection with use and occupancy of the premises. In June and July of 1996, this Board authorized an Airport Concession Agreement and a Lease with Lawrence Shapiro, dba J & L Aircraft Sales ("J & L"), authorizing the use of the premises for aircraft sales (new and used) and aircraft management services (i.e., record keeping and financial management for aircraft owners). The Concession Agreement expired on May 31, 1998, and the Lease expired on May 31, 2001. J & L has continued in operation at the premise under the month-to-month holdover provisions of both agreements while the Real Property Division attempted to negotiate a new agreement.

The standard agreement currently in use at the county airports combines the lease and concession agreements into a single document. In addition to implementation of the new combined format, a revised agreement with J & L is necessary for several business-related reasons. J & L is currently providing a broader range of services than permitted by its old concession agreement, and a new agreement is necessary to establish concession fees for the expanded array of services provided by the company. A new agreement would also adjust the office rent to reflect current market conditions. Finally, a new agreement would revise insurance provisions to address current standards of coverage.

Discussion

Real Property Services has tried to negotiate a new agreement for several months. While Real Property was engaged in negotiation of a new agreement, the Risk Manager and Airport Manager alerted Real Property that J & L was not in compliance with the insurance provisions of the existing contracts. In a May 6, 2002 letter transmitting the final version of the proposed new agreement between the county and J&L, the Real Property Manager noted this failure and requested immediate correction of the deficiency. Consistent with the terms of the lease, when the situation was not corrected by May 21, Real Property delivered a notice dated May 22 that provided ten days to comply with the insurance provisions. The deadline for corrective action under that notice was, at J & L's request, extended to 30 days, expiring June 24, 2002. An insurance binder was received by the County on June 24, and found by Risk Management to comply with the lease requirements. However, on August 1, rather than complying with the insurance requirements of the lease, J&L provided evidence of alternative coverage. The Risk Manager determined that the alternative coverage did not meet the requirements set forth in the lease.

J & L and its representatives have consistently attempted to renegotiate the coverage required rather than meet the obligation set forth in the contract. As a result, the County continues to be exposed to an unacceptable risk of liability. In addition, the county continues to receive approximately \$350 per month less revenue than that required under the proposed new agreement. The Real Property Manager, Risk Manager and Airport Manager have conferred and agree that, based on the experience of the past four months, it is unlikely that J & L is prepared to enter and honor the proposed new agreement.

The Airport Manager has received unsolicited inquiries regarding alternative uses for the premises, and does not anticipate difficulty in finding another tenant for the space.

The Director of the Department of Public Works and the Risk Manager concur in this recommendation.

Vision Alignment

The proposed termination keeps the commitment to responsive, effective and collaborative government, and the goal to make government decisions based on careful consideration of future impact, rather than temporary relief or gain. The proposed termination will reduce liability in connection with the agreements, although there will be a temporary loss of revenue to the Airport.

Fiscal Impact

The possibility of a temporary loss of revenue caused by the vacancy is offset by a significant reduction in risk liability, and by the anticipated increased rental and concession fees for an alternative use of the property.

cc: Penny Bennett, Deputy County Counsel
Neil Cullen, Director, Department of Public Works
Attn: Susan Durling, Executive Assistant, Department of Public Works
Mark Larson, Airports Manager
Priscilla Morse, Risk Manager
Steve Alms, Real Property