



**COUNTY OF SAN MATEO**  
**Inter-Departmental Correspondence**

County Manager's Office

**DATE:** May 8, 2006  
**BOARD MEETING DATE:** May 23, 2006  
**SPECIAL NOTICE/HEARING:** None  
**VOTE REQUIRED:** 4/5ths

**TO:** Honorable Board of Supervisors

**FROM:** Steve Alms, Manager, Real Property Services Division

**SUBJECT:** *San Carlos Airport Lease/Concession Agreements (795 Skyway)*  
ATP-Pacific Inc. dba Bel-Air International (Lease No. 5312),  
West Valley Flying Club (Lease No. 5313),  
Zanette Aircraft Insurance (Lease No. 5314),  
Glass Aviation, Inc. (Lease No. 5315), and  
Jim Valdez Construction (Lease No. 5311).

**RECOMMENDATION:**

Adopt a resolution authorizing:

1. Execution of Lease or Lease/Concession Agreements with (1) Bel-Air International, (2) West Valley Flying Club, (3) Zanette Aircraft Insurance, and (4) Glass Aviation for portions of the office building and hangar facility at 795 Skyway at the San Carlos Airport,
2. Execution of a month-to-month lease agreement with Jim Valdez Construction for a portion of the office building at 795 Skyway at the San Carlos Airport, and
3. The County Manager or his designee to execute notices, options and documents associated with the Agreements.

**VISION ALIGNMENT:**

**Commitment:** Responsive, effective and collaborative government

**Goal(s): No. 20-** Government decisions are based on careful consideration of future impact, rather than temporary relief or gain. The Lease/Concession Agreements contribute to this commitment as they are part of a long-range strategy to provide services to the public at the San Carlos Airport.

**BACKGROUND:**

In 1969, the County of San Mateo entered into a long-term ground lease for a private tenant to construct an office building and hangar at the San Carlos Airport. Upon expiration of the ground lease, the County will assume ownership of all buildings, building systems, fixtures and improvements at the site. This property is improved

with an approximately 7,800 square foot office building and a 7,600 square foot hangar. The current ground lease will expire on May 31, 2006.

The facilities are currently subleased to and occupied by several aviation related businesses: Bel-Air International, a flight school; Zanette Aircraft Insurance, an aviation insurance brokerage; and Glass Aviation, which manages private aircraft. Additionally, a portion of the office building is currently occupied by Jim Valdez Construction, a private construction company which has no aviation affiliation.

For the past year, the airport has received \$17,892 from the ground lease and \$9,500 in concession fees from the associated businesses.

### **DISCUSSION:**

It is recommended that the County enter into new lease agreements with the existing aviation related operators. Each agreement would be for a term of three years, and would provide the tenant two one-year options to extend the term on the same terms and conditions. Each operator has a history of providing valuable services that are an integral part of the operation of the airport. Although the County will no longer receive payments under the ground lease, County ownership of the buildings will present the opportunity to enter into lease agreements and will provide the County fair market rent for the facilities.

Suite A consists of approximately 4,420 square feet of office and storage space currently occupied by Bel-Air International. Since 1997, Bel-Air has operated a concession providing flight training, aircraft sales, aircraft rental, aircraft maintenance services and air taxi and charter services at the San Carlos Airport. The new agreement sets the monthly rent of \$5,557.00 and concession fees of \$1,000.00 or 1% of the gross monthly income, whichever is greater.

Suite B consists of approximately 1,875 square feet of office space and is currently occupied by Jim Valdez Construction, a private construction company. It is expected that this use will terminate this summer, and it is therefore recommended that your Board authorize a short-term transitional agreement with monthly rent payments of \$2,887.50. At the end of the short (three month) term, Suite B will be converted to aviation uses consistent with FAA requirements.

The County solicited proposals from aviation business for the lease of Suite B, and a panel consisting of Public Works and Real Property staff selected West Valley Flying Club as the best alternative fit for the space. West Valley has operated a concession offering flight instruction and aircraft rental at the San Carlos airport since 1994. Relocation of West Valley from their current premise in the terminal building will provide needed additional space for their flight instruction and aircraft rental operations and will significantly enhance efficiency and safety at the airport. West Valley will take possession of Suite B upon Valdez Construction vacating the premises. The new agreement sets the monthly rent of \$2,812.50 and concession fees of \$500 or 1% of the gross monthly income, whichever is greater.

Suite C consists of approximately 1,075 square feet of office space and is currently occupied by Zanette Aircraft Insurance. Zanette provides aircraft and aviation

insurance to private and commercial owners and operators at San Carlos and other airports. The nature of their business does not require them to have a Concession Agreement, and the rental rate of \$1.75 /s.f. is slightly higher as a result. The monthly rent for Suite C is \$1,968.75.

Unit 1 consists of a 7,600 square foot freestanding hangar currently occupied by Glass Aviation, Inc. Glass Aviation manages aircraft for private clients, and seeks a Lease/Concession agreement to offer storage and management services at the San Carlos Airport. The new agreement sets the monthly rent of \$10,300.00 and concession fees of \$500 or 1% of the gross monthly income, whichever is greater.

The proposed agreements maintain continuity of businesses beneficial to the San Carlos Airport. The new agreements will generate fair market rent for the property while providing an opportunity to evaluate the future needs of the Airport and long-term alternatives for effective use of the property. The revenue stream derived from these agreements will fund long-range planning for the site and implementation of the plan. The new agreements will also provide staff a market rate basis, against which to evaluate the economic benefits of long-range decisions.

Real Property staff has conducted a survey of rents for similar properties at several nearby airports and the surrounding market area. The proposed rates for each facility compare favorably with fair-market rates for similar properties. The projected annual rent and concessions of \$282,700 represents an increase of approximately \$255,000 over the prior year.

The County will use some of the additional revenue to make ADA improvements to the facility during the next year. Those improvements include an accessible restroom, the addition of multiple ADA compliant parking stalls, and other improvements needed for ADA compliance in the common areas of the property. These improvements will be made at County expense from the Airport Enterprise Fund.

The Director of Public Works and the ADA Compliance Committee concur in this recommendation.

County Counsel has reviewed and approved the resolution and agreements as to form.

**FISCAL IMPACT:**

It is projected that the Airport Enterprise Fund will receive approximately \$282,700 per year from rent and concession fees at the property. These revenues will be offset during the first year by approximately \$75,000 to \$125,000 in needed general building repair expenses and the construction of ADA improvements.

cc w/enc: D. Penny Bennett, Deputy County Counsel  
cc: Neil R. Cullen, Director of Public Works  
Mark C. Larson, Airport Manager  
Matthew Chidester, Real Property Agent  
Arthur Morris, Deputy Director of Health