



COUNTY OF SAN MATEO
Inter-Departmental Correspondence

County Manager's Office

DATE: June 1, 2007
BOARD MEETING DATE: June 26, 2007
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 with Diamond Aviation (Lease No. 5223), Golden Gate Helicopters (Lease No. 5320), and JATO Aviation (Lease No. 5321), for portions of the Airport Terminal Building at 620 Airport Drive, San Carlos.

RECOMMENDATION:

Adopt a resolution:

- A). Authorizing the execution of Lease/Concession Agreements for portions of the Airport Terminal Building at 620 Airport Drive in San Carlos with (1) Diamond Aviation, for Suite 1, at an initial monthly rent of \$3,600.00, (2) Golden Gate Helicopters, for Suite 5, at an initial monthly rent of \$1,800.00, and (3) JATO Aviation, for Suite 8, at an initial monthly rent of \$1,057.50, each for a term of five years with one option to extend for an additional five years, and
- B). Authorizing the County Manager or his designee to execute notices, options and documents in connection with each Lease/Concession Agreement, including but not limited to, extension or termination of the agreement under the terms set forth therein.

VISION ALIGNMENT:

Commitment: Responsive, effective and collaborative government

Goal(s): Goal 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 needed services to the public at the San Carlos Airport.

Performance Measure(s): It is anticipated that these services will help to achieve the target of at least 90% customer satisfaction at San Mateo County Airports.

Measure	FY 2006-2007 Actual	FY 2007-2008 Target
Percent of customer survey respondents rating services good or better.	95%	90%

BACKGROUND:

Since 1995, Diamond Aviation has operated a Fixed Based Operation (FBO) at the San Carlos Airport. The initial lease/concession agreement allowed them to occupy Suite 1 of the Terminal Building at 620 Airport Drive, consisting of approximately 1,600 square feet of office space. As authorized by Resolution No. 65812, the Second Amendment to Lease Agreement expanded the Premises to include Suite 5, increasing the leased space to approximately 1,948 square feet.

Since 1999, Golden Gate Helicopters has operated as a subcontractor under the umbrella of Diamond Aviation's lease/concession agreement with the County. Golden Gate Helicopters provides flight training, charter and maintenance services for helicopters. Golden Gate Helicopters now desires to expand its facility and enter into a separate lease/concession agreement with the County. Since 2004, JATO Aviation has operated as a subcontractor under the umbrella of Diamond Aviation's lease/concession agreement at San Carlos Airport. JATO Aviation provides advanced flight training and mentoring to pilots, and now seeks its own facility to provide these services to its growing clientele. JATO also desires to enter into a separate lease/concession agreement with the County.

In October 2006, West Valley Flying Club relocated its offices from Suite 8 of the Terminal Building to the 795 Skyway Building, which was acquired by the County in May 2006. Suite 8 has been vacant since that time.

DISCUSSION:

In January 2007, the County solicited proposals from existing and proposed aviation businesses for the lease of Suite 8, and a panel consisting of Public Works and Real Property staff selected Golden Gate Helicopters and JATO Aviation as the most appropriate for the available space. Suite 8 currently consists of 870 square feet. Suites 8 and 5 will be reconfigured and Suite 8 will be 470 square feet, and Suite 5 800 square feet, respectively.

It is recommended that the County enter into new lease/concession agreements with Diamond Aviation, Golden Gate Helicopters and JATO Aviation. Each operator has a history of providing valuable services that are an integral part of the operation of the airport. The agreements will be for a term of five years each, and provide the tenants one five-year option to extend the term on the same terms and conditions.

Suite 1 consists of approximately 1,600 square feet of office space currently occupied by Diamond Aviation. The new agreement sets the monthly rent of

\$3,600.00 and concession fees of \$1,000.00 or 1% of their gross monthly income, whichever is greater.

Suite 5 consists of approximately 800 square feet of office space currently occupied by Golden Gate Helicopters, which operates under the umbrella of Diamond Aviation's agreement with the County. The new agreement with Golden Gate sets the monthly rent of \$1,800.00 and concession fees of \$1,000.00 or 1% of their gross monthly income, whichever is greater.

Suite 8 consists of approximately 470 square feet of office space, which is currently vacant. The new agreement with JATO Aviation sets the monthly rent of \$1,057.50 and concession fees of \$500.00 or 1% of their gross monthly income, whichever is greater.

The proposed agreements maintain the continuity of businesses beneficial to the San Carlos Airport and will generate fair market rent for the property. 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 concession income of \$107,490.00 represents an increase of approximately \$51,291.24 over the prior year.

The Director of Public Works and Airport Manager concur in this recommendation.

FISCAL IMPACT:

It is projected that the Airport Enterprise Fund will receive approximately \$107,490.00 per year from rent and concession fees from these operators.

cc w/enc: Lee Thompson, Deputy County Counsel
cc: James C. Porter, Director, Public Works
Mark C. Larson, Airport Manager