# Napa County

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## Legislation Details (With Text)

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| **File #:** | 21-813 **Version:** 1 | | |
| **Type:** | Agreement | **Status:** | Agenda Ready |
| **File created:** | 8/17/2021 | **In control:** | Board of Supervisors |
| **On agenda:** | 9/28/2021 | **Final action:** | |
| **Title:** | Director of Public Works requests approval of and authorization for the Chair to sign Amendment No. 1 to Napa County Agreement No. 4381 terminating the ground lease agreement for airport hangar space effective September 28, 2021 as requested by the Lessee, Rombauer Vineyards, Inc. | | |
| **Sponsors:** | | | |
| **Indexes:** | | | |
| **Code sections:** | | | |
| **Attachments:** | 1. Amendment | | |

| Date | Ver. | Action By | Action | Result |
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**TO:** Board of Supervisors

**FROM:** Steve Lederer, Director of Public Works

**REPORT BY:** Greg Baer, Airport Manager

**SUBJECT:** Amendment No. 1 to Napa County Agreement 4381 with Rombauer Vineyards, Inc.

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## RECOMMENDATION

Director of Public Works requests approval of and authorization for the Chair to sign Amendment No. 1 to Napa County Agreement No. 4381 terminating the ground lease agreement for airport hangar space effective September 28, 2021 as requested by the Lessee, Rombauer Vineyards, Inc.

## EXECUTIVE SUMMARY

Napa County Agreement No. 4381 originated in November of 2000 with Rombauer Vineyards to effectuate a ground lease for the construction of a 9,000 sq.ft. hangar and subsequent storage of private aircraft at the Napa County Airport. Although the term of the lease has about four years remaining, the lessee, Rombauer Vineyards no longer desires the hangar, and has requested that the County terminate the agreement.

## FISCAL & STRATEGIC PLAN IMPACT

Is there a Fiscal Impact? Yes

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| Is it currently budgeted? | No |
| Where is it budgeted? | Revenue from ground leases are budgeted in the Airport Enterprise Fund (Fund 5010, Subdivision 5010000) |
| Is it Mandatory or Discretionary? | Discretionary |
| Discretionary Justification: | The lessee desires to forego the remaining four years on the ground lease that currently garners a monthly rent of $587.33. Once the Airport takes possession of the hangar, it will be able to lease the facility at improved rates, which would be estimated at $9,900/month. |
| Is the general fund affected? | No |
| Future fiscal impact: | It is anticipated that a new private hangar lease will have a term of 10-15 years, at a lease rate of approximately $9,900/month with appropriate escalations over time. |
| Consequences if not approved: | The Airport would not be able to take advantage of this increased lease rate four years early, and the lessee would have to find another way to alleviate themselves of this unwanted asset. |
| County Strategic Plan pillar addressed: | Collaborative and Engaged Community |

## ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: The proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.

## BACKGROUND AND DISCUSSION

In November of 2000, the Board executed Agreement No. 4381 with Rombauer Vineyards, Inc. for a ground lease consisting of approximately 21,000 sq.ft. to accommodate a 9,000 square foot of hangar, a nominal amount of vehicle parking and apron space, and a landscape strip. The lease specified that the hangar was to be used for the storage of aircraft possessed by the lessee as owner or lessee, and prohibited commercial activity of any kind.

Subsequent to the execution of the lease agreement, the hangar was constructed at 3480 Airport Road, and now is attached to, and in the middle of two other hangars of identical size. Additionally, all three share an apron area that is sized to adequately accommodate the existing non-commercial users who communicate regularly to facilitate safe and efficient aircraft operations, where there is only one ingress/egress point to taxiway J.

The subject ground lease has a term of 20 years with one 5-year option, where the option was properly exercised in October of 2015, resulting in a lease expiration date of October 31, 2025. At the inception of the agreement in 2000, the lease rate was $0.22/sq.ft. which has escalated annually by the CPI, resulting in a current rate of $0.34/sq.ft. Based on the lease provisions (and consistent with FAA policy), the improvements on the leasehold will revert to the Airport at the sunset of the lease, allowing the Airport to derive value from both the land and physical improvements on the leasehold. Because the lessee has decided to no longer have an aircraft, it negates the need for a hangar, and thus the Airport has the opportunity to derive additional value four years earlier than expected. Assuming a rental value of $1.10/sf.ft. (equal to the improved rate for one of the adjacent hangars) for the 9,000 sq.ft. hangar, the anticipated increased revenue over the next four years would be approximately $404,000.

Once the Airport takes possession of the hangar, staff anticipates reaching out to those aircraft owners/operators who have expressed interest in entering into a private hangar lease of this size, and who have compatible operations with the existing tenants on either side of 3480 Airport Road.