



Agenda Report

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**File #:** 19-0085

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**AGENDA REPORT  
REQUEST FOR CITY COUNCIL ACTION**

**DATE:** 2/6/2019

**TO:** Honorable Mayor and City Council Members

**FROM:** Maintenance Services

**SUBJECT:**

City Council consideration of First Amendment to Corona Municipal Airport Master Sub-Lease Agreement with Diamond Aero Corporation for Parcels II and VI.

**RECOMMENDED ACTION:**

That the City Council:

1. Approve the First Amendment ("Amendment") to Corona Municipal Airport Master Sub-Lease Agreement with Diamond Aero Corporation for Parcels II and VI.
2. Authorize the Mayor to execute the Amendment.
3. Recommend approval to the U.S. Army Corps of Engineers ("USACE"), the City's master lessor for the Corona Municipal Airport, that they approve the Amendment.

**ANALYSIS:**

As Diamond Aero Corporation ("Diamond Aero") has been a long-term master sub-lease holder in good standing, the City entered into an extension of their agreements on May 16, 2018, which combined the Parcel II and VI Agreements into a single agreement.

Parcel II: Diamond Aero has been the City's Master Sub-Lease holder since 04-01-92. The original term of the lease agreement was for 15 years through 03-31-07. As allowed under the lease, Diamond Aero twice exercised its unilateral right to extend the term for 5 years each through 03-31-12 and then 03-31-17. Thus, the current lease agreement expired on 03-30-17 and the City has allowed Diamond Aero to be a "holdover" tenant since that time.

Parcel VI: Fred Peters, individually and through his corporate entity, Diamond Aero, has been

the City's Master Sub-Lease holder since 02-15-06, when SVS Development assigned the lease agreement to Fred Peters (Fred Peters subsequently assigned the lease agreement to Diamond Aero on 01-05-11). The City's original lease holders were Gary Shelton, Richard Van Frank and David Smith (they assigned the lease agreement to their corporate entity, SVS Development, by a document dated 04-18-74). The original lease agreement was for 35 years, from 10-15-73 through 10-14-08, with one unilateral right to extend for a little more than 8 years to 01-31-17. Since the unilateral right to extend was implemented, the current lease agreement expired on 01-31-17 and the City has allowed Diamond Aero to be a "holdover" tenant since that time.

Upon USACE review and sign-off of the Corona Municipal Airport Master Sub-Lease Agreement with Diamond Aero Corporation for parcels II & VI ("Master Sub-Lease"), the USACE required that the City remove any optional extensions, or reference as to such, from the agreement.

The term(s) of the May 16, 2018 approved Master Sub-Lease and the optional additional terms included the following:

Initial Term	Appx 20yrs	07-01-17 to 01-31-37
1st Optional Term (Mutual)	10yrs	01-31-47
2nd Optional Term (Mutual)	10yrs	01-31-57

The extension of the new Master Sub-Lease for 20 years to 2037 allows Diamond Aero to secure funding to make desired improvements to the current facilities on these parcels. The optional terms could be denied by the City or refused by Diamond Aero.

The following amendments to the term(s) and Conditions of the Master Sub-Lease Agreement have been reviewed and approved by the USACE and shall reflect the following:

Term	Appx 20yrs	07-01-17 to 01-31-37
No Additional Term(s)		

Right of First Refusal - In the event that the Airport is allowed to continue to operate under a subsequent lease to the Master Lease Agreement approved by the USACE, Lessee will be provided a right of first refusal to enter into a new master sub-lease for parcels II and VI beginning on February 1, 2037.

Hold Over Prohibited - Upon the expiration of the Term of this Master Sub-Lease or the early termination of this Master Sub-Lease, Lessee shall have no right to hold over and remain in possession of the Premises.

Survival of Payment Obligations - The obligation to pay all payments required under this Master Sub-Lease, including the rents and fees provided for in Section 3.4 of the Agreement. The amount provided for under Section 3.4 shall be increased by three hundred percent (300%) of the amount due and owing upon expiration of the Term or early termination of this Master Sub-Lease."

**COMMITTEE ACTION:**

Not applicable.

**STRATEGIC PLAN:**

Not applicable.

**FISCAL IMPACT:**

There is no fiscal impact as a result of the recommended actions. The Amendment confirms the U.S. Army Corps of Engineers Master Lease Agreement expires on January 31, 2037 and that no extensions will be accommodated beyond this date, as it pertains to the Airport Facilities.

**ENVIRONMENTAL ANALYSIS:**

No environmental review is required because the proposed action is not a project governed by the California Environmental Quality Act.

**PREPARED BY:** CURTIS SHOWALTER, ADMINISTRATIVE SERVICES MANAGER

**REVIEWED BY:** TOM MOODY, GENERAL MANAGER

**REVIEWED BY:** DEAN DERLETH, CITY ATTORNEY

**REVIEWED BY:** KERRY D. EDEN, ASSISTANT CITY MANAGER/ADMINISTRATIVE SERVICES DIRECTOR

**REVIEWED BY:** MICHELE NISSEN, ASSISTANT CITY MANAGER

**SUBMITTED BY:** DARRELL TALBERT, CITY MANAGER

Attachments:

- Map of the leased premises
- Corona Municipal Airport Master Sub-Lease Agreement with Diamond Area Corporation (Parcels II & VI)
- First Amendment to Corona Municipal Airport Master Sub-Lease Agreement for with Diamond Aero Corporation for Parcels II and VI