



Legislation Text

File #: 22-0650, Version: 1

REQUEST FOR CITY COUNCIL ACTION

DATE: 08/03/2022

TO: Honorable Mayor and City Council Members

FROM: Community Services Department

SUBJECT:
Consent to Assignment of Airport Leases to Flight Ventures, LLC.

EXECUTIVE SUMMARY:

Corona Executive Hangars is seeking City Council consent to an assignment of the lease agreements for Parcel IV and V to Flight Ventures, LLC. Per the Lease Section 14.01, consent to an assignment request shall not be unreasonably withheld by the City. Flight Ventures, LLC agrees to all lease obligations and is motivated to close the deal. Therefore, they have decided to assume responsibility and correct all deficiencies outlined in the consent agreement under Exhibit C.

RECOMMENDED ACTION:

That the City Council approve the Consent to Assignment and First Amendment to Lease Agreement between the City of Corona and Corona Executive Hangars for Parcels IV and V and recommend approval to the U. S. Army Corps of Engineers.

BACKGROUND & HISTORY:

The City of Corona holds a Recreational Lease from the United States Army Corps of Engineers. Under this lease, the City has approximately 1600 acres used as open space, park areas, and the Corona Municipal Airport. The City currently has three (3) Master Lease Holders: 1) CW Transportation leases Parcel I, 2) Diamond Aero Corporation leases Parcel II and VI, and 3) Corona Executive Hangars leases Parcel III, IV, and V. The City holds Parcel VII to maintain a tie-down area for transient and long-term aircraft parking.

On August 17, 2011, the City of Corona and Corona Executive Hangars entered into a Lease Agreement for Parcel III, IV, and V. Parcel III is approximately 1.61 acres and has 48 hangars and two offices. Parcel IV is approximately 1.03 acres and has a free-standing building and 23 tie-downs. Parcel V is approximately 5.76 acres and has 50 hangars, eight (8) offices, and 14 tie-downs.

ANALYSIS:

Corona Executive Hangars (CEH) and Flight Ventures, LLC (FVL) have negotiated a private transaction. CEH wishes to sell its lease interest in Parcel IV and V to FVL and retain all interest in Parcel III. The parties opened escrow and have a firm close date of August 31, 2022. In order to finalize their transaction, CEH must obtain written approval from the City and final approval from the United States Army Corps of Engineers. Per the Lease Section 14.01, consent to an assignment request shall not be unreasonably withheld by the City.

Staff conducted due diligence and analyzed the relative factors in furtherance of this request. Findings are summarized below.

City's Obligation to Consent

Per the Lease Agreement Section 14.01, CEH may assign their lease interest, but not until they have obtained written approval of the City, which consent shall not be unreasonably withheld. Prior to bringing the request before the Council, staff conducts due diligence activities to determine if consent can be given or withheld for cause. Due diligence activities include an in-depth inspection of leased premises, research of financial obligations, and conformance with all lease terms and obligations.

Tenant's Right to Retain Lease

Under the Lease Agreement Section 16, if a tenant is in breach, the City may compel them to assign their lease. CEH has not been called in breach and may therefore retain the leasehold interest of Parcel III.

Due Diligence

As part of the airport's routine operations and management, staff: 1) conduct proactive visual inspections of all the airport common areas and private parcel common grounds, a minimum of four (4) days a week, 2) assess use violations, as complaints are received or observed by staff, and 3) work closely with Fire Prevention and PW Environmental Compliance, throughout the year. Additionally, commencing in the fiscal year 2023, an annual hangar inspection program will be implemented. Staff has oversight authority to conduct these activities under the lease terms and Corona Municipal Code Title 4 Chapter 4.04.

However, when staff receives a lease assignment request, due diligence efforts include a more time-intensive and focused inspection to ensure that all facilities, common areas, and hangars are in compliance at the time of a lease assignment. The findings of this inspection are used as part of the due diligence criteria that aids staff in assessing whether the City can reasonably consent to the lease assignment. Accordingly, City staff conducted an in-depth inspection of all hangars, a free-standing building, and common area facilities on April 12 and 13, 2022. Staff was accompanied by FVL and provided access by CEH.

A summary of the inspection findings follows. A complete report is incorporated into the Consent to Assignment and First Amendment to Lease Agreement as Exhibit C. A full report of findings was mailed to CEH and FVL, on May 11, 2022.

Hangar and Use Findings: Staff found 22 hangars with deficiencies ranging from unpermitted structures to unpermitted electrical and use violations. A “use” violation exists when hangars are utilized for non-aviation purposes, unpermitted business, illegal storage of toxic/flammable materials, etc.

Common Areas & Hangar Exterior Findings: Parcels IV and V have extensive deferred maintenance issues such as missing, abandoned, or non-functioning exterior lighting and plumbing, broken windows, deteriorated pavement and striping, and missing tie-downs.

Financial Obligation Findings: No Findings. Per Lease Agreement Section 3 Rent and Section 4 Aircraft Fee, CEH is current with all its payment obligations and required reporting.

Uses and Maintenance

Under the Corona Municipal Code Title 4 Chapter 4.04 and Lease Agreements Section 7 Uses and Section 9 Maintenance, CEH is responsible for ensuring that premises are used solely for general aviation purposes and maintained in good repair. As such, the Lessee, CEH, is responsible for remedying the deficiencies identified during the City’s due diligence inspection. If CEH is obligated to remediate the deficiencies before approving the transfer, FVL will not be able to close the deal before the August 31, 2022 deadline. Given the deadline to close escrow, FVL is willing to assume all legal obligations to remediate deficiencies. These obligations are captured under the amended Consent to Assignment Agreement and thereby legally binding.

In accordance with the terms and obligations of the Consent to Assignment and First Amendment to Lease Agreement for Parcels IV and V, Flight Ventures, LLC agrees to assume the Lease Agreement for Parcel IV and Parcel V in their entirety, as amended. The following is a summary of the more salient amended terms; for full detail of terms, refer to the attached Consent to Assignment and First Amendment to Lease Agreement.

1. TERM: The Term expires on January 31, 2037.
2. RIGHT OF FIRST REFUSAL: If the US Army Corps of Engineers extends the City Lease and Lessee is in good standing, Lessee will have the right of first refusal to extend the lease.
3. LEASE OF ADDITIONAL PROPERTY: Lessee may lease other airport properties under the same terms and conditions of this Lease but at a rental rate to be determined by the City.
4. ANNUAL INCREASES: Rent shall be adjusted upward, effective January 1 of each year, equal to a percentage based on the Consumer Price Index for Riverside-San Bernardino-Ontario.
5. CORRECTION OF DEFICIENCIES: Flight Ventures, LLC has twelve (12) months to correct all deficiencies.

Staff finds that Flight Venture’s assumption of deficiencies and twelve-month schedule for the correction of said deficiencies is a reasonable remedy. Therefore, the staff recommendation is that Council should not withhold approval of assignment of the lease to FVL.

FINANCIAL IMPACT:

The financial terms of the assigned leases remain unchanged; therefore, approval of this consent

agreement has no financial impact on Airport Fund 275 and no impact on the General Fund.

ENVIRONMENTAL ANALYSIS:

This action is exempt pursuant to Section 15061(b)(3) of the Guidelines for the California Environmental Quality Act (CEQA), which states that a project is exempt from CEQA if the activity is covered by the common sense exemption that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. This action of approving the consent to assign airport leases to a new lessee is contractual, and there has no possibility that approval of the agreement will have a significant effect on the environment. Therefore, no environmental analysis is required.

PREPARED BY: CYNTHIA LARA, COMMUNITY ASSISTANCE MANAGER

REVIEWED BY: ANNE K. TURNER, COMMUNITY SERVICES DIRECTOR

Attachments:

1. Consent to Assignment and First Amendment to Lease Agreement