



Contra
Costa
County

To: Board of Supervisors
From: Keith Freitas, Airports Director
Date: March 28, 2017

Subject: Long-term Lease of Hangar located at 700 Sally Ride Drive, Concord (Buchanan Field Airport) to Gonsalves & Santucci, Inc., dba The Conco Companies

RECOMMENDATION(S):

APPROVE and AUTHORIZE the Director of Airports, or designee, to execute a long-term lease with Conco Aviation Center, LLC, for the lease of the County-owned hangar located at 700 Sally Ride Drive, Concord, in exchange for an upfront payment of \$250,000, monthly ground rent equal to \$12,000 during the first year and monthly payments totaling \$17,361.62 in years two through sixteen of the lease. The tenant's obligations under the lease are guaranteed by Gonsalves & Santucci, Inc., dba The Conco Companies during the initial 20-year term.

FISCAL IMPACT:

The Airport Enterprise Fund will receive rent and other revenues provided for in the lease and the County General Fund will receive property, sales and possessory interest tax revenues from the lease.

BACKGROUND:

The 5.3-acre property is the site of the largest hangar at Buchanan Field. The 39,000

☒ APPROVE

☐ OTHER

☒ RECOMMENDATION OF CNTY ADMINISTRATOR

☐ RECOMMENDATION OF BOARD COMMITTEE

Action of Board On: **03/28/2017** ☒ APPROVED AS RECOMMENDED ☐ OTHER

Clerks Notes:

VOTE OF SUPERVISORS

AYE: Candace Andersen, District II
Supervisor
Diane Burgis, District III
Supervisor
Karen Mitchoff, District IV
Supervisor
Federal D. Glover, District V
Supervisor

ABSENT: John Gioia, District I
Supervisor

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: March 28, 2017

David Twa, County Administrator and Clerk of the Board of Supervisors

By: Stacey M. Boyd, Deputy

Contact: Beth Lee, (925)
681-4200

cc:

square-foot hangar was constructed pursuant to the terms of a ground lease dated April

BACKGROUND: (CONT'D)

5, 2005. In June 2008, the original tenant assigned its rights under the lease to an entity known as TDMC, for use as a corporate hangar. On December 31, 2015, as permitted by the lease, TDMC notified the County that it planned to terminate the lease as of December 31, 2016. Under the terms of the lease, the County became the owner of the hangar when the lease terminated.

In anticipation of the TDMC lease ending, in November 2016, the Airport sent out requests for proposals for the use of the hangar. The request asked bidders to provide, among other information, details about how the hangar would be used, the economic terms of the offer and what improvements, if any, would be made to the hangar. In response to the request, the Airport received three proposals. The Airport then convened a five-person selection committee. Each member of the selection committee was asked to rank the proposals on the basis of five criteria. The ranking of the proposals by the selection committee was unanimous. The proposal received from the Conco Companies was ranked first, with 429 points. The second- and third-place proposers, Pacific States Aviation and a joint proposal by Blackhawk Aviation and Vietnam Helicopters Museum, were awarded 309 and 285 points, respectively.

On December 13, 2016, the Board authorized the Airport to negotiate a new lease of the hangar with the bidders in priority ranking order. The lease recommended for approval today is with Conco Aviation Center, LLC, a new company formed for this purpose. The term of the new lease is expected to be 50 years. After the initial 20-year term, the tenant will have three 10-year options to extend the lease.

To be consistent with the original proposal, Gonsalves & Santucci, Inc., dba The Conco Companies, will guaranty the lease for the initial twenty (20) year term to allow the new company to establish a business track record on the airport.

The new lease includes a \$250,000 lease payment fee due no later than April 11, 2017, and a monthly ground rent starting of \$12,000. Starting April 1, 2018, and ending on March 31, 2033, the lease requires an additional monthly rent payment of \$5,361.62. The lease also includes annual increases to the monthly ground rent starting in year 3 and market revaluation on prescribed dates throughout the lease term. In total, the new lease will generate \$394,000 of total annual revenue for the Airport Enterprise Fund in the first year. For the next fifteen years, the lease will generate a minimum of \$17,361.62 per month. The total combined revenue generated from the lease effectively replaces the monthly rent that was paid under the prior lease. This level of rent represents approximately five percent of the Airport Enterprise Fund's annual revenue.

In compliance with FAA Grant Assurance 24, which requires the Airport to be "as self-sustaining as possible," the lease to the Conco Aviation Center, LLC, guaranteed by Gonsalves & Santucci, Inc., allows the Airport Enterprise Fund to obtain the maximum rent for this property, based on the results of the recent bid solicitation.

Unless and until a final lease agreement is fully executed by all parties, this Board Order, any draft lease agreement, other communications or conduct of the parties shall have absolutely no legal effect, may not be used to impose any legally binding obligation on the County and may not be used as evidence of any oral or implied agreement between the parties or as evidence of the terms and conditions of any implied agreement.

CONSEQUENCE OF NEGATIVE ACTION:

Failing to enter into a new lease of the property, or delaying the commencement of a new lease, will have a negative impact on the Airport Enterprise Fund. Income from the subject property represents approximately five percent of the Airport Enterprise Fund's annual revenue.

ATTACHMENTS

Lease Agreement

Guaranty of Lease