



Item Number: 16

City Council / Board of Directors

Written Communications

Meeting of: February 4, 2025

Submitted By:

C. Eric Ray, Airport Director

Subject:

Standard Lease Agreement for Building 756 by and between the Southern California Logistics Airport Authority and AeroPro, LLC.

Recommendation:

That the Southern California Logistics Airport Authority ("SCLAA") Board of Directors:

- (1) Approve entering into a Standard Lease Agreement for Building 756 ("Agreement"), by and between the SCLAA and AeroPro, LLC; and
- (2) Authorize the Executive Director to execute said Agreement.

Fiscal Impact:

The Agreement presented herein will generate approximately \$1,634,896.24 in gross lease revenue over the first five years of the initial term (March 1, 2025 – February 28, 2030). The table below outlines the fiscal impact of the Agreement.

FY 2024-2025 (March – June)	FY 2025-2026	FY 2026-2027	FY 2027-2028	FY 2028-2029 (July-June)
\$120,555.48	\$364,680.33	\$373,797.34	\$383,142.27	\$392,720.83

A budget has been established in account 4501160A-45200 for the current fiscal year 2024-2025 for the resulting revenue, therefore, no additional revenue appropriation is required with this action. Future appropriations for the subject Agreement will be considered at the time the annual budget is approved.

Strategic Plan Goal:

The City of Victorville Strategic Plan 2023-2026 identifies multi-year strategic goals and various strategies to work toward achieving those goals. Goal A fosters fiscal health through disciplined long-term planning, cost control, increased revenues, and cost recovery.

Background:

AeroPro is a FAA Part 145 paint and aircraft maintenance company located at the San Bernardino International Airport ("SBIA") since February 2003, and at the SCLA since 2020. AeroPro has a solid reputation for providing high quality aircraft paint jobs for demanding clients. In addition to painting airliners, AeroPro specializes in aircraft interior modifications and engineering. AeroPro has painted numerous U.S. Air Force executive aircraft, high profile corporate aircraft, and several national head of state aircraft. Additionally, AeroPro is certificated by the FAA to perform certain aircraft maintenance and interior modifications. AeroPro is operated by Joseph M. Ermalovich, who serves as the Chief Executive Officer. The SCLA facility currently employs approximately 68 employees.

AeroPro was awarded a Boeing contract to paint up 205 new Boeing 737 Max aircraft over 5 years. Per the contract, the anticipated pace for the painting will be for up to four aircraft per month. Moreover, AeroPro completed a contract with Boeing to design and construct a specialized scaffolding system that is capable of providing appropriate personnel access to Boeing aircraft without the risk of causing physical damage to the airframe. Boeing provided funding for AeroPro to construct this unique proprietary B737 Max gantry system that is being used at the SCLA in Building 756. Since occupying Building 756, AeroPro has completed a number of significant hangar improvements, which improved Building 756's function and value.

Discussion:

AeroPro's primary customer, Boeing, is imposing new obligations on AeroPro to construct certain air handling improvements to Building 756, which will allow for smooth, quality paint finishes all year long. Staff believes these improvements will have a useful life in excess of 40 years and will add value to the property which will ultimately enhance the SCLA's asset value for Building 756. If not for the construction of the air handling improvements, AeroPro may lose the Boeing contract to another state where Boeing has other aircraft paint vendors. AeroPro requested a termination of the original lease agreement in favor of a new lease that captures the needed air handling improvements and rent credits, and provides an adequate term to justify said capital expenditures.

The proposed Agreement for Building 756 entails an initial term of ten years with a commencement date of March 1, 2025. The Agreement also contemplates two additional, five-year option terms. The Leased Premises consist of Building 756 which is comprised of approximately 54,649 square feet of hangar, office, and mechanical space. AeroPro has agreed to pay \$30,138.87 per month with an annual 2.5% inflator. This amounts to \$.55 per square foot per month, which is comparable with similar SCLA buildings.

Because the Standard Lease Agreement will accommodate two SCLA tenants' needs, maintain local employment, and produce a steady revenue stream, staff recommends that the Southern California Logistics Airport Authority Board approve the Standard Lease

Agreement with AeroPro, LLC., for Building 756 and authorize the Executive Director to execute said agreement. Such approval is being requested, subject to any minor, non-substantive modifications to the Standard Lease Agreement as approved by the Southern California Logistics Airport Authority, Legal Counsel and the Southern California Logistics Airport Authority Executive Director.

Staff remains available for any questions or comments you may have.

CER/lf

Attachments: A. General Site Map
 B. Standard Lease Agreement for Building 756