



Item Number: 17

City Council / Board of Directors

Written Communications

Meeting of: May 6, 2025

Submitted By:

James Murawski, Airport Director

Subject:

Standard Lease Agreement for Building 686 by and between the Southern California Logistics Airport Authority and The Boeing Company

Recommendation:

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

- (1) Approve entering into a Standard Lease Agreement for Building 686 ("Agreement"), by and between the SCLAA and The Boeing Company, ("Boeing"); and
- (2) Authorize the Executive Director to execute said Agreement; and
- (3) Adopt Resolution No. SCLAA 25-009 amending the 2024/2025 budget increasing revenue in account 4501120A-45200 by \$46,061.94.

Fiscal Impact:

The Agreement presented herein will generate approximately \$3,756,421.94 in gross lease revenue over the initial term (May 15, 2025 – May 31, 2030). The table below outlines the fiscal impact of the Agreement from May 15, 2025, through June 30, 2025, and the following 3 years of the Agreement.

FY 2024-25 May 15, 2025 – June 30, 2025	FY 2025-26 July 25 – June 26	FY 2026-27 July 26 – June 27	FY 2027-28 July 27 – June 28
\$96,061.94	\$744,480	\$744,480	\$744,480

The revenue generated by this Agreement increases the budgeted revenue established for Building 686 for fiscal year 2024-2025 and thereby requires an additional revenue appropriation in the amount of \$46,061.94 in account 4501120A-45200. Resolution No. SCLAA 25-009 is presented herein for the purpose of requesting approval of the required

budget Amendment as outlined below. Future appropriations for the subject Agreement will be considered at the time the annual budget is approved.

Building 686 Original FY24/25 Revenue Budget	
	<u>Revenue</u>
4501120A-45200 Building 686 Revenue	\$50,000
Building 686 Proposed FY24/25 Revenue Budget	
	<u>Revenue</u>
4501120A-45200 Building 686 Revenue	\$96,061.94

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:

Boeing is an American multinational corporation that designs, manufactures, and sells airplanes, rotorcraft, rockets, satellites, telecommunications equipment, and missiles worldwide. Boeing also provides leasing and product support services. Boeing is among the largest global aerospace manufacturers; it is the fourth-largest defense contractor in the world based on 2022 revenue and is the largest exporter in the United States by dollar value. Boeing stock is included in the Dow Jones Industrial Average and Boeing is ranked 52nd on the Fortune 500 list.

Since 2003, Boeing has been one of the largest companies to maintain operations at the Southern California Logistics Airport (“SCLA”). Given a number of positive attributes associated with the SCLA and the surrounding airspace, Boeing started performing aircraft flight tests at the SCLA in 2010. Boeing has steadily expanded operations at the SCLA to include aircraft financing via the Boeing Capital Corporation, flight test operations, and Maintenance Repair and Overhaul (“MRO”) services for its Aircraft on Ground (“AOG”) and Fleet Care divisions.

With approximately 790 employees, Boeing is the largest employer at the SCLA. Since executing their first lease agreement in 2003, Boeing has grown to its current leasehold estate that includes seven SCLA owned buildings and a ground leasehold interest.

Discussion:

Over the past year, the SCLA made various improvements to Building 686 for ultimate lease and revenue production. This building was slated for demolition but was recently determined an ideal facility for SCLA to invest in capital improvements as tenant demand for additional storage space has increased. A new spray-polyurethane foam roof was recently completed, and demolition and renovation improvements were made, allowing for more interior storage space and protection from the elements. Approximately \$1.3

million was invested into this property, transforming it into a revenue-producing asset. The proposed lease agreement will allow the SCLAA to recapture the capital improvement investment within less than two years.

Boeing continues to thrive at the SCLA and desires to enter into a new lease agreement for Building 686 to provide storage space for their upcoming projects. The proposed Agreement for Building 686 entails an initial term of five-years with a commencement date of May 15, 2025. The Agreement also contemplates one, additional five-year, option term. The Leased Premises consists of Building 686 which is comprised of approximately 56,400 square feet of warehouse and office space and 78,300 square feet of yard space. Boeing has agreed to pay \$62,040 per month. This amounts to \$1.10 per square foot per month for Building 686, which is a SCLA market high for similar SCLA buildings.

Because the Standard Lease Agreement will maintain and increase local employment, produce a steady revenue stream, and will maintain and increase airport operations, staff recommends that the Southern California Logistics Airport Authority Board approve the Standard Lease Agreement with The Boeing Company for Building 686 and authorize the Executive Director to execute said agreement and adopt Resolution No. 25-009 amending the 2024/2025 budget increasing revenue in Airport account 4501120A-45200 by \$46,061.94. Such approval is being requested, subject to any minor, non-substantive modifications to the 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.

JM/If

Attachments:

- A. General Site Map
B. Standard Lease Agreement for Building 686
C. Resolution No. SCLAA 25-009