



Item Number: 16

City Council / Board of Directors

Written Communications

Meeting of: February 20, 2024

Submitted By:

C. Eric Ray, Airport Director

Subject:

First Lease Amendment to the Standard Lease Agreement for Buildings 553 and 739 by and between the Southern California Logistics Airport Authority and ComAv Technical Services, LLC.

Recommendation:

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

- (1) approve the First Amendment to the Standard Lease Agreement for Buildings 553 and 739 ("Amendment"), by and between the SCLAA and ComAv Technical Services, LLC, ("ComAv"); and
- (2) authorize the Airport Director to execute said Agreement.

Fiscal Impact:

The First Amendment presented herein will result in a reduction in gross lease revenue of \$350,837.34 over the remaining 31 months of the term (June 1, 2024 – December 31, 2026), which includes a reduction of \$10,405.90 in June 2024. The table below outlines the proposed fiscal impact of the proposed First Amendment.

FY 2023-2024 (June)	FY 2024-2025	FY 2025-2026	FY 2026-2027 (July – December)
\$4,785.46	\$58,286.90	\$60,035.51	\$30,461.37

The revenue associated with this First Amendment decreases the budgeted revenue established for Account 4501103A-45200, the revenue account for Building 553, for fiscal year 2023-2024 and is included in the mid-year budget proposal. 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:

ComAv has been a major tenant at the Southern California Logistics Airport ("SCLA") for over twenty years, offering fully integrated aircraft asset management service to a vast array of aircraft owners and operators. As a fully certified commercial aircraft maintenance provider, ComAv performs maintenance inspections, repairs and modifications on Boeing and Airbus commercial jetliners, as well as asset management and engine services. ComAv provides both active and inactive aircraft storage, with over 200 aircraft currently in its custody. ComAv's involvement in the end-of-lifecycle business entails divisions specializing in the aircraft parts and recycling sectors, including management of an engine pool in excess of 150 engines.

With over 250 employees, ComAv is the largest employer at the SCLA. Since executing their first lease agreement in 1998, ComAv has grown to its current leasehold estate that includes nine SCLA owned buildings and a significant ground leasehold interest.

Discussion:

As the economy recovered from the pandemic, ComAv lost a sizable portion of their maintained aircraft storage business due to airlines placing aircraft back into service. These market changes have required ComAv to scale back certain business operations and reduce their fixed expenditures. Concurrently, ComAv started seeking new business interests, primarily in the form of heavy aircraft modifications, inspections, and the associated repairs.

In order to reduce its rent expenses, ComAv wanted to vacate Building 553 and terminate its lease, effective February 29, 2024. Staff countered with a termination date of May 31, 2024, in exchange for a lease renewal of Building 720, Suite 102. Said renewal stipulates a three percent inflated rate, and the addition of 1,239 square feet of storage space. With the tenant improvements made by ComAv and certain additional improvements staff envisions, it is likely Building 553 will bring increased revenues in the future, allowing for the mutual benefit of both ComAv and the SCLA.

Because ComAv is the SCLA's largest aeronautical customer and employer, business cooperation and partnering is imperative for the financial health of both organizations. Therefore, staff recommends that Your Honorable Southern California Logistics Airport Authority Board (1) approve the First Amendment to the Standard Lease Agreement for (Buildings 553 and 739 Amendment), by and between the SCLAA and ComAv Technical Services, LLC, ("ComAv"); and (2) authorize the Airport Director to execute said Amendment.

Staff remains available for any questions you may have.

CER

- Attachments:**
- A. General Site Map
 - B. First Amendment to the Standard Lease Agreement for Buildings 553 and 739
 - C. Standard Lease Agreement for Buildings 553 and 739