



Legislation Details (With Text)

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Title: Actions pertaining to a Lease Agreement between the City of Fresno and SkyWest Airlines, Inc., for hangar facility and ramp space at Fresno Yosemite International Airport. (Council District 4):
1. Adopt finding of a Categorical Exemption pursuant to CEQA Guidelines section 15301(d), Class 1; and
2. Approve a Lease Agreement between the City of Fresno and SkyWest Airlines, Inc. for a term of three (3) years with options for up to seven one-year extensions at Fresno Yosemite International Airport.

Sponsors: Airports Department

Indexes:

Code sections:

Attachments: 1. 08-25-16 SkyWest P3 Hangar Ground Lease Agreement - FINAL.pdf, 2. 08-25-16 SkyWest P3 Hangar Lease Site.pdf

Date	Ver.	Action By	Action	Result
8/25/2016	1	City Council	approved	Pass

REPORT TO THE CITY COUNCIL

August 25, 2016

FROM: KEVIN R. MEIKLE, Director of Aviation
Airports Department

SUBJECT

Actions pertaining to a Lease Agreement between the City of Fresno and SkyWest Airlines, Inc., for hangar facility and ramp space at Fresno Yosemite International Airport. (Council District 4):
1. Adopt finding of a Categorical Exemption pursuant to CEQA Guidelines section 15301(d), Class 1; and
2. Approve a Lease Agreement between the City of Fresno and SkyWest Airlines, Inc. for a term of three (3) years with options for up to seven one-year extensions at Fresno Yosemite International Airport.

RECOMMENDATION

Staff recommends City Council adopt a finding of Categorical Exemption pursuant to CEQA

Guidelines section 15301(d), and approve a Lease Agreement (Lease) between the City of Fresno and SkyWest Airlines, Inc. (SkyWest) for a term of three (3) years and options for up to seven one-year extensions at Fresno Yosemite International Airport (FAT).

EXECUTIVE SUMMARY

SkyWest currently rents and operates a regional maintenance hub at FAT. The current lease was executed November 1, 1992 and, along with its nine amendments, is scheduled to expire on October 31, 2017. Airports and SkyWest agree an updated lease with clarified boundaries, simplified rental rates, and updated lease language is preferable to further amending the current lease. Additionally, SkyWest agrees to construct a new parking lot for employees and rehabilitate an existing hangar door to accommodate their new fleet of aircraft. This Lease will commence September 1, 2016, and will replace the existing lease scheduled to expire October 31, 2017. The monthly rental rate is \$52,784.00 for the first three years, then increasing to \$63,663.62 monthly plus annual CPI adjustments.

BACKGROUND

SkyWest has ten regional maintenance facilities throughout the United States. SkyWest began operating its FAT maintenance facility in 1998, following its acquisition of the incumbent tenant, Westair Airlines. The leasehold totals 625,393 square feet of hangar, shop and ramp space. SkyWest employs 175 aircraft mechanics, engineers, technicians and support staff at the site.

The Lease incorporates a combination of land and facilities. This means that in addition to the land, Airports owns the improvements made by SkyWest, which is reflected in the fair market rental rate structure. The fixed rental for the first three years recognizes SkyWest's commitment and contribution to improving the facilities. Under the Lease SkyWest will modify a large hangar door to accommodate the Embraer 175 aircraft, which has a higher tail height, and expand the employee parking area.

SkyWest is a valuable tenant at FAT. In addition to the lease revenue generated and employment levels, its presence also contributes to FAT's airline service because SkyWest is a regional partner with all of our major carriers.

The Lease has been approved as to form by the City Attorney's Office.

ENVIRONMENTAL FINDINGS

Staff has determined that this Lease falls within the Class 1 Categorical Exemptions set forth in the California Environmental Quality Act (CEQA) Guidelines, Section 15301(d)/Class 1 (Existing Facilities), as it involves the repair of existing facilities and negligible or no expansion of an existing use.

LOCAL PREFERENCE

Local preference does not apply because this Amendment does not include a bid or award of a construction or services contract.

FISCAL IMPACT

Total rental revenue from SkyWest, including all of the seven (7) one-year options, will be \$7,247,968.08 plus annual CPI adjustments during years 4 through 10. All revenue will be deposited into the Airports Enterprise Fund and will contribute to the operation and maintenance of FAT. In addition, this business will continue to provide an economic benefit to region as well as the passengers utilizing FAT. There is no impact to the General Fund from this item.

Attachments:

Site Plan

Lease Agreement