

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS
OF THE COUNTY OF SAN BERNARDINO
AND RECORD OF ACTION**

July 28, 2020

FROM

TERRY W. THOMPSON, Director, Real Estate Services Department

JAMES E. JENKINS, Director, Department of Airports

SUBJECT

Revenue Lease Agreement with Threshold Technologies, Inc. for Hangar and Office Space at Chino Airport for the Department of Airports

RECOMMENDATION(S)

Approve a 10-year revenue **Lease Agreement No. 20-629** with Threshold Technologies, Inc., for the period of August 1, 2020 through July 31, 2030, with one five-year option to extend the term of the lease, for Commercial Hangar No. 1, F-330, consisting of approximately 42,807 square feet of hangar space and 8,072 square feet of office space, at Chino Airport for the Department of Airports for total revenue in the amount of \$2,560.086.

(Presenter: Terry W. Thompson, Director, 387-5252)

COUNTY AND CHIEF EXECUTIVE OFFICER GOALS & OBJECTIVES

Operate in a Fiscally-Responsible and Business-Like Manner.

FINANCIAL IMPACT

Approval of this item will not result in the use of Discretionary General Funding (Net County Cost). The total revenue to be received by the Department of Airports (Airports) during this 10-year lease agreement is \$2,560.086 and will be deposited into Airports budget (6315001000). Annual revenue, including an initial three month rent-free construction period followed by a three month rent deferment to be paid over the next four years, for the period of August 1, 2021 through July 31, 2025 is as follows:

<u>Year</u>	<u>Total Revenue</u>
August 1, 2020 – July 31, 2021	\$ 122,454
August 1, 2021 – July 31, 2022	\$ 258,948
August 1, 2022 – July 31, 2023	\$ 263,796
August 1, 2023 – July 31, 2024	\$ 268,740
August 1, 2024 – July 31, 2025	\$ 273,780
August 1, 2025 – July 31, 2026	\$ 263,760
August 1, 2026 – July 31, 2027	\$ 269,016
August 1, 2027 – July 31, 2028	\$ 274,368
August 1, 2028 – July 31, 2029	\$ 279,828
August 1, 2029 – July 31, 2030	<u>\$ 285,396</u>
Total Revenue	\$2,560,086

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BACKGROUND INFORMATION

The recommended action will provide for a new 10-year revenue lease agreement for the period of August 1, 2020 through July 31, 2030,, with one five-year option to extend the term of the lease, with Threshold Technologies, Inc. (TTI) for the use of approximately 42,807 square feet of hangar space and 8,072 square feet of office space for a total of 50,879 square feet, known as Commercial Hangar No.1 (F-330), at the Chino Airport for aircraft management, maintenance, repair, overhaul, disassembly and reassembly, and painting; parts storage; aircraft charter; fixed base operations; aircraft fuel sales; aircraft hangar storage and parking; and related aviation activities.

On February 17, 2020, the Department of Airports (Airports) requested that the Real Estate Services Department (RESO) initiate a Solicitation of Proposals (SOP) process to obtain proposals from qualified aviation-related users for the lease of Commercial Hangar No.1 at the Chino Airport. The SOP was issued from March 13, 2020 through April 20, 2020. RESO received two proposals.

On May 14, 2020, based on the evaluation criteria set forth in the SOP, a review committee consisting of representatives from RESO and Airports recommended the proposal received from TTI. The Airport Commissioners were informed of the recommendation at the May 21, 2020 Airport Commission Meeting.

On June 1, 2020, Airports requested RESO negotiate a new 10-year revenue lease agreement with TTI. The new 10-year revenue lease agreement provides TTI with use of 42,807 square feet of hangar space and 8,072 square feet of office space for a total of 50,879 square feet at the Chino Airport for a period of August 1, 2020 through July 31, 2030 with one five-year option to extend. The lease provides for an initial three month rent-free construction period followed by a three month rent deferment period. The deferred amount of \$60,663 will be repaid over the next four years of the term for the period August 1, 2021 through July 31, 2025 at a rate of \$1,264 per month, which shall be in addition to the regular monthly rent then due. All water and sewer charges will remain payable as due from the commencement date of the lease and will not be waived or deferred.

Staff has reviewed the recommended action pursuant to the California Environmental Quality Act (CEQA) and has determined that it does not constitute a project. Accordingly, no further action is required under CEQA.

Summary of Revenue Lease Terms

Lessee:	Threshold Technologies, Inc. (Mark D. Dilullo, Chief Executive Officer)
Location:	Commercial Hangar No. 1 at Chino Airport
Size:	Approximately 42,807 square feet hangar space and 8,072 square feet of office space
Term:	10-years commencing August 1, 2020 through July 31, 2030
Options	One five-year option to extend

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Rent:	Monthly: \$20,315* Annual: \$243,780 Monthly Rental based on current Chino Airport appraisal * Subject to initial 3 month rent-free construction period followed by 3 months of rent deferment
Annual Increases:	Fixed two percent commencing August 1, 2022
Improvement Costs:	Tenant responsible for all improvement cost
Custodial:	Provided by Tenant
Maintenance:	Provided by Tenant, except HVAC, roof, and hangar doors provided by County
Utilities:	Provided by Tenant
Insurance:	The Certificate of Liability Insurance, as required by the lease to be obtained upon lease execution.
Right to Terminate:	None except due to default
Parking:	N/A

PROCUREMENT

On March 13, 2020, the Real Estate Services Department (RESA) issued a Solicitation for Proposals (SOP) pursuant to County Policy 12-04, Leasing County Airport Real Property to solicit proposals from qualified aviation-related users for the lease of Commercial Hangar No.1 at the Chino Airport. Two proposals were received and the proposal from TTI is recommended based on the evaluation criteria set forth in the SOP.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (Agnes Cheng, Deputy County Counsel, 387-5455) on July 6, 2020; Airports (James E. Jenkins, Director 387-8812) on June 26, 2020; Finance (Wen Mai, Principal Administrative Analyst, 387-4020 and Elias Duenas, Administrative Analyst, 387-4052) on July 9, 2020; and County Finance and Administration (Matthew Erickson, County Chief Financial Officer, 387-5423) on July 12, 2020.

(SM: 677-8294)

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Record of Action of the Board of Supervisors
County of San Bernardino

APPROVED (CONSENT CALENDAR)

Moved: Josie Gonzales Seconded: Robert A. Lovingood
Ayes: Robert A. Lovingood, Janice Rutherford, Dawn Rowe, Curt Hagman, Josie Gonzales

Lynna Monell, CLERK OF THE BOARD

BY 
DATED: July 28, 2020



cc: RESD- Thompson w/agree
Contractor-C/O RESD w/agree
File- w/agree
la 07/31/2020