

**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 SOCAL MRO LLC for Hangar, Shop, and Office Space at Chino Airport for the Department of Airports

RECOMMENDATION(S)

Approve a revenue Lease Agreement with SOCAL MRO LLC, commencing for the period from the latest of the date tenant executes a stipulated judgment in favor of County in pending unlawful detainer action, tenant pays a lease execution payment, and the mutual execution of the revenue lease through May 31, 2021, for Commercial Hangar No. 2 (F-340), consisting of approximately 44,060 square feet of hangar space, 7,098 square feet of shop space and 1,062 square feet of office space, at Chino Airport for the Department of Airports for total revenue in the amount of \$290,580.

(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-month agreement is \$290,580 and will be deposited into Airports budget (6315001000). Total revenue is as follows:

<u>Period</u>	<u>Total Revenue</u>
Commencement Date (approximately August 1, 2020) – May 31, 2021	\$162,420
Lease Execution Payment	\$128,160
Total Revenue	\$290,580

BACKGROUND INFORMATION

The recommended action will provide for a new revenue Lease Agreement with SOCAL MRO LLC (SOCAL) for the use of approximately 44,060 square feet of hangar space, 7,098 square feet of shop space and 1,062 square feet of office space for a total of 52,220 square feet, known as Commercial Hangar No.2 (F-340), at the Chino Airport for aircraft storage, maintenance, repair, overhaul, alterations and remanufacturing.

On February 10, 2015 (Item No. 33), the Board of Supervisors (Board) approved two 10-year revenue Lease Agreements with Mooney International Corporation (Mooney) as follows:

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Contract No. 15-78 for Commercial Hangar No. 1, comprising 42,807 square feet of hangar space and 7,222 square feet of office space (CH 1 Lease), and Contract No. 15-79 for Commercial Hangar No. 2, comprising 44,060 square feet of hangar space, 7,098 square feet of shop space and 1,062 square feet of office space (CH 2 Lease).

In 2016, Mooney downsized its operations in Southern California, and pursuant to the terms of each lease, Mooney requested the County's approval to sublease the entirety of Commercial Hangars No. 1 and No. 2. On December 6, 2016, the Board provided its consent to two sublease agreements between Mooney, as sublandlord, and SOCAL, as subtenant, as follows: Sublease Agreement No. 16-921 for Commercial Hangar No. 1 (CH 1 Sublease) and Sublease Agreement No. 16-922 for Commercial Hangar No. 2 (CH 2 Sublease).

In October 2018, Mooney began an unlawful detainer (UD) action against SOCAL due to repeated defaults under the CH 1 Sublease. In Spring of 2019, Mooney obtained a judgment in its favor in the UD action and SOCAL was evicted from Commercial Hangar No. 1 with possession of the hangar returned to Mooney. The UD action did not include the CH 2 Sublease, so SOCAL remained as a sub-tenant occupying Commercial Hangar No. 2.

In November 2019, Mooney became financially insolvent and defaulted on its rent payments to the County under the CH 1 Lease and the CH 2 Lease.

In lieu of filing a UD action against Mooney, on January 29, 2020, the County's Chief Executive Officer, on behalf of the County, and Mooney executed a Lease Termination Settlement Agreement, Mutual Release and Satisfaction of Claims (Settlement Agreement) to resolve outstanding claims regarding Mooney's obligations for Commercial Hangars No. 1 and No. 2. The Settlement Agreement terminated the CH1 Lease and the CH2 Lease effective January 29, 2020 in exchange for Mooney's payment of a total of \$175,000 as full and final settlement and each party released of all claims against the other. Pursuant to the terms of the Settlement Agreement, the County received a total payment of \$175,000 by drawing down two existing letters of credit provided by Mooney as security deposits under each lease. The Settlement Agreement further provided that if Mooney did not return possession of Commercial Hangar No. 2 by the termination date, it would be the County's responsibility to remove SOCAL.

Because Mooney did not return possession of Commercial Hangar No. 2 by the termination date, the County filed a UD action against SOCAL for its unauthorized occupancy of Commercial Hangar No. 2. However, the UD action has been delayed due to the COVID-19 pandemic because the Courts have closed for legal proceedings. In the interim, the County began negotiations with SOCAL to allow SOCAL to remain in possession of Commercial Hangar No. 2 on a short-term basis while the County processes a Solicitation of Proposals to obtain and evaluate proposals for a new lease for Commercial Hangar No. 2, provided that SOCAL executes a stipulated judgment in favor of the County in the pending UD action to allow the County to remove SOCAL without further legal process for any uncured defaults under a new revenue lease and SOCAL pays a lease execution payment of \$128,160, which represents renumeration for SOCAL's occupancy of Commercial Hangar No. 2 under the CH2 Sublease after Mooney's default on the CH2 Lease and SOCAL's unauthorized occupancy after termination of the CH2 Lease.

The recommended action will approve a new revenue lease with SOCAL for Commercial Hangar No. 2, which shall commence upon the latest to occur of the following: (1) SOCAL executing a stipulated judgment in favor of the County in the UD case filed in the Superior

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Court of San Bernardino County on February 27, 2020, and served on March 18, 2020; (2) SOCAL paying the lease execution payment; and (3) the parties mutually executing the new revenue lease (with a projected commencement date on August 1, 2020) and shall expire on May 31, 2021. The new lease provides that the County may immediately enforce the stipulated judgement executed by SOCAL in the pending UD case to remove SOCAL due to any uncured defaults under the new revenue lease.

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:	SOCAL MRO LLC (Moshen Zanegeneh, Managing Member)
Location:	Commercial Hanger No. 2 at Chino Airport
Size:	Approximately 44,060 square feet of hangar space, 7,098 square feet of shop space, and 1,062 square feet of office space
Term:	Approximately 10-months commencing for the period from the latest of the date tenant executes a stipulated judgment in favor of County in pending UD action, tenant pays a lease execution payment, and the mutual execution of the revenue lease (projected commencement date of August 1, 2020) through May 31, 2021
Options	None
Rent:	Cost per sq. ft. per month: Monthly: \$16,242 Annual: \$162,420 (10 months) Monthly Rental based on current Chino Airport appraisal
Annual Increases:	N/A
Improvement Costs:	None
Custodial	Tenant
Maintenance:	Tenant
Utilities:	Tenant
Insurance:	The Certificate of Liability Insurance, as required by the lease, is on file with Airports
Right to Terminate:	County may terminate upon default and enforce the stipulated

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judgment on the pending unlawful detainer action

Parking: N/A

PROCUREMENT

Not applicable.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (Agnes Cheng, Deputy County Counsel, 387-5455) on June 30, 2020; Airports (James E. Jenkins, Director 387-8812) on June 23, 2020; Finance (Wen Mai, Principal Administrative Analyst, 387-4020 and Elias Duenas, Administrative Analyst, 387-4052) on July 8, 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

OFF 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: File- Real Estate Services Dept.
la 07/31/2020