



San Bernardino County

Legislation Text

File #: 3230, Agenda Item #: 71

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

November 17, 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 for the Department of Airports at Chino Airport

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 entered in favor of County in pending unlawful detainer action, tenant pays a lease execution payment, and the mutual execution of the revenue lease (expected to occur on November 17, 2020) 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, for the Department of Airports at Chino Airport for total revenue in the amount of \$307,018 (Four votes required).

(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 approximate six and one-half month agreement is \$307,018 and will be deposited into Airports budget (6315001000). Total revenue is as follows:

<u>Period</u>	<u>Total Revenue</u>
December 1, 2020 (expected) - May 31, 2021	\$ 97,452
Lease Execution Payment	<u>\$209,566</u>
Total Revenue	\$307,018

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: 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 CH 1 Lease and the CH 2 Lease effective January 29, 2020 and provided it would be the County's responsibility to remove SOCAL.

SOCAL remained as an unauthorized holdover once the master lease with Mooney was terminated and the County filed a UD action against SOCAL for its unauthorized occupancy of Commercial Hangar No. 2. However, the UD action was delayed due to the COVID-19 pandemic. 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 entered 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 \$209,566, which represents remuneration for SOCAL's occupancy of Commercial Hangar No. 2 under the CH 2 Sublease after Mooney's default on the CH 2 Lease and SOCAL's unauthorized occupancy after termination of the CH 2 Lease through November 30, 2020.

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 executes a stipulated judgment filed and entered in favor of the County in the UD case filed in the Superior Court of San Bernardino County on February 27, 2020, and served on March 18, 2020; (2) SOCAL pays the lease execution payment; and (3) the new revenue lease is approved and fully executed by the parties (with an expected term commencement date of November 17, 2020 and an expected rent commencement date of December 1, 2020) with the term of the lease expiring on May 31, 2021. The new lease provides that the County may immediately enforce the stipulated judgment executed by SOCAL in the pending UD case to remove SOCAL due to any uncured defaults under the new revenue lease or due to termination of any holdover period upon thirty days' notice to vacate. SOCAL shall also pay a security deposit of one month's rent in the amount of \$16,242.

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 Zanegeh, 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 six and one-half months commencing for the period from the latest of the date tenant executes a stipulated judgment entered in favor of County in pending UD action, tenant pays a lease execution payment, and the revenue lease is approved and fully executed by the parties (expected on November 17, 2020) with a lease term through May 31, 2021
Options	None
Rent:	Cost per sq. ft. per month: Monthly: \$16,242 Annual: \$97,452 (6 months based on rent commencement date of December 1, 2020) 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 judgment entered in the pending unlawful detainer action
Parking:	N/A

PROCUREMENT

This lease complies with Government Code Section 25536.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (Agnes Cheng, Deputy County Counsel, 387-5455) on October 30, 2020; Airports (James E. Jenkins, Director 387-8812) on October 28, 2020; Finance (Carl Lofton, Administrative Analyst, 387-5404 and Elias Duenas, Administrative Analyst, 387-4052) on November 2, 2020; and County Finance and Administration (Matthew Erickson, County Chief Financial Officer, 387-5423) on November 2, 2020.

(SM: 677-8294)