

## **SANTA MONICA CITY COUNCIL AIRPORT LEASING AND LICENSING POLICY**

**Purpose.** The purpose of this Airport Leasing and Licensing policy is to establish and declare City policy on matters related to airport leasing. This Leasing Policy shall be used by the City Manager to analyze leasing and licensing issues, to present leasing and licensing recommendations to the City Council, and to render leasing and licensing decisions under the authority granted by the City Council.

By adopting the Airport Lease Policy, the City Council seeks, to the extent consistent with the Consent Decree signed by the City of Santa Monica and the U.S. Justice Department on behalf of the Federal Aviation Administration, to have an airport tenant mix that:

- Is harmonious with the nearby built environment by protecting the health and safety of Airport neighbors.
- Maintains a sustainable Airport Fund that is independent from the General Fund and other subsidies.
- Comports with any applicable legal requirements and protects the City's rights that relate to leases at the Airport.
- Continues to provide opportunities for arts, education, and culture, including, but not limited to, the Artist Space Program administered in conjunction with Cultural Affairs Division.
- Establishes practices and procedures for evaluating potential leasehold interests, and for lease management and administration.
- Fosters uses and practices that are sensitive to the environment and protect the health of Airport neighbors and users and protect the City from future environmental damage exposure.

**General Provisions.** The majority of the Airport revenue is derived from leases. To help support the Airport's fiscal self-sufficiency, all rents, fees, and charges must reflect fair market value. To achieve the goals of the Leasing Policy, the policy shall be managed in a manner consistent with the following standards:

## SECTION A: USES

1. **Authorized Uses:** Authorized uses include: (a) uses required by the Consent Decree; and (b) low intensity uses that are compatible with surrounding uses, serve the adjacent community, and are consistent with the City's environmental goals and policies. Examples of uses in category (b) include, but are not limited to: parks and open space, arts/cultural, creative space, professional theaters, museums, artist studios, art galleries, photograph studios, uses customary or incidental to the production or distribution of motion pictures, educational facilities, professional and general offices, public or private schools existing prior to September of 1984, warehouses, self-storage/public mini-warehouses, and restaurants with 500 square feet of floor area or less.
2. **Conditionally permitted uses:** Parking and automobile storage lots and structures. Restaurants with over 500 square feet of floor area. Theaters. New public or private schools or educational institutions.
3. **Prohibited Uses:** Prohibited uses include: any use involving the manufacture, processing, storage, or treatment of products, which by nature of the operation is likely to be obnoxious or offensive to the surrounding environment; construction of new general office buildings; any use not specifically authorized as a permitted or conditionally permitted use; and high intensity uses that are incompatible with the surrounding residential uses.

## SECTION B: TERMS AND CONDITIONS

1. **Term for Hangars.** All hangars shall be leased on a month-to-month basis.
2. **Term for Tie-Downs.** All tie-downs shall be leased on a month-to-month basis.
3. **Term for Aeronautical Service Providers.** Consistent with the terms of the Consent Decree, aeronautical service providers may be offered up to three-year lease terms that comport with this Leasing Policy and the Minimum Standards for Commercial Aeronautical Services at Santa Monica Municipal Airport (the "Minimum Standards"), so long as the

expiration date of the lease does not extend beyond December 31, 2028.

4. **Term for Non-Aviation Tenants.** Lease terms may be month-to-month or longer. However, no lease shall have a term that goes beyond December 31, 2028.
5. **Environmental Responsibility.** New requests to lease and existing leases shall be reviewed to assess potential negative effects on the environment. The City may require environmental studies or testing as appropriate and necessary, and any needed remediation shall be performed prior to establishment of new uses. All lessees shall be responsible for any environmental contamination, resulting from their prior use, as a condition to a renewed or extended lease. Environmental clean-up will be required as a condition of any renewal or extension. At the time of the application, an assessment of the proposed use will be conducted, and appropriate insurance and/or remediation requirements will be incorporated into the lease based on proposed usage.
6. **Rates.** All new and renewed leases will be leased at prevailing market rates and rates will be adjusted to stay current with market conditions and as new/renewed leases arise.
7. **Percentage Rent Provision.** In addition to a base rent, the City may elect to require that certain leases include a percentage rent provision, which can be differentiated by categories of sales. The City shall have the right to audit tenant's financial records to ascertain that the gross sales figures reported by the tenant are accurate.
8. **Existing Tenants.** All existing airport tenants will be given the opportunity to submit a lease application to the City. The City is under no obligation to offer lease agreements. Submitting an application to the City does not obligate the City to enter into lease negotiations, offer a lease agreement, or execute a lease agreement. The decision to execute a lease agreement will be made solely within the City's discretion as landlord and property owner.

9. **Whole Building Leases.** Whole building leases may, at the City's discretion, be subject to public Requests for Proposals intended to optimize leasehold occupancy and the self-sustainability of the airport. Tenants under a whole building lease shall be responsible for maintenance and repair of said buildings.
10. **Transfer of Interest.** Space sharing is prohibited without the written consent of the City and granting or withholding consent will be conditioned on express standards and conditions set forth in the lease.
11. **Lease and License Areas.** Operation and improvements to lease and license areas are subject to the City's standard regulatory rules, review and approval process.
12. **Triple Net Leases.** The City may require tenants to pay all property taxes and assessments (including Possessory Interest Tax), insurance, and utilities.
13. **Commercial Operations Permit (COP).** Prospective tenants proposing to use the Santa Monica Airport to engage in an activity that requires a business license from the City are required to acquire a commercial operations permit issued by the City Manager. All COPs will be presented to the Airport Commission for their recommendation and comment prior to City Manager's approval.
14. **Master Tenants.** Master tenant agreements are to be phased out in an orderly transition.
15. **Sub-Leasing.** New sub-leasing shall be prohibited. Existing sub-tenancies shall be subject to an orderly phase-out at the sole discretion of the City.
16. **Insurance.** Airport lease agreements shall minimize the City's financial and economic risk, by incorporating reasonable indemnification and insurance provisions.
17. **Daily and Transient Users.** Daily and transient uses shall be permitted.

## **SECTION C: PERFORMANCE STANDARDS**

1. Compatible and Harmonious. All lessees shall use the airport and any airport property in a manner that is compatible with City policies and with the adjacent residential uses; to encourage activities that complement adjacent residential and commercial uses; to establish practices that are sensitive to the environment and protect the City from future environmental exposure; and for aeronautical service providers, comply with the Minimum Standards.
2. All City-owned buildings appropriate and suitable for leasing may be subject to a public procurement and solicitation process to identify prospective tenants and licensees whose financial and professional experience, and products and/or services are consistent with the Leasing Standards set forth herein.
3. All prospective tenants must submit a Lease or License Application to the City. Information contained in the Lease Application shall describe the proposed use for the available space; provide information about the respondent; provide references; describe in detail the financial capability of the respondent to perform; and set forth preliminary terms and conditions.
4. Hangars
  - a. Hangars that have a land lease agreement with the City will be on a month-to-month tenancy under a City approved lease agreement which will be updated as deemed necessary by the City.
5. Recruitment for artist day studios will adhere to the criteria set forth by the Cultural Affairs Division of Community and Cultural Services Department. Candidate tenants for available Artist Day Studio space are required to file Program applications for screening purposes, and qualifying artists are selected only from the screened waiting list.

#### **SECTION D: MAINTENANCE AND TENANT IMPROVEMENTS**

1. All leaseholders shall be responsible for maintaining their facilities in attractive and safe condition, in compliance with applicable building and

life safety codes and all applicable environmental laws, ordinances, regulations and other city standards.

2. Facilities will be inspected prior to new or extended leasehold occupancy and refurbished, by the City or tenant (at the City's election), to a decent, safe and sanitary condition appropriate for use. If tenant makes improvements to the facility as a mutually agreed upon condition of a lease, the City must first review and approve the proposed design and scope of work. All necessary building permits must be obtained, and the work must be inspected for compliance with applicable code(s). Appropriate rental credits for the approved work performed may be negotiated as part of the lease. Any Tenant Improvement Credit that exceeds two months' worth of tenant monthly rent must be approved by the Airport Director.
3. Each tenant or licensee will be responsible for interior maintenance and repair at its sole expense, and the City generally will retain responsibility for maintenance and repair of roofs, building exteriors, landscaping and common use parking for all Airport-managed leaseholds unless otherwise specified in the lease or license. Tenants who lease whole buildings from the City will be responsible for any and all maintenance, repair and improvements including roofs, building equipment and exteriors of the facilities as well as interior maintenance and repairs.
4. Tenants shall respond to the City's written inquiries regarding any complaints or issues. Tenant will provide an action plan for improvement if so requested by the City. ®
5. As applicable, the above requirements may be incorporated in leases, licenses and other agreements. In addition, the City may add to any Lease or License further or different or additional operational and performance standards as the City concludes are appropriate to the particular Tenant's operation.
6. Upon confirmation that the proposed tenancy is consistent with this Leasing Policy, a lease agreement will be prepared for review by the City Attorney and execution by the prospective tenant before being referred

to the City Manager for approval. Leases for terms greater than terms specified in these guidelines require City Council approval.

## **SECTION E: LEASE APPROVALS AND DELEGATION OF AUTHORITY**

1. The City Manager has the authority to negotiate and execute month-to-month leases, leases with aeronautical service providers, and leases that expire prior to or on December 31, 2028, provided the City Manager finds the proposed use is consistent with this Leasing Policy, the Minimum Standards, and the Consent Decree. To be valid, such leases must be on the basis of written agreements prepared and approved as to form by the City Attorney. Leases for terms of occupancy of more than five years or with an expiration date beyond December 31, 2028, or otherwise outside the parameters established by this Policy, will require City Council approval.
2. The City may cooperate with commercial real estate brokers who are authorized to negotiate leases on behalf of prospective tenants.

## **SECTION F: GENERAL PROVISIONS**

This Leasing Policy may be altered by the City at any time, in its sole discretion, and shall not create any right or reliance interest for any person.



Updated August 2018