

# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Ralph G. Tonseth

**SUBJECT:** SEE BELOW

**DATE:** December 1, 2004

Approved

Date

12/2/04

**COUNCIL DISTRICT:** Citywide

**SUBJECT: ASSIGNMENT AND ASSUMPTION OF AGREEMENTS - SAN JOSÉ JET CENTER, INC. AND ACM AVIATION, INC.**

## RECOMMENDATION

- (a) Adoption of a resolution granting conditional consent to an assignment from San José Jet Center, Inc., to Jet Center Property Services, LLC of the Fixed Base Operator (FBO) Ground Lease of Parcels W-10, W-11 and W-12 at the Norman Y. Mineta San José International Airport.
- (b) Adoption of a resolution granting conditional consent to a sublease between Jet Center Property Services, LLC and SJJC FBO Services, LLC of a portion of the San José Jet Center premises at the Airport consisting of hangar and tarmac areas for general aviation support and service, including aircraft maintenance and refueling services, overnight parking, and related office use.
- (c) Adoption of a resolution granting conditional consent to an assignment from San José Jet Center, Inc. to SJJC Airline Services, LLC of the Lease of Airport Premises for office space located at 1455 Airport Boulevard and for ramp space located at 1311 Airport Boulevard.
- (d) Adoption of a resolution granting conditional consent to an assignment from ACM Aviation, Inc. to SJJC Aviation Services, LLC of the following Agreements:
  - (1) FBO Ground Lease of Parcel 9C at the Airport.
  - (2) Lease Of Airport Premises for hangar space located at 1475 Airport Boulevard.
  - (3) Lease Of Airport Premises for employee vehicle parking located at 1455 Airport Boulevard.

December 1, 2004

**Subject: Assignment and Assumption of Agreements - San José Jet Center, Inc. and ACM Aviation, Inc.**

Page 2

## **BACKGROUND**

The City currently has three Fixed Base Operators (FBOs) at the Airport. These three FBOs are San José Jet Center, Inc., ACM Aviation, Inc. and AvBase San José, LLC. In general, the FBOs provide general aviation support and service, including aircraft maintenance, aircraft refueling services, overnight aircraft parking and related office use.

**San José Jet Center, Inc.** has various agreements with the City including a Ground Lease for the purpose of construction and operations of a FBO and a separate Lease of Airport Premises in support of its commercial airline fueling operations.

1) San José Jet Center FBO Ground Lease:

On June 25, 1985 the City entered into a Ground Lease with the San José Jet Center, Inc. for the purposes of building and operating a FBO on the West side of the Airport.

The agreement has had seven amendments that changed various business terms of the agreement. The most recent Amendments approved by Council on April 29, 2003 and March 23, 2004 expanded the Jet Center's leased premises to include an additional parcel to the north of its facility and revised the Noise Control Provisions.

2) San José Jet Center Lease of Airport Premises (Fueling Office and Ramp Space):

On January 21, 2000 the City entered into a Lease of Airport Premises for office space located at 1455 Airport Boulevard and ramp space located at 1311 Airport Boulevard in support of San José Jet Center's fueling of commercial air carriers. On August 27, 2002, Council approved a First Amendment to extend this Lease to September 30, 2012.

**ACM Aviation Inc.** has various agreements with the City including a Ground Lease for an FBO, a Hangar Lease and a Parking Lease in support of the FBO.

1) ACM Aviation FBO Ground Lease:

On March 3, 1966 the City entered into a Ground Lease with Western Commander, Incorporated for the purposes of building and operating a FBO at Parcel 9C on the East side of the Airport. On April 20, 1972 the City entered into an Amendment to the agreement to assign the Ground Lease to Continental Telephone Service Corporation. On October 4, 1973 the City entered into a Second Amendment to assign the Ground Lease to Executive Air Lane, Inc., Jo Ann Drake, Richard W. Lane and Vincent M. Hardy. On June 6, 1995 the City approved a Third Amendment to the Ground Lease to assign the agreement to ACM Aviation, Inc. The ACM FBO Ground Lease is set to expire on June 30, 2006.

Upon termination of the ACM FBO Ground Lease, ACM's FBO operations will be relocated to the west side of the Airport pursuant to the terms of an FBO Ground Lease with ACM Aviation, LLC that was approved by Council on April 29, 2003.

December 1, 2004

**Subject: Assignment and Assumption of Agreements - San José Jet Center, Inc. and ACM Aviation, Inc.**

Page 3

2) ACM Aviation Hangar Lease:

On May 20, 1997 the City entered into a Lease of Airport Premises for hangar space located at 1455 Airport Blvd. at the Airport in support of ACM's FBO operation. This Lease expires concurrently with the ACM FBO Ground Lease on June 30, 2006.

3) ACM Aviation Parking Lease:

On March 1, 2002 the City entered into a Lease of Airport Premises solely for the purposes of parking of ACM employee vehicles. This Lease expires on February 28, 2005.

## ANALYSIS

### A. Assignments of Leases with San José Jet Center, Inc.

San José Jet Center, Inc. wishes to divide its business operations at the Airport into three separate entities. All three entities will be owned by SJJC Aviation Services, LLC, which, in turn, will be owned by San José Jet Center Inc.:

- (1) Jet Center Property Services, LLC will handle office leasing;
- (2) SJJC FBO Services, LLC will handle FBO services; and
- (3) SJJC Airline Services, LLC will handle commercial air carrier refueling services

Each of the San José Jet Center Leases at the Airport require the City's prior written consent to any proposed assignment or sublease. As part of its reorganization of its operations at the Airport, San José Jet Center, Inc. therefore requests the City's consent to an assignment of the FBO Ground Lease to Jet Center Property Services, LLC and approval of a subsequent sublease between Jet Center Property Services, LLC and SJJC FBO Services, LLC for approximately 733,462.52 square feet of the total 966,495 square footage for general aviation support and service, including aircraft maintenance and refueling services, overnight parking, and related office use. In addition, San José Jet Center, Inc. requests the assignment of the Lease of Airport Premises for office and ramp space in support of its fueling operations at 1455 Airport Boulevard and at 1311 Airport Boulevard to SJJC Airline Services, LLC.

All terms and conditions of the Leases will remain in place and unchanged after the assignments and the sublease are completed. Further, San José Jet Center, Inc. will remain secondarily liable for the performance of all terms and conditions of the Leases in the event that the assignees fail to perform. Accordingly, staff recommends that Council approve the Lease assignments and sublease as proposed.

### B. Assignments of Leases with ACM Aviation, Inc.

ACM and San José Jet Center have notified the City that they are in the process of combining their operations. Accordingly, ACM has requested the City's consent to an assignment of

HONORABLE MAYOR AND CITY COUNCIL

December 1, 2004

**Subject: Assignment and Assumption of Agreements - San José Jet Center, Inc. and ACM Aviation, Inc.**

Page 4

ACM's leases at 1455 and 1475 Airport Boulevard to SJJC Aviation Services, LLC. Upon approval of the requested assignments, SJJC Aviation Services, LLC would assume operation of the ACM FBO operations at the East side of the Airport through the expiration of the ACM east side FBO Ground Lease on June 30, 2006.

All terms and conditions of the Leases will remain in place and unchanged after the assignments are completed. Further, ACM Aviation, Inc. will remain secondarily liable for the performance of all terms and conditions of the Leases in the event that the assignee fails to perform. Accordingly, staff recommends that Council approve the Lease assignments and sublease as proposed.

### COORDINATION

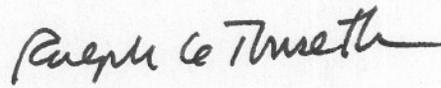
This item has been coordinated with the City Attorney's Office.

### COST IMPLICATIONS

None.

### CEQA

Resolution Nos. 67380 and 71451, PP#: 04-322.



RALPH G. TONSETH  
Director of Aviation, Airport

RGT:sr