

TO: James L. App, City Manager
FROM: Meg Williamson, Assistant City Manager
SUBJECT: Airport Lease Amendments – Scientific Drilling International & KMBG, LLC
DATE: November 7, 2006

NEEDS: For the City Council to adopt Resolution No. 06-XX approving amendments to the three lease agreements with Scientific Drilling International and KMBG, LLC for properties in the Airport Industrial Park.

- FACTS:**
1. On October 1, 1983, the City entered in to a long-term lease agreement with Airport Industrial Associates for Parcel 14-A (**3025 Buena Vista Drive**) in the Airport Industrial Park. On July 1, 1989, the lease was assigned to Scientific Drilling International. The 50-year lease expires September 30, 2033.
 2. On November 15, 1976, the City entered into a long-term lease agreement with Edward E. Worthan for Parcel 15-A (**5025 Wing Way**) in the Airport Industrial Park. On March 25, 1983, the lease was assigned to the Roy E. Coats Family Trust. On April 17, 1996, the lease was amended to reflect a division in the leased premises. On October 17, 1996 a portion of the divided lease was assigned to Scientific Drilling International. On December 31, 2004, the lease was assigned to KMBG, LLC. The 50-year lease expires November 31, 2026.
 3. On April 1, 1988, The City entered into a long-term lease agreement with Pacific Management & Development for Parcel 14-B (**3003 Rollie Gates Drive**) in the Airport Industrial Park. On October 16, 2003, the lease was assigned to KMBG, Ltd. On July 9, 2004, the lease was assigned to KMBG, LLC. The 50-year lease expires March 31, 2038.
 4. The Lessees, all affiliates of the Applied Technologies firm, are currently in full compliance with the terms of each of the lease agreements..
 5. The Lessee requests an amendment to add five (5) years to the term of each lease agreement.

**ANALYSIS
AND**

CONCLUSION: The firms of Applied Technologies and Scientific Drilling continue to grow as a valued part of the local economy, providing over 200 jobs in the community. The Research and Development, and Manufacturing components of these companies operate from three separate lease parcels. The increase in lease terms provides additional security to the firms' anticipated expansion and assures the City of a continued partner in long-term economic growth. The additional five year terms are permissible under governing statutes. No other modifications are requested.

POLICY

REFERENCE: Adopted Lease Agreement and Airport Lease Policy and Government Code Section 37380.

FISCAL

IMPACT: None

- OPTIONS:**
- A. Adopt Resolution No. 06-XX, approving the lease amendments.
 - B. Amend, modify, or reject the above option.

Attachments (4):

- 1. Resolution 06-XX
- 2. Lease Amendments (3)

RESOLUTION NO. 06-xx

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASO ROBLES
APPROVING AMENDMENTS TO AIRPORT LEASE AGREEMENTS WITH
SCIENTIFIC DRILLING INTERNATIONAL AND KMBG, LLC., LESSEES**

WHEREAS, the City of El Paso de Robles continues to operate, maintain and develop the Paso Robles Municipal Airport for the service and benefit of the community; and

WHEREAS, long-term leases of land in the Airport Industrial Park is beneficial and in the best interest of the community, and;

WHEREAS, the City currently has one existing lease with Scientific Drilling International and two existing leases with KMBG, LLC in the Airport Industrial Park; and

WHEREAS, both Lessees have requested an amendment to extend the term on their leases by an additional five (5) years.

THEREFORE, BE IT RESOLVED AS FOLLOWS:

Section 1. That the City Council of the City of Paso Robles does hereby approve the following:

- a. Amendment to Airport Lease (3003 Rollie Gates Drive) with KMBG, LLC dated October 1, 2006 (as shown in Exhibit A to this resolution); and
- b. Second Amendment to Airport Lease (3025 Buena Vista Drive) with Scientific Drilling International, dated October 1, 2006 (as shown in Exhibit B to this resolution); and
- c. Third Amendment to Airport Lease (5025 Wing Way) with KMBG, LLC, dated October 1, 2006, (as shown in Exhibit C to this resolution); and

Section 2. That the City Council of the City of Paso Robles does hereby authorize the execution of the necessary documents as required and authorize the recordation of such amendments with the Recorder of San Luis Obispo County.

PASSED AND ADOPTED by the City Council of the City of Paso Robles, this 7th day of **November, 2006**, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Frank R. Mecham, Mayor

ATTEST:

Deborah Robinson, Deputy City Clerk

Recording Requested by and
When Recorded Return to:

**City of Paso Robles
Department of Public Works
1000 Spring Street
Paso Robles, CA 93446**

For Recorders Use Only

**AMENDMENT TO AIRPORT LEASE
[3003 Rollie Gates Drive]**

This Amendment to Lease ("Amendment") is made and entered into this 1st day of October, 2006, by and between the City of El Paso de Robles, a municipal corporation, (hereinafter called "City" or "Lessor") and KMBG, LLC, a Colorado limited liability company (hereinafter called "Lessee") who agree as follows:

RECITALS

- A. City entered into that certain Municipal Airport Lease dated April 1, 1988, (the "Original Lease") of Parcel 14-B of Parcel Map PRAL 80-53 (3003 Rollie Gates Drive) at the Paso Robles Municipal Airport, with Pacific Management and Development Corporation, as Lessee.
- B. City approved the Assignment and Amendment of Lease dated October 16, 2003, assigning said lease to KMBG, Ltd., a Texas limited partnership (the "First Assignment").
- C. City approved the Assignment and Amendment of Lease dated July 9, 2004, assigning said lease to KMBG, LLC, a Colorado Limited Liability Company (the "Second Assignment"). (The Original Lease, First Assignment and Second Assignment are referred to collectively herein as the "Lease").
- D. The City and Lessee desire to amend the terms of the Lease as provided herein.

AGREEMENT

- 1. Amendment of Lease. The parties agree that the term of the Lease shall be extended by five (5) years and that the Lease shall terminate on March 31, 2043.
- 2. No further amendment. Except as amended by this Amendment, all the terms of the Lease shall remain in full force and effect; provided however, that the rental payments shall be adjusted annually in accordance with the procedures set forth in the Lease.

Recording Requested by and
When Recorded Return to:

**City of Paso Robles
Department of Public Works
1000 Spring Street
Paso Robles, CA 93446**

For Recorders Use Only

**SECOND AMENDMENT TO AIRPORT LEASE
[3025 Buena Vista Drive]**

This Second Amendment to Lease (the "Second Amendment") is made and entered into this 1st day of October, 2006, by and between the City of El Paso de Robles, a municipal corporation (hereinafter called "City" or "Lessor") and Scientific Drilling International, a Texas Corporation, (herein after called "Lessee") who agree as follows:

RECITALS

- A. City entered into that certain Municipal Airport Lease dated October 1, 1983, (the "Original Lease") of Parcel 'A' of Parcel Map PR 83-127 (3025 Buena Vista Drive) at the Paso Robles Municipal Airport, with Airport Industrial Associates as Lessee.
- B. City approved an Amendment to Lease dated July 1, 1989, assigning said lease to Scientific Drilling International, a Texas Corporation, (the "First Amendment"). (The Original Lease and First Amendment are referred to collectively herein as the "Lease").
- C. The City and Lessee desire to amend the terms of the Lease as provided herein.

AGREEMENT

- 1. Second Amendment to Lease. The parties hereby agree that the term of the Lease shall be extended by five (5) years and that the Lease shall terminate on September 30, 2038.
- 2. No further amendment. Except as amended by this Second Amendment, all the terms and conditions of the Lease shall remain in full force and effect; provided however, that the rental payments shall be adjusted annually in accordance with the procedures set forth in the Lease.

IN WITNESS WHEREOF, the parties have caused this Amendment to be duly executed.

CITY OF EL PASO DE ROBLES

KMBG, LLC

By: _____
James L. App, City Manager

By: _____
Donald H. Van Steenwyk, Manager

ATTEST:

ATTEST:

By: _____
Deborah Robinson, Deputy City Clerk

By: _____
Secretary,

IN WITNESS WHEREOF, the parties have caused this Second Amendment to be duly executed.

CITY OF EL PASO DE ROBLES

SCIENTIFIC DRILLING INTERNATIONAL

By: _____
James L. App, City Manager

By: _____
Donald H. Van Steenwyk, Manager

ATTEST:

ATTEST:

By: _____
Deborah Robinson, Deputy City Clerk

By: _____
Secretary,

Recording Requested by and
When Recorded Return to:

**City of Paso Robles
Department of Public Works
1000 Spring Street
Paso Robles, CA 93446**

For Recorders Use Only

**THIRD AMENDMENT TO AIRPORT LEASE
[5025 Wing Way]**

This Third Amendment to Lease is made and entered into this 1st day of October, 2006, by and between the City of El Paso de Robles, a municipal corporation, (hereinafter called "City" or "Lessor") and KMBG, LLC, a Colorado limited liability company (hereinafter called "Lessee") who agree as follows:

RECITALS

- A. City entered into that certain Municipal Airport Lease dated November 15, 1976, (the "Original Lease") of Parcel 7 of Parcel Map PRAL 88-207 (5025 Wing Way) at the Paso Robles Municipal Airport, with Edward E. Worthan as Lessee. The Original Lease is recorded in Book 2032 Page 305 of Official Records, County of San Luis Obispo.
- B. City approved the Assumption Agreement dated March 25, 1983, assigning said lease to Roy E. Coats Family Trust (the "Assumption Agreement").
- C. City approved the Lease Amendment dated April 17, 1996, (the "First Amendment") dividing the leased premises and creating Parcels 7 & 8 of Parcel Map PRAL 88-207.
- D. City approved the Lease Assignment of Parcel 7 from Laura Coats Revocable Trust, successor to the Roy E. Coats Family Trust, to Scientific Drilling International, on October 17, 1996 (the "Assignment Agreement").
- E. City approved the Assignment and Amendment of Lease from Scientific Drilling International to KMBG, LLC, a Colorado limited liability company, on December 31, 2004 (the "Second Amendment"). (The Original Lease, Assumption Agreement, First Amendment, Lease Assignment, Assignment Agreement and Second Amendment are collectively referred to herein as the "Lease").
- F. The City and Lessee desire to amend the terms of the Lease as provided herein.

AGREEMENT

- 1. Third Amendment to Lease. The parties hereby agree that Lessee has provided City with a timely notice of its intent to exercise all remaining option terms provided in the Lease, and City agrees to such exercise. In addition, the parties agree that the term of the Lease shall be extended for an additional five (5) years, and that the Lease therefore shall terminate on November 14, 2031.
- 2. All of the terms and conditions of the Original Lease, as amended to date, with respect to the Property, shall remain in full force and effect; provided however, that the rental payments shall be adjusted annually in accordance with the procedures set forth in the Lease.

IN WITNESS WHEREOF, the parties have caused this Third Amendment to be duly executed.

CITY OF EL PASO DE ROBLES

KMBG, LLC

By: _____
James L. App, City Manager

By: _____
Donald H. Van Steenwyk, Manager

ATTEST:

ATTEST:

By: _____
Deborah Robinson, Deputy City Clerk

By: _____
Secretary,