



Agenda Report

MEETING DATE: Tuesday, December 13, 2022

TO: City Council

FROM: AIRPORT DIRECTOR WILLIAMS

THROUGH: CITY MANAGER MENDEZ

SUBJECT: RESOLUTION APPROVING A FOUR-YEAR LEASE OF AIRPORT
PROPERTY AT 50 AVIATION WAY TO PACIFIC AG PAK, INC.

RECOMMENDED ACTION:

It is recommended the City Council approve a four (4) year lease of an Airport property to Pacific Ag Pak, Incorporated, a California Corporation.

BACKGROUND:

Pacific Ag Pak, Inc. is a long tenured non-aeronautical leasehold, albeit as a sub tenant within the Watsonville Airport Center, which reverted to the Airport after a thirty-year ground lease terminated in early 2018.

Pacific Ag Pak offers FDA-approved produce packaging and customer labeling services to large-scale farmers, distributors and retailers in California, Mexico, the Pacific Northwest and Canada. Pacific Ag Pak is currently located at 50 Aviation Way, occupying prime street side access commercial office space.

The City Council approved a renewal lease on February 27, 2018 by Resolution No. 19-18, and the lease ended in 2021 with Pacific Ag Pak relocating to become a sublease tenant of Pacific Air Care over the last year.

DISCUSSION:

The Airport has negotiated and reached agreement on lease terms for the 673 square feet of street store front office space located at 50 Aviation Way. Lease term is four years at a rate of \$2.50 per square foot, totaling \$1,682.50 per month and subject to standard CPI adjustments over the term, as noted in the attached lease.

STRATEGIC PLAN:

This four-year lease aligns with the Airport's Strategic plan to ensure the self-sustaining mandate of the enterprise fund is achieved.

FINANCIAL IMPACT:

Current market conditions support a lease rate of \$2.50 per square foot for industrial space on the Airport property. Any future tenant improvements must be approved and at the end of the lease period, all improvements on the premises become the City's property free of all claims.

ALTERNATIVE ACTION:

Alternatives include not approving the lease resulting in loss of a long tenured Airport tenant.

ATTACHMENTS AND/OR REFERENCES (If any):

None.