

# Agenda Report



**MEETING DATE:** Tuesday, February 13, 2024

**TO:** City Council

**FROM:** AIRPORT DIRECTOR WILLIAMS  
ADMINISTRATIVE ANALYST AGUADO

**THROUGH:** CITY MANAGER MENDEZ

**SUBJECT:** RESOLUTION APPROVING SECOND AMENDMENT TO SECOND  
AMENDED LEASE BETWEEN CITY OF WATSONVILLE AND  
MONTEREY BAY AVIATION, LLC

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## **RECOMMENDED ACTION:**

It is recommended the City Council approve a Second Amendment to the current fixed-base operation (FBO) commercial lease with Monterey Bay Aviation, Inc., a California corporation, dba United Flight Services ("Lessee") amending the general liability insurance requirements; and authorizing and directing the City Manager to execute same.

## **BACKGROUND:**

The Lessee has held a ground leasehold at the Watsonville Municipal Airport ("Airport") since 2014. The ground leased property is an approximately 1.47 acre area with an approximately 14,500 sq. ft. building constructed by the Lessee. The current lease monthly payment is \$2,378.58.

## **DISCUSSION:**

The Lessee brought to Airport management's attention that there was a discrepancy contained in the 2014 lease with respect to the required insurance limits. The Lessee's concern was that the 2014 Lease requires the Lessee to maintain liability insurance with limits of at least \$3,000,000 combined single limits while other tenants, similarly situated, are only required to maintain liability insurance with limits of at least \$1,000,000 combined single limits. The intent of the higher amount was to ensure that the building, which will revert to City ownership upon expiration of the lease, would be adequately insured. However, the \$3 million limits requirement was inadvertently placed in the general liability section of the lease rather than in the property casualty section. Therefore, Airport management concurs with the Lessee that reducing the general liability coverage requirement to \$1 million is appropriate.

The property casualty insurance requirements (referred to in the lease as Fire and Extended Coverage) do not need to specify a dollar amount because it requires the

insurance policy to be written on the basis of the full replacement cost of the building and all improvements installed either by the City or the Lessee. Therefore, the City's interest in the building is fully protected with the required insurance.

**STRATEGIC PLAN:**

This project is consistent with Strategic Plan priority 7 - of efficient and well-performing government.

**FINANCIAL IMPACT:**

There is no fiscal impact resulting from the approval of the Second Amendment to the Second Amended Lease Agreement.

**ALTERNATIVE ACTION:**

Alternatives include not approving the Second Amendment to the Second Amended Lease Agreement lease term.

**ATTACHMENTS AND/OR REFERENCES (If any):**

- 1) Resolution No. 135-14 (CM) - 2014 Lease Agreement
- 2) Resolution No. 1-18 (CM) – 1<sup>st</sup> Amendment