



A Tradition of Stewardship  
A Commitment to Service

Agenda Date: 2/11/2020

Agenda Placement: 6L

## NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

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**TO:** Board of Supervisors

**FROM:** Steven Lederer - Director of Public Works  
Airport

**REPORT BY:** Greg Baer, Airport Manager - x4665

**SUBJECT:** Amendment No. 4 to Napa County Agreement No. 170661B-17 with McCann, Inc., dba The Runway by Patrick

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### **RECOMMENDATION**

Director of Public Works requests approval of and authorization for the Chair to sign Amendment No. 4 to Agreement No. 170661B with McCann, Inc. related to the ongoing operation of the restaurant located at the Napa County Airport and shortening the term by five years, resulting in an expiration date of January 31, 2022.

### **EXECUTIVE SUMMARY**

Napa County Agreement No. 170661B-17 with McCann, Inc. to operate "The Runway by Patrick" restaurant at the Napa County Airport was approved by the Board on September 9, 2014. Since that time there have been three amendments to the agreement, all of which adjusted the rent downward on account of lower than expected business being generated from other activities at the Airport. The lessee is not able to continue to run the restaurant in the long run and has requested an assignment of the lease to Bouazza Kostali and Mohamed Alshaer in an effort to keep the restaurant open.

The County also has a need to shorten the existing lease to provide us flexibility with tenants in the main airport administration building given the current Fixed Base Operator (FBO) request for proposal (RFP) process. Staff has worked with the lessee and assignees to develop a mutually agreeable path forward that allows for the assignment of the lease, while adjusting the lease term to something that is congruent with potential airport redevelopment timelines.

By approving this amendment, the Board would be authorizing a net decrease in the Airport Enterprise Fund for FY 2019-20 for up to \$4,100 associated with unpaid rent and sewer charge along with adjusting the budget within the Airport Enterprise Fund for up to \$23,000 to pay for outstanding possessory interest taxes.

**FISCAL & STRATEGIC PLAN IMPACT**

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	Yes
Where is it budgeted?	Airport Enterprise Fund Budget - Although the proposed amendment has a one-time effect on rent revenue, utility expenses and tax expenses for FY 2019-20, the Airport Enterprise Fund has savings in other areas to absorb these costs, thus a budget transfer is not necessary.
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	Based on a mutual agreement of the parties involved, this is an opportunity for the Airport to continue to have a restaurant, as well as reduce the term of the existing lease that fits better with the proposed Terminal Redevelopment Plan timeframe. Staff finds that the proposed debt payments that shall not to exceed \$27,100 from the Airport Enterprise Fund are commensurate with the benefit obtained through an amended lease with a significantly reduced term.
Is the general fund affected?	No
Future fiscal impact:	The proposed reduced rent revenue and payment of the lessee's past due possessory interest taxes would only occur in FY 2019-20.
Consequences if not approved:	The current lessee would most likely default on the existing lease if this component of the negotiation was not approved.
County Strategic Plan pillar addressed:	Collaborative and Engaged Community
Additional Information:	

**ENVIRONMENTAL IMPACT**

ENVIRONMENTAL DETERMINATION: The proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.

**BACKGROUND AND DISCUSSION**

Napa County Agreement No. 170661B with McCann, Inc. to operate "The Runway by Patrick" restaurant at the Napa County Airport was approved by the Board on September 9, 2014. Since that time there have been three amendments to the agreement, all of which reduced the rent on account of lower than expected business being generated directly from other activities at the Airport. The lessee has requested an assignment of the lease to a new operator in an effort to keep the restaurant open. Section 11 of the lease (Assignments & Subletting) allows for assignments subject to the County's written approval.

Although the restaurant at the Airport has financially struggled for many years, it remains a desired amenity for both the short and long term. Based on conversations between Airport Management and the lessee, it is apparent that if

the assignment fails, the lessee will most likely close the business. Given the importance of a restaurant at the Airport, and the possibility that partnerships could form during future redevelopment that would result in a new restaurant space, it is Airport Management's desire to keep the existing restaurant open as long as possible, while not interfering with any shorter term redevelopment opportunities.

Given the County's need for flexibility with various leases at the Airport for redevelopment opportunities and the desire to maintain a restaurant at the Airport, staff has worked with the lessee and assignees to develop a mutually agreeable path forward. This path allows for the assignment of the lease while adjusting the lease term that is congruent with potential redevelopment timelines under the FBO RFP process. Specifically, the current lease runs until December 31, 2022, with a four year option term that can be exercised at the lessee's discretion. Staff is recommending approval of the lease assignment that includes a reduction in lease term from the existing expiration date of December 31, 2026 (including the option period) to January 31, 2022. The proposed amended lease would allow, upon mutual consent, the Airport Manager to extend the lease, provided that no such extension shall extend beyond December 31, 2022. Any extension beyond December 31, 2022 would need to return to the Board for consideration. In exchange for the amended lease term, the Airport Enterprise Fund would pay off accumulated debt incurred by the lessee that includes outstanding rent, a sewer bill, and possessory interest taxes. In total, payments for the outstanding debt would not exceed \$27,100.

Under this scenario, the County would be able to maintain and support a much needed amenity at the Airport while obtaining the flexibility it needs to accommodate the contemplated redevelopment efforts within the next few years.

#### **SUPPORTING DOCUMENTS**

None

CEO Recommendation: Approve

Reviewed By: Mary Booher