

**CITY OF EL PASO, TEXAS
AGENDA ITEM
DEPARTMENT HEAD'S SUMMARY FORM**

AGENDA DATE: December 6, 2022

PUBLIC HEARING DATE: N/A

CONTACT PERSON: Samuel Rodriguez, P.E., Aviation Director, (915) 212-7301

DISTRICT(S) AFFECTED: 3

STRATEGIC GOAL 1: Create an Environment Conducive to Strong, Sustainable Economic Development

SUBGOAL: N/A

SUBJECT:

That the City Manager is authorized to sign a Second Amendment to the Air Cargo Center Agreement by and between the City of El Paso ("Lessor") and Mesa Airlines, Inc. ("Lessee") regarding Lessee's use of that certain office, warehouse space, aircraft parking apron and ground service equipment parking apron, and vehicle parking. In addition, to extend the current term, add an additional extension option, and to allow for a rental adjustment. Located at the property known as Air Cargo Building #3, municipally known and numbered as 301 George Perry Blvd., Suite B.

The Lessee's current term began on October 29, 2019 and will end on February 13, 2023. This amendment will extend their lease to February 13, 2025. The annual rental fee is \$106,934.00 or \$8,911.17 per month. This amendment includes one option to extend the lease term one (1) additional year to February 13, 2026 and allow for a rental adjustment.

BACKGROUND / DISCUSSION:

The Lessee currently leases office space, warehouse space, and ramp space at the ELP Cargo Center to support their aircraft maintenance operations. Mesa Airlines serves as a regional airline for American Airlines and United Airlines as well as conducts mechanical maintenance on aircraft for both airlines. As part of Mesa Airline's reorganization plan, it is growing its maintenance operations in El Paso and requires additional space to store maintenance parts, due to closing their maintenance base in Tucson, Arizona. This expansion will add an additional five employees to their operation. If the 1-year option to extend the lease is exercised, the expiration date will be on February 13, 2026. A rental adjustment based on the Consumer Price Index (CPI) will be due on October 28, 2024.

PRIOR COUNCIL ACTION:

- October 28, 2014 – Lessor and Lessee entered into a lease to meet Lessee's office and warehouse space requirements as well as the use of the aircraft parking apron and the ground service equipment parking apron for Lessee's operations at the El Paso International Airport.
- October 29, 2019 – Lessor and Lessee entered into the First Amendment to Building Lease Agreement to amend the lease to add additional options allowing the lease term to end on February 13, 2023, to allow for a rental adjustment, and update the language required by the U.S. Federal Aviation Administration ("FAA").

AMOUNT AND SOURCE OF FUNDING:

N/A: This is a revenue-generating item.

HAVE ALL AFFECTED DEPARTMENTS BEEN NOTIFIED? YES NO

PRIMARY DEPARTMENT: Aviation

Revised 04/09/2021

SECONDARY DEPARTMENT: N/A

*****REQUIRED AUTHORIZATION*****

DEPARTMENT HEAD: 

Samuel Rodriguez, P.E., Director of Aviation

RESOLUTION

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF EL PASO:

That the City Manager is authorized to sign a Second Amendment to the Air Cargo Center Agreement by and between the City of El Paso ("Lessor") and Mesa Airlines, Inc. ("Lessee") regarding Lessee's use of that certain office, warehouse, aircraft parking apron and ground service equipment parking apron, and vehicle parking area located at 301 George Perry Blvd., Suite B, El Paso, Texas to extend the current term, add an additional extension option, and to allow for a rental adjustment.

Approved this ____ day of _____ 2022.


CITY OF EL PASO

Oscar Leaser
Mayor

ATTEST:


Laura D. Prine, City Clerk

APPROVED AS TO FORM:



Leslie B. Jean-Pierre
Assistant City Attorney

APPROVED AS TO CONTENT:



Samuel Rodriguez, P.E.
Director of Aviation

STATE OF TEXAS)
)
COUNTY OF EL PASO)

**Second Amendment to
Air Cargo Building Lease Agreement**

This Second Amendment (“Amendment”) to the Building Lease Agreement (the “Lease”) is entered on December , 2022 (“Effective Date”) between the CITY OF EL PASO (“Lessor”), a home-rule municipality existing under the laws of the State of Texas and MESA AIRLINES, INC., a Nevada corporation (“Lessee”).

WITNESSETH:

WHEREAS, Lessor and Lessee entered into the Lease on October 28, 2014, to meet Lessee’s office and warehouse space requirements as well as the use of the aircraft parking apron and the ground service equipment parking apron for Lessee’s operations at the El Paso International Airport; and

WHEREAS, Lessor and Lessee entered into the First Amendment to Building Lease Agreement on October 29, 2019 to amend the Lease to add additional options allowing the Lease Term to end up to February 13, 2023, and to allow for a rental adjustment and update the language required by the U.S. Federal Aviation Administration (“FAA”);

WHEREAS, Lessor and Lessee (or “Parties” herein) wish to amend their current Lease to add an additional 6,103 sq. ft. of warehouse space for a total of 12,395 sq. ft. of office / warehouse space and allow for a rental adjustment; and ,

WHEREAS, the parties wish to amend the Lease to extend the current term of the Lease to end on February 13, 2025 with one option to extend the Lease Term one (1) additional year to February 13, 2026 and allow for a rental adjustment.

NOW THEREFORE, the Parties agree as follows:

1. The Agreement Article I – Premises and Privileges is amended as follows:

Section 1.01 Description of Premises Demised.

Subject to and on the terms, conditions, covenants, agreements and undertakings hereinafter set forth, Lessor does hereby demise and lease to Lessee and Lessee does hereby lease from Lessor the following described Premises located in El Paso County, Texas:

- A. That certain warehouse and office space containing 12,395 square feet, more or less, as shown on **Exhibit “A”** attached hereto and incorporated by reference, and also known as Air Cargo Center, 301 George Perry Blvd., Suite B, for Lessee’s exclusive use;
- B. The exclusive use of 12,395 square feet, more or less, of warehouse space in the Air Cargo Center as shown on **Exhibit “A”**;
- C. The exclusive use of 1,300 square feet, more or less, of ground service equipment parking directly behind said Air Cargo Center as shown on **Exhibit “A”**; and

D. The exclusive use of 25,000 square feet, more or less, of the aircraft parking apron adjacent to said Air Cargo Center as shown on Exhibit "B" attached hereto and incorporated herein by reference;

all of which will herein after be referred to as the "Premises."

2. **Section 4.02, Opportunity to Extend**, of the Lease is amended to extend the current term and to add an additional paragraph at the end of the section to allow for an additional option to extend as follows:

Upon the execution of this Second Amendment the parties agree to extend the current term of this Lease to February 13, 2025.

Additional paragraphs to be added to the end of the section:

In the event that Lessee is not in default of any terms of this Lease, Lessee will have an opportunity to extend this Lease for one (1) additional year to February 13, 2026. Lessee may exercise the additional option to extend by Lessee notifying the Director in writing of its request to extend the term of the Lease at least ninety (90) days prior to the expiration of the extension period. Lessee's request to extend the term of the Lease for the additional extension period will be reviewed by the Director. The Director will review the request within thirty (30) days of the receipt of the request and evaluate the request in consideration of the Airport's need for use of the Premises. If Lessee's request to extend the Lease is approved by the Director within the time allotted in this paragraph, the Lease shall be extended for the requested time period on the same terms and conditions as the Lease, except that the Rental Extension Period shall be an adjusted amount as set forth in this Amendment. If Lessee's request to extend the Lease for the Extension Period is not approved by the Director within the time frame allotted in this paragraph, in his sole discretion, the term of the Lease will not be extended for the requested time period and the Lease will expire February 13, 2025.

Section 5.01, Rental, is amended, which shall read as follows:

5.01 Rental. For the purposes of computing the rental payments, Lessor and Lessee agree that the Premises comprise the following:

Rental Fee	Sq. Ft.	Annual Rate	Annual Rent	Monthly Rent
Office / Warehouse	12,395	\$7.0106	\$86,896.39	\$7,241.37
Vehicle Parking	1,300	\$0.7260	\$943.80	\$78.65
GSE Parking	1,300	\$0.7260	\$943.80	\$78.65
Aircraft & GSE Parking	25,000	\$0.7260	\$18,150.00	\$1,512.5
Total			\$106,934.00	\$8,911.17

Lessor and Lessee agree that percentage increases in the Consumer Price Index for all Urban Consumers (CPI-U) shall govern the rent adjustment for the remainder of the current lease and additional option period. The next rental adjustment will be due on October 28, 2024, to be consistent with the 5th anniversary date of the previous rental adjustment. For the purposes of computing such percentage increase the Base Year CPI-U shall be established as that rate in place ninety (90) calendar days prior to the Effective Date of this Lease. Rent shall be adjusted pursuant to the percentage increase in the CPI-U from the Base Year CPI-U to the rate in place ninety (90) days prior to the applicable date of adjustment (i.e. the fifth (5th) anniversary date of the Effective Date). The rental adjustment shall be effective as of the fifth (5th) anniversary date, without regard to the date the actual adjustment is made; provided, however, that in no event shall the adjusted rent be less than the rate in place immediately prior to such adjustment nor more than twenty percent (20%) more than the rent established at the beginning of the immediately preceding five-year period.

3. The Agreement is amended to incorporate Exhibit "A" and Exhibit "B" attached to this Second Amendment. Exhibit references:

Office / Warehouse – Exhibit "A"

Vehicle Parking – Exhibit "A"

GSE Parking – Exhibit "A"

Aircraft and GSE Parking – Exhibit "B"

4. **Ratification.** Except as herein amended, all other terms and conditions of the Lease not specifically modified by this Second Amendment shall remain unchanged and in full force and effect.
5. **Effective Date.** This Second Amendment shall be effective upon the date it is approved by the El Paso City Council.

(Signatures begin on the following page)

EXECUTED, this ____ day of _____ 2022.

LESSOR: CITY OF EL PASO

Tomás González
City Manager

APPROVED AS TO FORM:

APPROVED AS TO CONTENT:

Leslie B. Jean-Pierre
Assistant City Attorney

Samuel Rodríguez, P.E.
Director of Aviation

ACKNOWLEDGMENT

THE STATE OF TEXAS)
)
COUNTY OF EL PASO)

This instrument was acknowledged before me on this ____ day of _____ 2022, by Tomás González as City Manager of the City of El Paso, Texas.

Notary Public, State of Texas

My Commission Expires:

(Signatures continue on the following page)

LESSEE: MESA AIRLINES, INC.

By: _____

Printed Name: _____

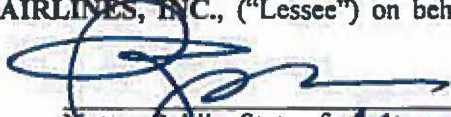
Title: Michael Lotz
President & CFO

ACKNOWLEDGMENT

THE STATE OF AZ)

COUNTY OF MARICOPA)

This instrument was acknowledged before me on this 3 day of NOVEMBER 2022, by MICHAEL LOTZ of MESA AIRLINES, INC., ("Lessee") on behalf of said company.


Notary Public, State of ARIZONA

My Commission Expires:

8.23.23

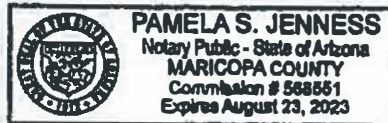
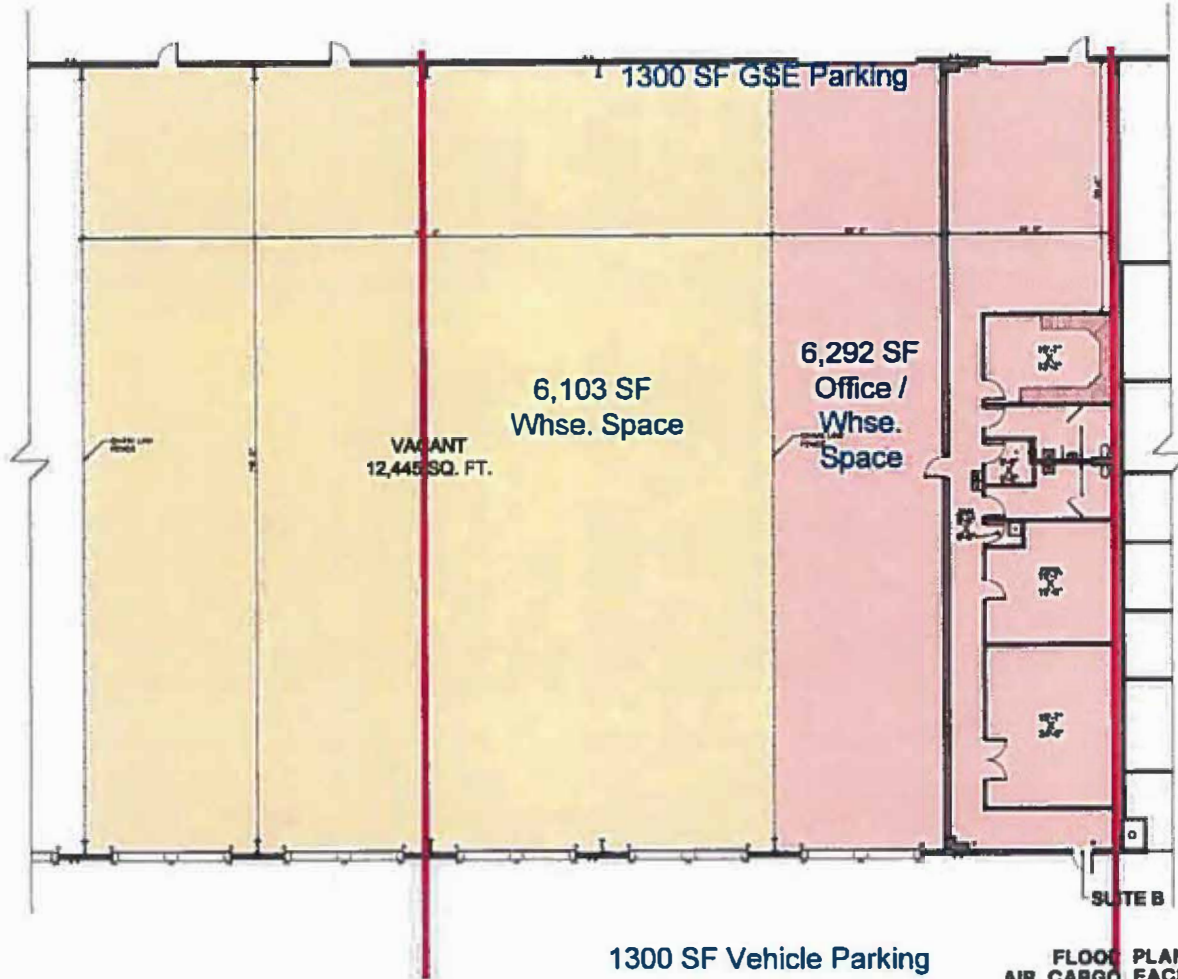


Exhibit "A"
Premises



SUITE B
6,162 SQ. FT.



KEY MAP

FLOOR PLAN ZONE "B"
AIR CARGO FACILITY NO. 3
SCALE: 1/8" = 1'-0"



NO.	DATE	REVISION

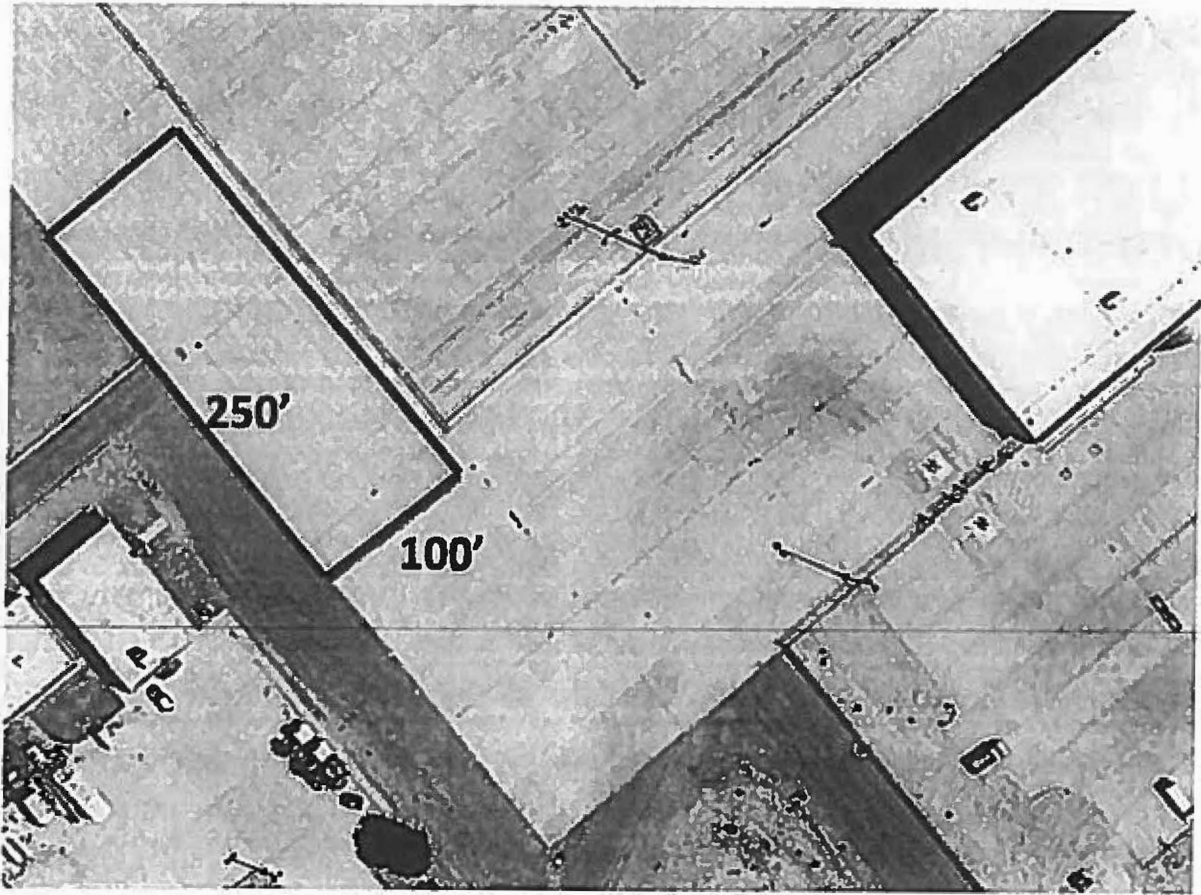
A2.2
Detailed Zone "B"
FLOOR PLAN

AIR CARGO FACILITY NO. 3
291 GEORGE ROBERTS BLVD
EL PASO, TX 79908

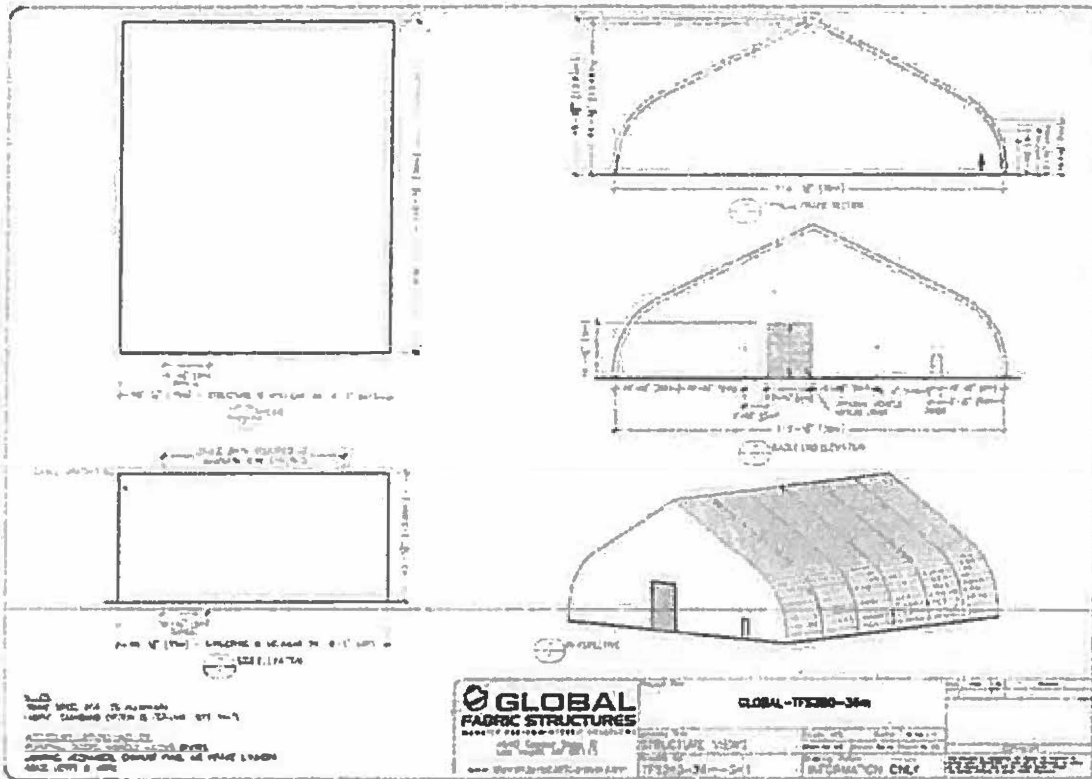
NOT ISSUED FOR CONSTRUCTION



Exhibit "B"



Cargo 3 Exhibit B (1 of 1)
Mesa Airlines



GLOBAL FABRIC STRUCTURES

GLOBAL-17280-360

STRUCTURE NUMBER: 17280-360-01

DATE: 11/11/11

REVISIONS:

NO.	DESCRIPTION
1	ISSUE FOR CONSTRUCTION

Cargo 3 Exhibit B (2 of 2)
Mesa Airlines