

**44394**

TO: Honorable Board of Acquisition and Contract

FROM: Jay T. Pisco, P.E.  
Commissioner of Public Works and Transportation

Mary J. Mahon  
Director of Real Estate

DATE: January 27, 2015

SUBJECT: Authority for the County of Westchester to amend the ground lease agreements with Pepsico, Inc. and Interlaken Capital Aviation Services, Inc. for space at the Westchester County Airport. (Agreement No. WCA 14010)

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Transmitted herewith are two (2) proposed Resolutions that will authorize the County of Westchester (the "County") to amend the ground lease agreements with Pepsico, Inc. ("Pepsi") and Interlaken Capital Aviation Services, Inc. ("Interlaken") for space at the Westchester County Airport (the "Airport") in order to provide: 1) that two (2) years before the leases expire, the County will give each tenant written notice of the anticipated rent for a new lease, which leases will be subject to all necessary legal approvals; 2) that Pepsi and Interlaken will have a right of first refusal to lease space currently occupied by the other; and 3) that Pepsi and Interlaken will complete additional improvements to the leased space.

Pursuant to a Resolution approved by your Honorable Board on March 31, 1995, the County entered into 30-year ground leases with Pepsi and Interlaken, respectively, for the construction of two (2) hangars at the Airport. These structures are connected by a common wall, fire protection system and heating system, and are referred to collectively as Hangar V.

Pepsi and Interlaken have invested heavily to build and maintain Hangar V which is a critical part of their nearby business operations. In order to plan for the eventual expiration of their leases in 2026, these tenants have requested that the County amend the leases so that two (2) years before expiration, the County will give them written notice of the anticipated initial rent and the formula for adjustments for new leases of ten (10) years each commencing on June 1, 2026, with a ten (10) year renewal option (the "Future Leases"). The proposed rent would be based on a fair market evaluation of the leased premises to be conducted in 2024. These Future Leases would be subject to negotiations and all necessary legal approvals, including but not limited to authority from your Honorable Board. If the negotiations are successful and the legal approvals received, the County and the tenants would enter into the Future Leases. However, if negotiations are unsuccessful with either Pepsi or Interlaken, the County will negotiate with the other for its use of the adjoining space. If no agreement is reached on the terms and conditions of either of the Future Leases by June 1, 2025, the County would be free to market the premises to third parties.

The proposed ground lease amendments would also give Pepsi and Interlaken a right of first refusal to lease the premises currently occupied by the other. For example, if Pepsi should enter into a Future Lease and Interlaken does not, Pepsi would have a right to lease that part of Hangar V that Interlaken currently occupies, upon the same terms as contained in Pepsi's Future Lease.

Additionally, the proposed lease amendments would require Pepsi and Interlaken, at their cost and expense, to complete infrastructure improvements to the leased premises, including the hangar, parking area and aircraft ramp. The work, with an estimated cost of \$1,000,000.00 to be shared by the tenants, will be completed within two (2) years of the execution of the ground lease amendments.

Pepsi and Interlaken have been longtime tenants of the Airport and have endeavored to be good neighbors. They have both received the Spirit of Noise Abatement award from the County multiple times. This award is given to the corporate operator with the lowest average sound level for a jet fleet. Pepsi and Interlaken have also been active participants in the Airport's Environmental Management System, and have helped the Airport achieve ISO 14001 environmental certification. Pepsi hosted a two-day Aviation Education Expo at Hangar V in 2011 and 2013. Each of these events was attended by over 1,000 local students. Pepsi is also an active participant in the Corporate Angel Network, a charitable organization based at the Airport. Through the Corporate Angel Network, Pepsi regularly transports cancer patients and their families for treatment. Additionally, Pepsi and Interlaken together employ over 1,100 people in New York State, most of them in Westchester County. Pepsi is also undertaking a \$243 million renovation to its world headquarters in Purchase. This project will create an estimated 1,250 construction jobs locally.

The Westchester County Board of Legislators adopted Local Laws 2015-2 and 2015-3 on January 5, 2015 authorizing the referenced lease amendments with Pepsi and Interlaken, respectively.

This agreement is in the best interests of the County as it provides a stable source of revenue to the Airport during the term of the current and future lease agreement.

We recommend approval of the annexed Resolutions.

# RESOLUTION

Upon a communication from the Commissioner of Public Works and Transportation and the Director of Real Estate, it is hereby

RESOLVED, that the County of Westchester (the "County") is authorized to amend a lease agreement with PepsiCo, Inc. ("Pepsi") for space at the Westchester County Airport in order to provide that two (2) years before expiration of the lease, the County shall give Pepsi written notice of the anticipated initial rent and the formula for adjustments for a new lease of ten (10) years commencing June 1, 2026 with a ten (10) year renewal option (the "Future Lease"). The proposed rent shall be based on a fair market evaluation of the leased premises to be conducted in 2024. The Future Lease shall be subject to negotiations and all necessary legal approvals, including but not limited to authority from this Honorable Board. If the negotiations are successful and the legal approvals received, the County and Pepsi shall enter into the Future Lease. However, if negotiations with Pepsi are unsuccessful, the County shall negotiate with Pepsi's adjoining tenant, Interlaken Capital Aviation Services, Inc. ("Interlaken") for its use of the leased space. If no agreement is reached on terms and conditions of a Future Lease by June 1, 2025, the County shall be free to market the premises to third parties; and be it further

RESOLVED, that the County is further authorized to amend the lease agreement to give Pepsi a right of first refusal to lease adjoining space currently occupied by Interlaken; and be it further

RESOLVED, that the County is further authorized to amend the lease agreement to provide that Pepsi, in a joint project with Interlaken, shall complete infrastructure improvements to the leased space, including the hangar, parking area and aircraft ramp. The improvements, with an estimated cost of \$1,000,000.00 to be shared by the tenants, shall be completed within two (2) years of the execution of the ground lease amendment; and be it further

RESOLVED, that all other terms of the agreement shall remain unchanged; and be it further

RESOLVED, that the County Executive, or his duly appointed designee be, and hereby is, authorized to execute such documents and take such actions as may be necessary and appropriate to effect the purposes hereof.

Agreement No. WCA 14010

Account to be Charged/credited	Fund	Dept	Major Program, Program & Phase Or Unit	Object/ Sub Object	Trust Account	Dollars
						N/A

Budget Funding Year(s)   N/A   Start Date   N/A   End Date   N/A    
 (must match resolution)

Funding Source                      Tax Dollars \_\_\_\_\_  
    State Aid \_\_\_\_\_  
    Federal Aid \_\_\_\_\_  
  \$N/A    
 (must match resolution)              Other \_\_\_\_\_

# RESOLUTION

Upon a communication from the Commissioner of Public Works and Transportation and the Director of Real Estate, it is hereby

RESOLVED, that the County of Westchester (the "County") is authorized to amend a lease agreement with Interlaken Capital Aviation Services, Inc. ("Interlaken") for space at the Westchester County Airport in order to provide that two (2) years before expiration of the lease, the County shall give Interlaken written notice of the anticipated initial rent and the formula for adjustments for a new lease of ten (10) years commencing on June 1, 2026 with a ten (10) year renewal option (the "Future Lease"). The proposed rent shall be based on a fair market evaluation of the leased premises to be conducted in 2024. The Future Lease shall be subject to negotiations and all necessary legal approvals, including but not limited to authority from this Honorable Board. If the negotiations are successful and the legal approvals received, the County and Interlaken shall enter into the Future Lease. However, if negotiations with Interlaken are unsuccessful, the County shall negotiate with Interlaken's adjoining tenant, Pepsico, Inc. ("Pepsi") for its use of the leased space. If no agreement is reached on terms and conditions of a Future Lease by June 1, 2025, the County shall be free to market the premises to third parties; and be it further

RESOLVED, that the County is further authorized to amend the lease agreement to give Interlaken a right of first refusal to lease adjoining space currently occupied by Pepsi; and be it further

RESOLVED, that the County is further authorized to amend the lease agreement to provide that Interlaken, in a joint project with Pepsi, shall complete infrastructure improvements to the leased space, including the hangar, parking area and aircraft ramp. The improvements, with an estimated cost of \$1,000,000.00 to be shared by the tenants, shall be completed within two (2) years of the execution of the ground lease amendment; and be it further

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 (must match resolution)

Funding Source	Tax Dollars	
	State Aid	
	Federal Aid	
<u>  \$N/A  </u> (must match resolution)	Other	