

SANTA BARBARA COUNTY BOARD AGENDA LETTER



Clerk of the Board of Supervisors
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Agenda Number:
Prepared on: 12/15/05
Department Name: General Services
Department No.:
Agenda Date: 1/3/06
Placement: Administrative
Estimate Time: N/A
Continued Item: NO
If Yes, date from:

TO: Board of Supervisors

FROM: Bob Nisbet, Director, General Services
Michael F. Brown, CEO
Shane Stark, County Counsel

STAFF CONTACT: Bob Nisbet

SUBJECT: Santa Ynez Airport - FAA Audit Settlement Agreement

Recommendations:

That the Board of Supervisors:

- A. Approve the Federal Aviation Administration Audit Settlement Agreement;
- B. Approve the Third Amendment to the Lease and Management Agreement, as previously amended by a First Amendment dated August 27, 1996 and a Second Amendment dated June 16, 1998, for the lease and management of the Santa Ynez Airport.
- C. Approve the Categorical Exemption for this Project under the CEQA.

Alignment with Board Strategic Plan:

The recommendations are primarily aligned with actions required by law or by routine business necessity.

Executive Summary and Discussion:

In 1995, the Office of Inspector General of the United States Department of Transportation (“FAA”) investigated a claim and determined that the Santa Ynez Valley Airport Authority (“Authority”) was not receiving fair rental value for land occupied by the County. Enforcement action has been stayed by the FAA Airports Compliance Specialist pending efforts to resolve the dispute between the Authority and County.

This Agreement and Lease Amendment completely resolves the FAA audit relating to rent claimed owed the Santa Ynez Airport Authority as a result of the County's use of Airport property purchased with FAA grant funds for purposes of a County fire station, road yard, treasurer's shed and landfill. Estimates of the unpaid fair rental value of that land equaled or exceeded \$1 million. The Agreement provides for retention of the fire station on airport property (Article I), and for transfer of the Treasurer's Shed to the Airport Authority (Article 5). It also provides a protocol for transfer of the Road Yard and the portion of the Landfill within the Contested Area to the Authority (Articles 3 and 4).

The Agreement also creates a process to identify and for the County to pay "Added Costs" that may reasonably result from or are attributable to the presence of contamination or Landfill Pits in the Contested Area or Landfill that may be incurred if, in the future, airport development occurs in those areas (Article 2). The Agreement (Section 2.1) requires cooperation between the Authority and County in the design of building plans to minimize any amount of "Added Costs." These provisions for payment of "Added Costs" are a financial settlement of the FAA Audit dispute. Any development proposals for that area will separately require County permits and will be subject to full environmental review. Thus, the Agreement creates only a process to identify a financial obligation that the County agrees to undertake if Airport development in the Contested Area is separately reviewed and approved in the future. Finally, the Agreement contains other financial provisions related to County's forgiveness of the Authority's obligation to pay for previous hazardous materials remediation efforts and refund of payments made for those efforts to satisfy any unpaid obligation to pay rent as identified in the FAA Audit (Article 7).

The FAA's approval of the agreement is a condition precedent to its effectiveness. See Section 8.1. Tony Garcia, the FAA's Airports Compliance Specialist previously provided approval of a draft of this agreement. Staff will seek formal approval upon Board approval.

Staff recognizes that the FAA Audit addressed uses of the County Airport by County Departments other than the Airport, and that the Authority obtained its own legal counsel during the lengthy negotiations that led to this Agreement. Therefore, the CEO has agreed that in the event the Board approves this Agreement, that County's legal costs in negotiating this Agreement will not be funded from County's Special Aviation Account, and that if legal costs have been withdrawn from the County's Special Aviation Account through Quarterly Allocations or other means, the County will refund those withdrawals.

In addition, to implement Section 4.4 of the Agreement, the County will make payment (not to exceed \$12,000) from sources other than County's Special Aviation Account for the cost to remove the improvements on the former County Road Yard. Finally, Section 7.1 of the FAA Agreement stipulates that County shall refund payments made by Authority to County for remediation expenses in the amount of \$28,000. This payment will be made from County's Special Aviation Account.

These financial settlement provisions are not a project under CEQA and, in any case, do not have the potential to significantly effect the environment. Furthermore, because no new Airport development is authorized or may occur as a result of this Agreement, and none is foreseeable as a result of its provisions, staff recommends that the Board adopt the attached categorical exemption for this project.

Mandates and Service Levels:

Approving the FAA Agreement and Lease Amendment to resolve the FAA Audit is discretionary to the Board.

Fiscal and Facilities Impacts: The Agreement eliminates possible FAA enforcement action and exposure to a refund claim exceeding \$1 million. Forgiveness of and reimbursement of hazardous materials remediation expenses equals \$358,000. The amount of “Added Costs” that may be required to be paid in the event future Airport development is approved is speculative, but should be less than potential rental refund liability.

Special Instructions: Retain one original of the executed Agreement and Lease Amendment and send other to County Counsel for delivery to counsel for the Airport Authority.

Attachments:

1. FAA Audit Settlement Agreement
2. Third Amendment to Santa Ynez Airport Lease and Management Agreement
3. Categorical Exemption