



Administrative Report

H.9., File # 24-0351

Meeting Date: 4/2/2024

To: **MAYOR AND CITY COUNCIL**
From: **CAMERON HARDING, COMMUNITY SERVICES DIRECTOR**

TITLE

APPROVAL OF A SEVENTH AMENDMENT TO THE LICENSE AGREEMENT WITH NORTHROP GRUMMAN SYSTEMS CORPORATION FOR USE OF THE AVIATION PARK GYMNASIUM FOR THE TERM APRIL 1, 2024 TO MARCH 31, 2027 AT A TOTAL FEE VALUE OF \$391,873 AND AN OPTION TO EXTEND THE AGREEMENT THROUGH MARCH 31, 2033

EXECUTIVE SUMMARY

Since 1990, the City has held a license agreement with Northrop Grumman for its exclusive use of a portion of the Aviation Park Gymnasium for an employee fitness center as well as periodic use of the large and small gyms and the dance room. This long-standing Agreement has generated income to help offset operating costs of the facility while minimally impacting other community and municipal uses of the building.

BACKGROUND

The Agreement requires Northrop Grumman to pay a monthly rental fee for its use of the facilities in addition to paying its share of the facility's electrical use. The most recent amendment was executed on October 6, 2020 and included a three-year term from April 1, 2021 to March 30, 2024. Northrop Grumman desires to extend the Agreement, by way of a seventh amendment.

The proposed seventh amendment includes the following key terms:

- A three-year term, commencing April 1, 2024 through March 31, 2027 with an option to extend for two additional three-year terms
- Escalating monthly rental fees, payable to the City, including:
 - \$10,156/month for Year 1
 - \$10,359/month for Year 2
 - \$10,566/month for Year 3
- Monthly electrical reimbursement of \$300
- A one-time fee of \$8,100 for past-due electrical reimbursement fees for the term April 1, 2019 to March 31, 2024
- Continued, exclusive use of the existing fitness center portion of the facility (Rooms G-7, G-8 and G-9)
- Non-exclusive use of the restroom/locker room areas
- Use of the large and small gyms from 11:30 am to 1:30 pm, Monday through

Friday

- Use of the dance room (Room G-3) on the following dates and times:
 - 12:00 pm - 1:00pm, Monday through Friday
 - 4:45 pm - 5:45 pm on Monday, Wednesday, and Thursday
 - 5:30 pm - 6:30 pm, Tuesday and Friday

Overall, staff continues to be happy with Northrop Grumman's use of the facility and appreciates its continued partnership to provide a space for its employees to participate in recreational activities while minimally impacting community access to the facility.

COORDINATION

The Community Services Department coordinated the preparation of the proposed amendment with the City Attorney's Office.

FISCAL IMPACT

The proposed rental fees would increase by 12% through the three-year term of the agreement. Annual revenues would total:

- Year 1 = \$125,473.44 + the \$8,100 electrical reimbursement
- Year 2 = \$127,908
- Year 3 = \$130,392

APPROVED BY:

Mike Witzansky, City Manager

ATTACHMENTS

- Agmt - Proposed Seventh Amendment with Northrop Grumman
- Agmt - Sixth Amendment with Northrop Grumman, October 6, 2020
- Agmt - Fifth Amendment with Northrop Grumman, March 20, 2018
- Agmt - Fourth Amendment with Northrop Grumman, February 17, 2015
- Agmt - Third Amendment with Northrop Grumman, August 6, 2013
- Agmt - Second Amendment with Northrop Grumman, April 16, 2013
- Agmt - First Amendment with Northrop Grumman, May 1, 2012
- Agmt - License Agreement with Northrop Grumman, April 7, 2009
- Insurance - Northrop Grumman