

Mayor
John Murray
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Mary Hornsby
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**Redevelopment
Division**

119 Fox Street
Lemoore • CA 93245
Phone • (559) 924-6704
FAX • (559) 924-9003

Staff Report

**ITEM
NO.** 2

To: **Lemoore City Council**
From: **Judy Holwell, Redevelopment Project Manager**
Date: **February 12, 2008**
Subject: **Naval Air Museum Lemoore – Update**

Discussion:

In September 2007, Council listened to a presentation by the Naval Air Museum Lemoore Task Force to once again explore the idea of opening a Naval Air Museum in Lemoore. A major road block to this grandiose plan has always been how to fund a museum from the ground up. This time, the Task Force has proposed to rehabilitate the west half of the Cinnamon Municipal Complex, thus eliminating the huge cost associated with constructing a building. Council agreed that the City would not issue any long term leases on this portion of the building for one year while the Task Force performs its due diligence (month to month leases are allowed). At the February 19th Study Session, the Task Force will provide an update to Council on their findings and attempt to address questions that have come up and any other concerns Council may have.

The following questions have been asked of staff:

Does the city staff have a position or is it neutral? Without taking into consideration the cost of the project or how it will be funded, City staff is in favor of the project if the intent of the project is to promote economic development for the community. The primary objectives should include measurable terminology such as: “will attract a certain number of visitors annually” and “will boost the local economy by offering a certain number of event and/or activities per year”. This being the home of Naval Air Station, Lemoore, the largest master jet air station, staff believes that there is great merit in providing a location to house retired Naval aircraft flown at NASL and also to have a place to showcase all of the memorabilia associated with the air station since it was commissioned in 1961. However, it should also be the location for NJROTC tournaments and other school educational field trips, it should have banquet facilities to accommodate large events, and it should hold annual membership benefit dinner/fund raisers to recognize its contributors. If the Task Force determines that the project is financially feasible, can sustain itself, and can show that it can be an economic engine for the community, then staff supports the project. That being said, staff is neutral, however, on whether the CMC is really the best long term location for the museum.

Also important to note is that some of the front offices currently occupied by City staff will need to be reworked in order to make a proper museum "entry". In addition, there will be costs involved in relocating our staff to new office space in the warehouse. The cost to construct these new offices, equipped with HVAC, is estimated at \$90,000. There will also be costs involved to modify the existing space to meet code once the entry/exit door (west facing Cinnamon) is no longer available for City use. The estimate to rework the space for code compliance is \$25,000, for a total cost of \$115,000.

What is the annual lease value of the building? The west half of the building is 75,000 sq. ft. The City, however, wishes to retain the use of approximately 15,000 sq. ft. for future growth. Considering the condition of the warehouse and the limited access to the site (having to go through the corporation yard), staff assumes that realistically, on average, only half of the space will be rented. Therefore, the average annual revenue that is anticipated is \$36,000 (30,000 sq. ft. at \$0.10 per sq. ft. per month). Revenue received from leasing out warehouse space at both the east and west CMC buildings during the past five years totals over \$375,000 or an average of \$75,000 per year. However, over \$300,000 was for businesses occupying the west building (prior to selling it to ARK). Neither of those businesses have the need for rented warehouse space any longer. Currently, less than 7,000 sq. ft. is being leased.

Does Leprino know there is another party interested? Yes, however, they are considering whether it is more advantageous to expand their current location or lease an existing facility.

Budget Impact:

The long term impact to the budget is estimated at \$36,000 per year due to the loss of potential lease revenue. The actual value of having a naval museum in our community is unknown, however it is expected to increase revenue to the City by increasing the local economy.

Recommendation:

Direct staff to reserve the Cinnamon Municipal Complex vacant warehouse space through September 2008 while the Naval Air Museum Task Force continues to perform its due diligence and only allow month to month leasing of the space during that time.