



STAFF REPORT

DATE: June 20, 2017

TO: Ronald L. Olson, City Manager

FROM: Matthew Van Valkenburgh A.A.E., Executive Director of Aviation

SUBJECT: JACOB PAXTON LEASE TERMINATION (SKYLARK FIELD)

BACKGROUND AND FINDINGS:

On January 26, 2016, Council approved a lease agreement with Jacob Paxton d/b/a Paxton Aviation for the lease of a 6,400 sq. ft. hangar on Skylark Field. The lease included authorizing the tenant to engage in the business activities of a Fixed Base Operator, providing aircraft maintenance, flight training, aircraft rental, charter operations, sale of pilot supplies, and related aeronautical business activities.

On May 15, 2017, staff received a written request from Mr. Paxton requesting release from the lease agreement citing inability to pay for continued rental of the building. The request did indicate that he would honor and pay the past due balance of rents and fees owed through May, 2017, but as of the date of this staff report approximately \$8,600 in rent and late fees remain due.

This tenant has a history of late payments and insufficient fund check payments to the City. On January 24, 2017, a certified letter of demand was sent to the tenant demanding payment of past due rents and fees. On March 16, 2017, a lock-out was placed on the hangar for non-payment of rent. Upon receipt of a satisfactory repayment plan and initial payments on the plan, the lock out was suspended; however when payments lagged behind the repayment plan, the lock-out was re-instated on April 4, 2017. With the receipt of a relatively large payment on April 5, 2017, the lock-out was again suspended. The payments per the agreed repayment plan continued through May 15, 2017; however, no subsequent payments have been received as of June 5, 2017.

Staff has determined it is no longer prudent to continue this lease agreement and recommends the termination of the lease to allow staff to solicit for another suitable aviation business for this facility. Staff will submit appropriate documentation to the City's contracted collection agency to attempt to recover past due rents and fees.

THE ALTERNATIVES CONSIDERED:

Alternatives considered were: (1) to continue the past course of action and negotiate with the tenant for payments and continuation of the lease or (2) move forward with the tenant's request for termination of lease.

Which alternative is recommended? Why?

Staff recommends alternative 2. Aviation staff needs the authority to clear this tenant and begin the process of locating a new tenant for this aviation business location.

CONFORMITY TO CITY POLICY:

Yes

FINANCIAL IMPACT:

The lease agreement specified a monthly rental rate of \$3,150.72 (to include a February, 2017 CPI, adjustment). It is uncertain if the tenant will honor his rental payment obligations, and it is not known when a replacement tenant can be found, a lease executed, and at what rate. Therefore, the financial impact (revenue loss) cannot be determined at this time. Revenues for Fixed Base Operator activity are accounted for in the Skylark Field airport enterprise fund account #527-0000-324.10-00 (Fixed Base Operations).

What is the amount of the expenditure in the current fiscal year? For future years?

N/A

Is this a one-time or recurring expenditure?

N/A

Is this expenditure budgeted?

N/A

If not, where will the money come from?

N/A

Is there a sufficient amount in the budgeted line-item for this expenditure?

N/A

RECOMMENDATION:

City Council approve termination of the Jacob Paxton lease agreement effective June 30, 2017, and authorize the City Manager to execute any and all necessary documentation to effect this termination.

DEPARTMENTAL CLEARANCES:

Finance
Legal

ATTACHED SUPPORTING DOCUMENTS:

None