



STAFF REPORT

DATE: January 8, 2019

TO: Ronald L. Olson, City Manager

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

SUBJECT: APPROVAL OF LEASE ADDENDUM FOR DAVID GOSNELL DBA DIAMOND STAR AVIATION AT SKYLARK FIELD

BACKGROUND AND FINDINGS:

On September 26, 2017 City Council approved a lease agreement with David Gosnell dba Diamond Star Aviation for a commercial hangar located on Skylark Field at 1505 Stone Tree Drive for the purpose of engaging in activities of a Limited Fixed Based Operator, i.e., providing customer aircraft storage. The terms of the lease were three (3) years at a monthly rate of \$850 with an option of two (2) additional one (1) year terms with a rate increase for each additional term based on the Consumer Price Index (CPI) percentage of change. The approved lease also provided the Tenant a \$4,800 capital improvement benefit by conveyance of a \$200 per month rent reduction until the \$4,800 limit was met. As of this time, improvements to the hangar include remodel of the existing office (new air conditioner, new hot water heater, painting, new carpet, and ceiling tiles) and the rest room, addition of LED hangar lighting, and addition of a CCTV system; these costs total in excess of \$8,000.

Addendum No. 1 extends the lease term an additional seven (7) years (total lease term of ten (10) years), increases the monthly rent amount to \$900 starting at year four (4), and includes an annual rent increase in years five (5) through ten (10) based on the CPI. It also allows for any additional terms to be set at the current market value at the time. Additionally, the addendum increases the capital improvement benefit to \$14,400 over the first 72 months of the agreement, and allows for the operation of a full Fixed Base Operator, which provides additional customer services such as aircraft maintenance, repair, rental, and flight instruction, including testing and examinations. Capital improvements planned for the hangar include addition of a new second floor office to accommodate his growing business, epoxy coating of the hangar floor, insulate and sheetrock the hangar walls, and treating of structural steel beams; these improvements have an estimated cost of more than \$26,000. This addendum also provides the Executive Director of Aviation approval authority for sub-leases or assignments to this lease.

THE ALTERNATIVES CONSIDERED:

Alternatives considered: (1) approve the addendum or (2) do not approve the addendum.

Which alternative is recommended? Why?

Staff recommends alternative 1. This Addendum provides (1) a long-term financial benefit to the Aviation fund, (2) a source of capital improvement to Airport facilities in excess of \$34,000, (3) increases the value and maintainability of the hangar, and (4) provides an opportunity for long-term growth and development of Skylark Field.

CONFORMITY TO CITY POLICY:

Yes

FINANCIAL IMPACT:

Total annual revenue to the Skylark Airport Enterprise Fund represented by these lease agreements is approximately \$7,800 annually through 2020, \$8,400 annually through 2024, and \$10,800 annually for the remainder of the agreement term. These amounts do not take the CPI increase into consideration nor potential income for fuel sales from the expanded business.

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

None

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:

Council approve the agreement with David Gosnell dba Diamond Star Aviation and authorize the City Manager or designee to execute same as well as any and all amendments as allowed per federal, state, or local law.

DEPARTMENTAL CLEARANCES:

Finance
Legal

ATTACHED SUPPORTING DOCUMENTS:

Addendum No. 1
Agreement
Certificate of Interested Parties