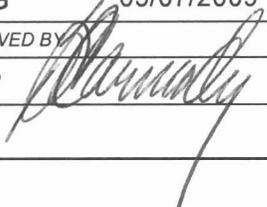




REPORT TO THE CITY COUNCIL

AGENDA ITEM NO.	1 E
COUNCIL MEETING	05/07/2009
APPROVED BY	
DEPARTMENT DIRECTOR	
CITY MANAGER	

May 7, 2009

FROM: RUSSELL C. WIDMAR, AAE  
Director of Aviation

SUBJECT: APPROVE SIX YEAR EXTENSION OF CHANDLER AIRPORT HANGAR LEASE WITH ALOHA AIRCRAFT SALES, LLC

**KEY RESULT AREA**

One Fresno

**RECOMMENDATION**

That the Council approve an Amendment No. 1 to Aloha Aircraft Sales, LLC's lease of a 5,095 square foot hangar on a 17,368 square foot site at the Fresno Chandler Executive Airport to:

1. Add six years to the term (which would otherwise expire on November 30, 2011), and
2. Require the Lessee to complete not less than twelve thousand dollars (\$12,000) of additional improvements to the hangar by no later than November 30, 2011, and
3. Empower the Lessee to terminate the lease on November 30, 2011, or at the end of any month thereafter, by giving notice not less than six months in advance, and
4. Authorize the Lessee to conduct at the premises any aviation-related business for which the Lessee is qualified and licensed and for which the premises are adapted, except the sale of aviation fuels and lubricants

with the form of the Amendment to be approved by the City Attorney.

**EXECUTIVE SUMMARY**

The Council authorized a six-year lease of the subject hangar to Aloha Aircraft Sales, LLC at the Council's meeting on October 31, 2006 – for use in connection with Aloha's business of selling and brokering new and used aircraft and aircraft parts. In the event, a five-year lease was signed, providing a fixed rent of \$675 per month. The lease also required Aloha to make not less than \$15,000 of improvements to the classic but aging hangar.

Aloha has since met all its lease obligations in timely fashion, including posting the required surety and carrying the required insurance, even though the market for new and used aircraft has been depressed and Aloha's sales have been few and far between. The appearance of the barrel-roofed hangar has been largely restored and most of the systems are now in good operating order, and are being kept that way.

Aloha now proposes to make further improvements valued at not less than twelve thousand dollars (\$12,000) and has asked for a lease extension to allow sufficient time to amortize the additional investment. Aloha would also like the right to expand its business offering beyond the sluggish aircraft sales business – to include any aviation-related business for which Aloha is properly qualified and licensed, except the sale and/or delivery of aviation fuels and lubricants.. Aloha would have to meet all the Minimum Standards adopted by the Council that are applicable to any such business(es). Further, Aloha requests a right to terminate the lease on November 30, 2011, the current expiration date, or at the end of any month thereafter, on six month's written notice.

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Approve six year extension of lease with Aloha Aircraft Sales, LLLC

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In consideration of the additional, minimum \$12,000 investment, the rent would remain at \$675 per month level during the extension.

Since the Airports Department operates as a self-supporting Enterprise, there will be no impact to the General Fund from this action. The proposed lease extension, if it runs to term, will provide the Airports Department with additional rental revenues totaling \$48,600.

#### **KEY OBJECTIVE BALANCE**

Further improving this classic building further restores and enhances the airport -- resulting in Customer Satisfaction and Employee Satisfaction. Extending the lease assures future revenues for the airport, thus meeting the Financial Management objective.

#### **BACKGROUND:**

The involved hangar is a wooden structure with a stucco exterior, complementing the nearby (and recently restored) "Streamline Moderne" passenger terminal of the same period. The hangar was once used by a flight school and the original sign is still in place, although it hasn't been used by a flight school for many years.

The hangar floor and ceiling height are large enough to accommodate up to a King Air corporate turbo-prop twin. Both sides of the hangar floor have "lean-tos" containing two offices, rest rooms and a shop.

When Aloha first took occupancy, the main hangar doors were inoperative and the rest rooms were worn out. Aloha rehabilitated the doors, added a roll-up door into the shop, and gutted and re-built the rest rooms and the offices – expending more than the \$15,000 the lease then required.

Aloha now proposes to replace the broken and boarded /painted over windows on the Kearney Boulevard side of the hangar (incorporating screens or other devices to protect them from vandalism) and on the northwesterly side; replace the building electrical transformer, and de-grease and seal the hangar floor it with fuel-resistant epoxy paint.

The principal of Aloha Aircraft Sales, LLC is Michael Hovsepian.

#### **FISCAL IMPACT:**

There will be no impact to the General Fund from this action.