



REPORT TO THE CITY COUNCIL

AGENDA ITEM NO.	1 E
COUNCIL MEETING	06/04/09
APPROVED BY	
DEPARTMENT DIRECTOR	<i>[Signature]</i>
CITY MANAGER	

June 4, 2009

FROM: RUSSELL C. WIDMAR, AAE
Director of Aviation

SUBJECT: APPROVE RENTAL AGREEMENTS WITH FORMER SUBTENANTS OF A BANKRUPT FIXED BASE OPERATOR AT FRESNO YOSEMITE INTERNATIONAL AIRPORT; AND APPROVE PROVISION OF SERVICES TO SAME FORMER SUBTENANTS

KEY RESULT AREA

One Fresno

RECOMMENDATION

That the Council:

Approve direct rental agreements between the Airports Department (Department) and the former T hangar sub-tenants [including Fresno Police Department's Skywatch unit] of Scott Aircraft, Inc., a Fresno Yosemite International Airport (FYI) Fixed Base Operator (FBO) that has declared bankruptcy and recently stopped operating, and whose lease of the T hangars from the Department automatically terminated on May 31, 2009. The proposed new agreements would cover the former sub-tenants' continuing use and occupancy of the same hangars, offices and tie-down spaces that they had been renting from Scott, at the same rental rates they had been paying Scott. The new agreements would be of indefinite duration, but subject to termination on thirty days' notice, and the forms of the agreements would be subject to approval by the City Attorney; and

Authorize additional rentals -- on the same bases as above -- of vacant former Scott Aircraft hangars, offices and tie-down spaces -- to any new tenants that might come along; and

Approve a one-year contract with Ross Fresno LLC d/b/a Corporate Aircraft (Corporate), an established FBO at FYI, under which Corporate would make available its off-street automobile parking, pilots and passenger lounges, restroom facilities, and other services -- effectively replacing services formerly provided by Scott and included in hangar rentals -- to all the above tenants at a cost to the Airports Department estimated at eighteen thousand dollars (\$18,000).

Since the Airports Department operates as a self-supporting Enterprise, there would be no impact to the General Fund from this action. Scott had been paying \$70,000 per year to rent all 24 T hangars. If the Department is able to rent eleven hangars at the going rate of \$550 per month, that would produce an annual total of \$72,600.

EXECUTIVE SUMMARY

The bankruptcy of Scott Aircraft, Inc. has left all of Scott's sub lessees and customers in limbo, as it were. Some have chosen to move their aircraft and business to one or the other of the two remaining FBOs at FYI; some have chosen to relocate to other airports; and some, including the Fresno Police Department's Skywatch unit, have chosen to remain in place, as direct tenants of the Department -- with the understanding that the Department will make available to them certain services that they had been receiving from Scott, such as mentioned above. The services can be provided only by the two remaining FBOs with have the appropriate facilities and equipment at FYI. Each was asked to propose a basis for providing so-called "Concierge" services. On Ross Fresno responded.

KEY OBJECTIVE BALANCE

Not applicable. These actions are not discretionary. They are occasioned by economic circumstances beyond the Department's control.

BACKGROUND

Three plus years ago, the City leased property at FYI to Burgundy Partners, LLC, which company committed to build a new hangar with a minimum investment of not less than \$4.5 million (the Burgundy Hangar) on a portion of the lease site, **and** to begin demolishing three rows of "T" hangars (twenty-four individual hangars in all) on another portion of the site no later than May 31, 2009 pursuant to a City-approved plan for the construction of further, new aviation facilities. The Burgundy Hangar was completed, but the demolition of the T hangars was not started because of the economic distress of Burgundy and its affiliated, operating company, Scott Aircraft, Inc. Because the demolition deadline was not met, the T hangars, including some office spaces, and associated aircraft ramp, dropped out of Burgundy's leasehold at 11:59 PM on May 31, 2009, whereupon the occupants, including the Skywatch unit of the Fresno Police Department which occupies three hangars and associated office and ramp space, became *de facto* direct tenants of the Department as of June 1, 2009.

Scott Aircraft declared bankruptcy in March, but continued to service its clients, including the T hangar tenants, until Scott's liability insurance expired, whereupon the court appointed trustee shut down Scott Aircraft.

Westamerica bank, as the successor-in-interest of County Bank which had financed construction of the Burgundy Hangar, foreclosed its lien on the hangar lease on April 20. Westamerica then made good on all the back rents owed to the Department by Burgundy Partners LLC and is now making rental payments as they come due.

The principals of Burgundy Partners LLC and Scott Aircraft, Inc. are Kent Scott and Russell G. Smith.

FISCAL IMPACT

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