

**CITY OF SAN ANTONIO
INTERDEPARTMENTAL MEMORANDUM
AVIATION DEPARTMENT**

TO: Mayor and City Council

FROM: Kevin C. Dolliole, Aviation Director

THROUGH: Terry M. Brechtel, City Manager

COPIES TO: J. Rolando Bono, Asset Management, Budget, Legal, Finance

SUBJECT: Lease Amendment with Check-Six Aviation, Inc. at Stinson Municipal Airport

DATE: May 20, 2004

SUMMARY AND RECOMMENDATIONS

The proposed ordinance authorizes the execution of a lease amendment with Check-Six Aviation, Inc. ("Check- Six") to delete 173,115 square feet of ground space and Building No. 660A from the leased premises. Said premises are all located at Stinson Municipal Airport. The lease term remains unchanged and will expire on February 28, 2019.

Staff recommends approval of this ordinance.

BACKGROUND INFORMATION

T & M Aviation ("T & M") and the City of San Antonio entered into a lease agreement pursuant to Ordinance No. 85662 of February 27, 1997. The term of the lease was ten (10) years commencing on March 1, 1997 and ending on February 28, 2007. The leased premises were Building No. 614 (a.k.a. Hangar 9) and 65,785 square feet of associated ground space, and Building No. 616 (a.k.a. Hangar 10) and 91,648 square feet of associated ground space.

Pursuant to Ordinance No. 89353 and Ordinance No. 89354 of March 4, 1999, T & M assigned the lease to Stinson Air Center, L.L.C. ("Stinson Air"), and the lease was amended to add 154,194 square feet of ground space and extend the lease term for an additional twelve (12) years, contingent upon the completion of \$250,000 in permanent improvement to the leased premises. Stinson Air completed the improvement, including construction of T-Hangars, and the lease expiration date was extended to February 27, 2019. The T-hangar building will revert to City ownership at the end of the lease on February 27, 2019.

Pursuant to Ordinance No. 90808 dated November 4, 1999, the lease was amended to include Building 660A and 131,090 of associated ground space, and the lease premises were collaterally assigned to Jefferson State Bank.

Stinson Air filed for Chapter 7 bankruptcy protection on May 28, 2003. The lease was rejected by the Bankruptcy Trustee on July 28, 2003 and Jefferson State Bank, a lien holder on the Stinson Air Center Lease, subsequently foreclosed upon the interest of Stinson Air. Check-Six succeeded to the interest of Stinson Air via a Substitute Trustee's Deed.

Check-Six has operated at Stinson as a Fixed-Base Operator and flight school since September 1998 when City Council authorized an Assignment and Assumption Agreement between Excalibur Aviation Company and Check-Six. Check-Six presently leases Building No. 601, Building No. 659, and 82,817 square feet of ground space.

In order to accommodate its growth and to better serve its operation needs, Check-Six seeks to amend the former Stinson Air lease to delete a total of 173,115 square feet of ground space, Building No. 660A, and past due rent of \$37,064.85 associated with the building and ground space. A third party, U.S. Helicopters, Inc. has expressed interest in leasing the majority of the premises to be deleted and is willing to compensate the City for past due rent. The remaining \$40,260.11 in past due rent will be paid by Check No. 001 for \$40,260.11 issued by Jefferson State Bank on March 5, 2004. Said check is being held by the Aviation Department and will be cashed as soon as the lease amendment is approved.

Under the proposed amendment, Check-Six will extend the Stinson Municipal Airport ramp north of the T-Hangars, as well as add safety signage and pavement markings. In addition, Check-Six will install a sliding gate with access keypad and electric gate opener south of Hangar 10. Upon completion of improvements in accordance with the lease agreement, Check-Six may be eligible to receive rental credits totaling \$117,625.00.

For each \$12,500.00 that Check-Six spends in approved capital improvements to the T-Hangars, they will receive a one-year extension on both the lease term and the date the ownership reversion of the T-Hangars is scheduled to revert to the City. All such lease extensions and reversion of ownership extensions will not exceed five (5) years.

POLICY ANALYSIS

The proposed ordinance is consistent with City Council policy for minimizing losses resulting from a tenant's bankruptcy, as well as accommodating the space needs of the successors in interest.

FISCAL IMPACT

Under the terms of the amended lease agreement, Building 614 will be leased at an annual rate of \$1.26 per square foot producing annual building revenues of \$12,597.48 per year. Building 616 will be leased at an annual rate of \$0.96 per square foot producing annual revenues of \$9,259.20. There is also a graduated ground rental rate at Stinson Municipal Airport that will produce varying annual ground rentals.

Fiscal Year	Annual Building Revenue (614)	Annual Building Revenue (616)	Annual Ground Revenue	Combined Annual Revenue
FY 2004 (eight months)	\$8,398.32	\$6,172.80	\$8,759.96	\$23,331.08
FY 2005	\$12,597.48	\$9,259.20	\$13,139.95	\$34,996.63
FY 2006	\$12,597.48	\$9,259.20	\$31,535.88	\$53,392.56
FY 2007 and thereafter	\$12,597.48	\$9,259.20	\$39,148.32	\$61,005.00

Commencing in August 2009, the rental rates will be subject to an adjustment at five-year intervals based upon the Production-manufacturing and the Producer Price Index. Upon completion of improvements in accordance with the lease agreement, Check-Six may be eligible to receive rental credits totaling \$117,625.00.

COORDINATION

This item has been coordinated with the Asset Management Department and the City Attorney's Office.

SUPPLEMENTAL COMMENTS

The Discretionary Contracts Disclosure Form completed by Lessee is attached hereto.



Kevin C. Dolliole
Aviation Director



J. Rolando Bono
Deputy City Manager

APPROVED:



Terry M. Brechtel
City Manager

City of San Antonio
Discretionary Contracts Disclosure*

*For use of this form, see City of San Antonio Ethics Code, Part D, Sections 1&2
Attach additional sheets if space provided is not sufficient.
State "Not Applicable" for questions that do not apply.*

** This form is required to be supplemented in the event there is any change in the information under (1), (2), or (3) below, before the discretionary contract is the subject of council action, and no later than five (5) business days after any change about which information is required to be filed.*

Disclosure of Parties, Owners, and Closely Related Persons

For the purpose of assisting the City in the enforcement of provisions contained in the City Charter and the Code of Ethics, an individual or business entity seeking a discretionary contract from the City is required to disclose in connection with a proposal for a discretionary contract:

(1) the identity of any **individual** who would be a party to the discretionary contract:

NA

(2) the identity of any **business entity**¹ that would be a party to the discretionary contract:

Check-Six Aviation Inc

and the name of:

(A) any individual or business entity that would be a **subcontractor** on the discretionary contract;

NA

and the name of:

(B) any individual or business entity that is known to be a **partner**, or a **parent** or **subsidiary** business entity, of any individual or business entity who would be a party to the discretionary contract;

None

¹ A **business entity** means a sole proprietorship, partnership, firm, corporation, holding company, joint-stock company, receivership, trust, unincorporated association, or any other entity recognized by law.

- (3) the identity of any lobbyist or public relations firm employed for purposes relating to the discretionary contract being sought by any individual or business entity who would be a party to the discretionary contract.

None

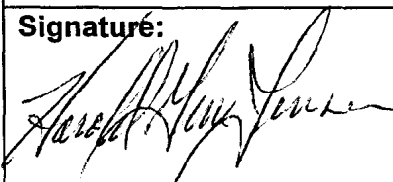
Political Contributions

Any individual or business entity seeking a discretionary contract from the city must disclose in connection with a proposal for a discretionary contract all political contributions totaling one hundred dollars (\$100) or more within the past twenty-four (24) months made directly or indirectly to any current or former member of City Council, any candidate for City Council, or to any political action committee that contributes to City Council elections, by any individual or business entity whose identity must be disclosed under (1), (2) or (3) above. Indirect contributions by an individual include, but are not limited to, contributions made by the individual's spouse, whether statutory or common-law. Indirect contributions by an entity include, but are not limited to, contributions made through the officers, owners, attorneys, or registered lobbyists of the entity.

To Whom Made:	Amount:	Date of Contribution:
None	NA	NA

Disclosures in Proposals

Any individual or business entity seeking a discretionary contract with the city shall disclose any known facts which, reasonably understood, raise a question² as to whether any city official or employee would violate Section 1 of Part B, Improper Economic Benefit, by participating in official action relating to the discretionary contract.

NA		
Signature: 	Title: Vice President Company: Check-Six Aviation Inc.	Date: 31 MAR 2004

² For purposes of this rule, facts are "reasonably understood" to "raise a question" about the appropriateness of official action if a disinterested person would conclude that the facts, if true, require recusal or require careful consideration of whether or not recusal is required.