

**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 Agreement with U. S. Helicopters, Inc. at Stinson Municipal Airport

DATE: June 3, 2004

SUMMARY AND RECOMMENDATIONS

The proposed ordinance authorizes the execution of a lease agreement with U.S. Helicopters, Inc. ("U. S. Helicopters") for premises at Stinson Municipal Airport ("Stinson") consisting of Building 660A; 119,444 square feet of ground space; and 11,646 square feet of parking lot. The term of the lease is five (5) years with a five (5) year mutual extension.

Staff recommends approval of this ordinance.

BACKGROUND INFORMATION

U.S. Helicopters began its operations at Stinson Municipal Airport in 2001 as a sublessee of Stinson Air Center, L.L.C. ("Stinson Air"). Stinson Air filed for Chapter 7 bankruptcy protection on May 28, 2003. The Stinson Air lease was rejected by the Bankruptcy Trustee on July 28, 2003. Jefferson State Bank, a lienholder on the Stinson Air lease, subsequently foreclosed upon the interest of Stinson Air, and Check-Six Aviation, Inc. ("Check-Six") succeeded to the interest of Stinson Air via a Substitute Trustee's Deed. Check-Six has requested to delete Building 660A and 173,115 square feet of ground space from the former Stinson Air lease. Check-Six has also requested that the associated past-due rent of \$13,341.09 for Building 660A and 173,115 square feet of ground space be assumed by U.S. Helicopters.

Of the premises to be deleted from the former Stinson Air Lease, U.S. Helicopters has requested to lease Building 660A and a total of 108,752 square feet of ground space. Under the proposed lease, U.S. Helicopters will perform improvements to Building 660A including restroom upgrades, hangar entry reconstruction, roof repairs, and painting of the hangar. Upon completion of the restroom upgrades and hangar entry reconstruction in accordance with lease provisions, U.S. Helicopters will receive rental credits will satisfy the \$13,314.09 past due rent for the premises in question. Additionally, upon completion of roof repairs and painting of the hangar, U.S. Helicopters will receive rental credits not to exceed \$42,000.00.

POLICY ANALYSIS

The proposed ordinance is consistent with City Council policy for minimizing losses resulting from a former tenant's bankruptcy as well as leasing premises to prospects as expeditiously as possible.

FISCAL IMPACT

Under the terms of this agreement, Building 660A will be leased at an annual rate of \$1.02 per square foot, producing annual building revenues of \$13,678.20 per year. There is also a graduated ground rental rate at Stinson Municipal Airport that will produce varying annual ground rentals.

Fiscal Year	Annual Building Revenue	Annual Ground Revenue	Combined Annual Revenue
FY 2004 (six months)	\$6,839.10	\$4,588.15	\$11,427.25
FY 2005	\$13,678.20	\$11,798.10	\$25,476.30
FY 2006	\$13,678.20	\$15,730.80	\$29,409.00
FY 2007 and thereafter	\$13,678.20	\$19,314.12	\$32,992.32

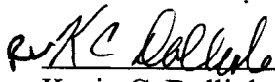
Commencing in August 2009, the rental rates will be subject to an adjustment at five-year intervals based upon the Production-manufacturing and the Producer Price Index. Upon completion of improvements in accordance with the lease agreement, U. S. Helicopters may be eligible to receive rental credits totaling \$37,064.85 that will be applied to past due rent.


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


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 name of the individual or business entity who would be a party to the discretionary contract;

N/A

(2) the name of any business entity who would be a party to the discretionary contract;

U.S. Helicopters, Inc.

and the name of:

(3) any individual or business entity who is known to be a partner, officer, director, or owner of a business entity who would be a party to the discretionary contract;

N/A

and the name of:

(4) any individual or business entity who is known to be a partner, officer, director, or owner of a business entity who would be a party to the discretionary contract;

N/A

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.

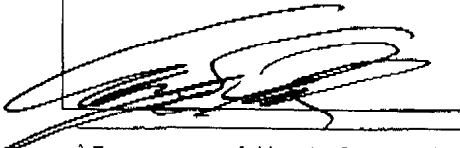
(3) the donor of the contribution is the donor for purposes of this rule is the donor of the contribution, and the donor of the contribution would be a

N/A

Political Contributions
Any individual or business entity having a business relationship with the city shall disclose in connection with a contribution of more than \$100 to any political committee, including one hundred dollars (\$100) or more, during the twelve months immediately preceding or following the date of the contribution, the name of the contributor, the amount of the contribution, and the date of the contribution. This rule applies to contributions by an individual or business entity made directly to a political committee, or to contributions by an individual or business entity made through the officers, owner, attorneys or registered lobbyists of the entity.

To Whom Made:	Amount:	Date of Contribution:
N/A	N/A	N/A

Disinterested Person
Any individual or business entity having a business relationship with the city shall disclose any known facts which reasonably would lead a disinterested person to believe that the individual or employee would violate Section 11.02 of the City Charter, Chapter 5, Article 1, by participating in official city business or official city action.

N/A		
Signature: 	Title: General Manager Company: U.S. Helicopters, Inc.	Date: 5/7/04

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.