



Agenda Report

MEETING DATE: Tuesday, December 14, 2021

TO: City Council

FROM: AIRPORT DIRECTOR WILLIAMS
ASSISTANT ADMINISTRATIVE ANALYST AGUADO

SUBJECT: APPROVAL OF A FOUR-YEAR LEASE TO SKYDIVE SURFCITY,
INC FOR PROPERTY LOCATED AT 160 AVIATION WAY, SUITES B
& C

STATEMENT OF ISSUES:

Skydive Surfcity Inc., a corporation (SkyDive 1) signed two three-year leases, each with one three-year option for Suites B and C at 160 Aviation at the Airport on or about February 27, 2018. The two leases were approved by Resolutions 23-18 and 24-18. The two leases were personally guaranteed by Volker Haag who owned and controlled SkyDive 1.

On or about December 26, 2018. SkyDive 1 assigned the two leases to Go Jump Santa Cruz (Go Jump). Mr. Haag then dissolved the Skydive 1 corporation after the assignment to Go Jump. Go Jump did not exercise the two options, so the two leases expired on February, 28, 2021. GoJump has been a permissive hold-over tenant since February, 2021.

Mr. Haag formed a new corporation in October, 2021, also called SkyDive SurfCity, Inc. (SkyDive 2). Skydive 2 intends to buy GoJump's assets (furniture, fixtures, equipment, inventory, and good will) and lease substantially the same area as SkyDive 1 did in 2018. This time SkyDive 2 will have one lease describing the two suites instead of separate leases for each suite. Mr. Haag will again personally guarantee the lease. Mr. Volker has a co-owner of the business. Her name is Jacklyn Foust, and she will also personally guarantee the lease obligations.

RECOMMENDED ACTION:

Airport management recommends the City Council approve a four (4) year aeronautical commercial lease of Suites B and C; 160 Aviation Way as described in this staff report.

DISCUSSION:

The Watsonville Airport Center is a complex of four buildings at 140, 150, 160 and 170 Aviation Way (see photo below of the four building complex and a close up of "160" the building to be leased). The four buildings were constructed in the late 1980's by a developer under a ground lease from the City and are primarily hangars with attendant offices. The land

and four buildings reverted back to the City when the ground lease expired on March 1, 2018. All rent goes to the Airport Enterprise Fund.



140, 150, 160 and 170 Aviation Way



Image capture: Apr 2021 © 2021 Google

160 Aviation Way (Suites B&C entrances are right of “GoJump” sign)

The fair market rent for light industrial Airport aeronautical property is \$0.65 square foot. The leased area is identified as the office and hangar space bordered in yellow on Exhibit A to the Lease and rented at \$0.65/SF for a sub-total of \$2,462.20, [comprised of Suite B (1,488 SF), and Suite C (2,300 SF)] Also 300 SF of loading area. Also motor vehicle parking spaces marked 2-11, and shared use of accessible parking spaces A, B, C and D, on Exhibit

A southeast of 160 Aviation Way 4. Also, three aircraft tie-down spaces within the black rectangle marked "Skydive Surf City Tie Area" on Exhibit B together with access for aircraft to and from said "Tie Area" over Airport taxi lanes and taxi ways to and from Airport runways

Rent increases in July of each year with the consumer price index. The Lease is personally guaranteed by Mr. Haag and Ms. Foust . Airport management has reviewed and approved the financial bonafides of Mr. Volker and Ms. Foust.

Skydive 2 will construct approximately \$36,000 of tenant improvements to the leased area which will remain in four years at the expiration of the Lease and have a value to the Airport of approximately \$18,000 at that time. SkyDive 2 will be allowed a credit of eighteen thousand dollars (\$18,000) for these new tenant improvements. The improvements will be approved by Airport Management and inspected and approved by the City Building Department. The Airport will repay the \$18,000 in 48 equal monthly installments of three hundred seventy-five dollars (\$375) which will be deducted each month from the \$2,462.20 monthly rent.

STRATEGIC PLAN:

4-Economic Development

FINANCIAL IMPACT:

The Airport Enterprise Fund will receive \$2,087.20 each month for four years and have tenant improvements worth \$18,000 at the end of the four (4) year term. There will be continued secondary positive financial impacts to the Airport and the Community from jobs, in lieu property tax, and sales and use tax revenue.

ALTERNATIVES:

Alternatives include not approving the lease.

ATTACHMENTS AND/OR REFERENCES:

[the premises diagram is attached to the lease]