



# Agenda Report

**MEETING DATE:** Tuesday, April 12, 2022

**TO:** City Council

**FROM:** AIRPORT DIRECTOR WILLIAMS  
ASSISTANT ADMINISTRATIVE ANALYST AGUADO

**SUBJECT:** RESOLUTION APPROVING AN AMEUREMENT ON A 4-YEAR  
LEASE BETWEEN SKYDIVE SURFCITY INC. AND THE CITY OF  
WATSONVILLE

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## **STATEMENT OF ISSUES:**

Skydive Surfcity would like to add 474 additional square feet to their current Lease.

## **RECOMMENDED ACTION:**

It is recommended that the City Council adopt a resolution approving a First Amendment to the Lease between the City of Watsonville and Skydive Surfcity, Inc. for the use of 474 square feet of additional City-owned property located at 160 Aviation Way, Suite D; and authorizing and directing the City Manager Pro Tempore to execute the First Amendment

## **DISCUSSION:**

The Watsonville Airport Center is a complex of four buildings at 140, 150, 160 and 170 Aviation Way. The 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.

The City Council on December 14, 2021, adopted Resolution No. 319-21 (CM) approving a four-year Lease between the City and SkyDive SurfCity for property located at 160 Aviation Way, Suites B and C for \$2,462.20 per month. SkyDive SurfCity is requesting to add 474 additional square feet to their current Lease which will bring in additional revenue of \$308.10 per month.

If the Council approves the First Amendment to the Lease, the leased area would be comprised of the following:

Office and hangar space as outlined in yellow on Exhibit A to the Lease and rented at \$0.65/SF for a sub-total of **\$2,770.30**.

- Suite B (1,488 SF), and
- Suite C (2,300 SF), and
- Suite D (474 SF) (new)

#### Other areas

Motor vehicle parking spaces marked 2-11, inclusive plus shared access to Motor Vehicle Accessible Parking Spaces A, B, C and D, and numbered on the ground and as depicted outside the fence on Exhibit A southeast of 160 Aviation Way 4; 300 SF of ramp and waiting area

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 Run Ways.

The fair market rent for light industrial Airport aeronautical property is \$0.65 square foot for a total monthly lease rate of \$2,770.30.

Rent increases in July of each year in accordance with the Consumer Price Index. The Lease is personally guaranteed by Mr. Haag and his co-owner, Ms. Foust. Airport management has reviewed and approved the financial statements and business plan of Mr. Haag and his partner, Ms. Foust.

It should be noted that Skydive Surfcity is currently receiving an eighteen thousand-dollar (\$18,000) credit for new tenant improvements, approved by Airport Management payable in 48 equal monthly installments of three hundred seventy-five dollars (\$375). The tenant is receiving a discount of \$375 on the monthly rent since December, 2021 and such credit should remain in place until December, 2025, when such credit would be paid in full

#### **STRATEGIC PLAN:**

4-Economic Development

#### **FINANCIAL IMPACT:**

The Airport Enterprise Fund will receive an increase in monthly rent for the remainder of the term. There will be continued positive financial impacts to the Municipal Airport and the City resulting from increased jobs and increased sales and use tax revenue.

#### **ALTERNATIVE ACTION:**

Alternatives include not approving the first amendment to the lease which would not allow for the additional square footage to be added to this tenant’s current lease.

#### **ATTACHMENTS AND/OR REFERENCES (If any):**

None.