



STAFF REPORT

Report To: Board of Supervisors

Meeting Date: Oct 5, 2017

Staff Contact: Steven E. Tackes, Esq

Agenda Title: For Possible Action: To approve the amendments to extend the airport lease between the Carson City Airport Authority and the Byard Family Trust.

Staff Summary: On September 20, 2017, the Carson City Airport Authority approved a lease amendment identical to other lease amendments approved by the Board of Supervisors on Jan 5, 2017 as regards aircraft storage only hangar leases. The Amendment negotiated with the tenant is based on a current appraisal and resets the term of the 50 year lease, raises the base rental rate to the appraised value, plus CPI increases going forward with a reset option at 10 year intervals, requires additional investment in the property, and requires the tenant to pay \$14,306.95 as an opportunity cost payment to be used for Airport project expenses. Pursuant to NRS 844, real property leases at the Airport must also be approved by Carson City.

Agenda Action: Formal Action/Motion

Time Requested: 15 min

Proposed Motion

I move to approve the amendments to extend the airport lease between the Carson City Airport Authority and the Byard Family Trust.

Board's Strategic Goal

N/A

Previous Action

N/A

Background/Issues & Analysis

NRS 844, Section 9, states that the Carson City Airport Authority may, "with the approval of the Board of Supervisors" lease Airport property. On September 20, 2017, the Airport Authority approved, by majority vote at its regularly scheduled and noticed public meeting, an amendment to extend this airport lease, upon the same terms as were previously approved by the Board of Supervisors for the similar leases with JOHN MAYES, LUDD CORRAO FAMILY REVOCABLE LIVING TRUST, SEIBOLD/TRI-MOTOR,LLC, SIERRA MOUNTAIN AIR PARK SOUTH, LLC and SIERRA MOUNTAIN AIR PARK NORTH, LLC.

The underlying lease was originally granted in 1987 at a rental rate of \$0.05/sqft/yr. This lease was broken off of the original lease as it was vacant land in 2000. A separate lease was granted and the use was limited to aircraft storage hangars. A hangar was constructed at that time, but the term of the lease tracked the earlier lease which terminates in 2024.

The tenant has requested a renewal of the lease with a new 50 year term starting Oct 1, 2017. The rental rate per the appraisal is now \$0.13/sqft/yr.

Per NRS 496.080 the Authority and the City can renew aircraft storage leases "without conducting a public auction and at a price at least equal to the fair market rental or lease value of the space based on an independent appraisal conducted within 6 months before the rental or lease."

The Airport Authority engaged William Kimmel, MAI appraiser (on the City list of approved appraisers) and he appraised the airport lease concluding that the fair market value of the land leased is \$0.13/sqft/yr.

Similar to the other leases extended, the Airport also required an opportunity cost payment calculated as the net present value of \$0.02/sqft/yr over 50 years.

This lease amendment contains the same additional conditions requested by the, Board of Supervisors on the earlier lease amendments. These have been included and are as follows:

1. A provision to adjust the rental rate to the current fair market rate every 10 years. This provision was added with the option left to the Authority so that the Authority could decide whether to pay for a new appraisal, or leave the rental rate at the CPI adjusted rate. If the real properties were to drop in value, it is likely the Authority would not proceed with an appraisal and reset.
2. A provision requiring continued investment and maintenance in the hangars, thus justifying the new amortization period. We came up with an objective measure requiring an additional \$0.03/sqft/yr expenditure to be verified coincident with the rental rate reset at the 10 year intervals. We did this recognizing that some expenditures may be large and only done on a non-annual basis, eg. paving.
3. A provision restricting the use to aircraft storage by way of deed restriction or other mechanism to ensure that the rental rate does not get applied if there were a change of use. Here, we instead put in a provision that has the rent jump up to the appraisal value of a full FBO lease if the use changes. Our last appraisal (2014) of such a lot was at \$0.36/sqft/yr. We have one interlineation on this provision to remove the words "most recent" as to the appraisal so that it is not interpreted to apply to the last appraisal which may have been done years ago. Instead the parties agreed that it would be an appraisal at the time the use was considered for change. While several of these leases will likely never qualify for a changed use due to their location on the Airport, we thought this approach was better for the long term, most efficient use, on the Airport.

Applicable Statute, Code, Policy, Rule or Regulation

NRS 844 Section 9 (City approval of Airport leases)

NRS 496.080 power to extend leases based on independent appraisal

Financial Information

Is there a fiscal impact? Yes No

If yes, account name/number: Airport 5051 lease revenue and Airport 5400 miscellaneous revenue

Is it currently budgeted? Yes No

Explanation of Fiscal Impact: This action will result in additional revenue to the Airport Authority. The additional revenue will be used to defray expenses on airport projects.

Alternatives

If the City does not approve the lease amendments, then the Airport Authority will not receive the flat fee contribution and will not receive the increased rent along with CPI increases on the increased rent and the 10 yr reset to market value.

Board Action Taken:

Motion: _____

1) _____

2) _____

Aye/Nay

(Vote Recorded By)

**AMENDMENT TO
CARSON CITY AIRPORT LEASE AGREEMENT
(THE BYARD FAMILY TRUST)**

This lease amendment is made this 20th day of September, 2017, between Carson City, the CARSON CITY AIRPORT AUTHORITY (Landlord), whose address is 2600 College Parkway #6 Carson City, Nevada 89706, and THE BYARD FAMILY TRUST (hereinafter referred to as Tenant), whose address is 109 Augusta Court, Dayton, Nevada 89403.

WITNESSETH:

WHEREAS, the Tenant and Landlord desire to extend the term of the lease recorded with the Carson City Recorder as Document No 288082, pursuant to NRS 496.080, which permits leasing and renewals of aircraft storage leases based upon an appraisal conducted within the last 6 months; and

WHEREAS, the MAI appraisal within the last 6 months determined the lease value to be \$0.13/sqft/yr, and Tenant has agreed to increase its rent to that level; and

WHEREAS, Tenant is making a one time opportunity cost payment in the amount of \$14,306.95, after full approval of this Amendment and released thereon to the Airport Authority and not as payment of rent;

THEREFORE, Landlord and Tenant agree as follows:

1. TERM. The lease shall be renewed for a 50 year term, commencing on October 1, 2017, and ending on September 30, 2067.

2. RENT. Tenant shall pay to Landlord a new base rental amount of \$0.13/sqft/yr commencing on October 1, 2017, ($\$0.13 \times 33740 = \$4,386.20/\text{yr} = \$365.51/\text{mo}$) and subject to the CPI increases set forth in the lease occurring on 2 year anniversaries of the new lease term.

A. At the option of the Landlord, the rent rate may be adjusted to the appraised rate on January 1 of each 10 year anniversary of the new lease term. If the Landlord chooses to exercise the option, Landlord shall, at its expense, use an MAI certified appraiser, selected by the Landlord and Tenant from the Carson City Board of Supervisors' approved list of appraisers.

B. Tenant has invested funds for improvement and maintenance expenditures over term of the lease. Tenant shall continue to maintain and improve the property at a

similar or greater rate, approximated as \$0.03/sqft/yr, averaged over a 10 year period. (33,740 sqft x .03 x 10= \$10,110). Upon each 10 year anniversary of January 1, 2018, the Tenant shall report on its improvements to, and maintenance on, the leasehold made during the 10 year period. Upon request, Tenant shall provide supporting documentation of such Tenant expenditures to ensure that the facility is being maintained in the same fashion, i.e. same good condition as currently held, normal wear and tear excepted.

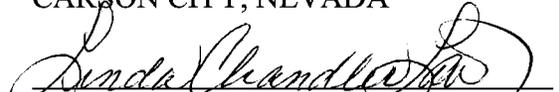
C. In the event that the leasehold use is modified to allow for FBO use beyond aircraft storage, then the lease rate shall convert to the appraised lease rate for full FBO lots.

D. All other lease terms remain unchanged.

TENANT
THE BYARD FAMILY TRUST


GEORGE BYARD

LANDLORD
CARSON CITY AIRPORT AUTHORITY
CARSON CITY, NEVADA


LINDA CHANDER-LAW, CHAIRMAN

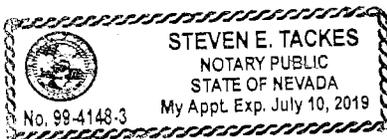
ATTEST:


LARRY HARVEY, TREASURER

STATE OF NEVADA)
COUNTY OF Carson City) : ss

On this 20th day of sept, 2017, before me, the undersigned, a Notary Public, personally appeared GEORGE BYARD, Trustee of THE BYARD FAMILY TRUST, known to me to be the person described herein, who executed the foregoing instrument, and he acknowledged to me, that he has the requisite authority and executed the same freely and voluntarily, and for the uses and purposes therein mentioned.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year hereinabove written.




NOTARY PUBLIC (SEAL)

CARSON CITY

The Board of Supervisors of Carson City, Nevada, as underlying owner of the Airport, and thus the Lease Parcel, hereby approves and acknowledges the Lease amendment, and the right and authority of the Authority to enter into the lease amendment with Tenant.

Approved by the Board of Supervisors this ____ day of _____, 2017.

ROBERT L. CROWELL, Mayor

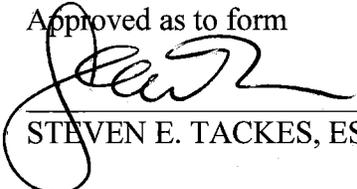
ATTEST:

CITY'S LEGAL COUNSEL
Approved as to form.

SUSAN MERIWETHER, Clerk/Recorder

DISTRICT ATTORNEY

AIRPORT AUTHORITY COUNSEL
Approved as to form



STEVEN E. TACKES, ESQ.