



Arlington Airport Commission Agenda Bill

Item D:

COMMISSION MEETING DATE:	
November 8, 2016	
SUBJECT:	
Conditional approval by the Commission to enter into a lease assignment and lease extension contingent upon a schedule of improvements to be included in the lease documents.	
ATTACHMENTS:	
Memo, Proposal by Kali Durga LLC., and Exhibit	
DEPARTMENT OF ORIGIN	
Airport	
EXPENDITURES REQUESTED:	Legal
BUDGET CATEGORY:	Professional Services
LEGAL REVIEW:	Yes
DESCRIPTION:	
Kali Durga LLC, (Ashoo Ohri- owner) of the Quality Inn on 172 nd Street would like to purchase the gas station next door which is coming up for sale. The Quality Inn is a current land lease tenant of the airport. The gas station owned by HBY Inc. The issue is that the bank requires a 45 year lease and there is currently only 31 years remaining on the lease. They are requesting an additional 14 year extension in exchange for improvements. (See memo.)	
HISTORY:	
HBY has owned the property since 2012. It is a very busy location and includes a car wash and small deli and does a very good business. Total revenue for the property is well over one million per year.	



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ALTERNATIVES

Approve Staff's Recommendation to approve the lease assignment and extension contingent upon a strict schedule of improvements to be outlined in the lease assignment.

Deny Staff's Recommendation

Table Staff's Recommendation

RECOMMENDED MOTION:

I move to approve in concept the proposed lease assignment, subject to additional agreement and approval by the Commission of required improvements to be outlined in the lease documents, and final approval of all documentation by the City Attorney.



MEMO

City of Arlington

Airport

To: Airport Commission
From: David M. Ryan, C.M., Airport Director
Date: November 2, 2016
Subject: Informational Items

ISSUE: Conditional Approval for Lease Assignment and Extension

BACKGROUND:

Kali Durga LLC is the entity that owns the Quality Inn hotel on Airport Property. The owner, Mr. Ashoo Ohri, has approached airport staff about purchasing the gas station owned by HBY Inc. which is located adjacent to the hotel. The gas station is also an airport tenant and has expressed an interest in selling the property. HBY has been the owner of the gas station since 2012.

The issue here is that the current lender requires a 45 year lease on the property to secure the loan. There are currently 31 years remaining on the lease. Airport Staff directed Mr. Ohri's representative to contact a local lender to see if they would consider the 31 years as sufficient time to secure the loan. A local lender explained to me that as the business is a "going concern," meaning that its profits are expected to extend far into the future, that the selling price is much more than the actual cost of the improvements on the property. They also advised that they don't do that type of loan. The only lender willing to extend this loan is the current lender.

In order to do so, they require an additional 14 years be added to the lease at the time of the lease assignment. Staff explained to Mr. Ohri that in order for the Commission to consider extending the lease, significant improvements to the property would have to be made. Mr. Ohri's representative outlines the proposed improvements in his proposal.

Airport staff has reviewed this concept with City Legal. While staff feels that the improvements would be beneficial to the airport and City, we feel this is a decision to be made solely by the Commissioners. What Mr. Ohri is asking at this point is for the Commissioners to vote on a conditional approval of the lease assignment and extension in concept, so that he can go back to the lender and say that under the provisions for improvements spelled out in the assignment, the Commission is willing to grant an extension. The Commissioners would vote on the actual lease assignment and extension at a later date. It is my understanding that for now, they just need an approval of the concept so that they may begin negotiations.



MEMO

City of Arlington Airport

The only way staff will feel comfortable in making a recommendation to approve this first step is to have the Commission's full support and to have a clearly defined schedule of improvements included in the lease assignment documents.

cc: File, Steve Peiffle

October 31, 2016

Airport Commission

18204 59th Dr NE
Arlington, WA. 98233

Kali Durga LLC (Quality Inn)

5200 172nd St Ne
Arlington, WA. 98223

Subject: **Lease Extension Proposal**

I, Ashoo Ohri, owner of Kali Durga LLC (Quality Inn), respectfully request your consideration and approval to extend the current lease of 5200 172nd St NE (76 Gas Station) for an additional 19 years. The mortgage company recently stated a requirement for a lease of 45 years in order to fund my loan for a proposed purchase of the gas station. The current lease expires in 2047. An approved extension would carry the lease through 2066. According to the loan officer, they require a lease totaling 45-years.

Benefits of the airport lease agreement extension and my purchase:

- A stable tenant/owner, with a positive rental history
- A professionally managed business
- An owner with a history of successful business ownership (hotel) and high property standards
- An owner willing to waive lease reduction when, and if WA State acquires a portion of the property for expansion of SR531
- A plan for revitalizing landscaping and updating the current building, which includes new lighting, new paint to building, and installed CCTV cameras
- A plan for boosted sales volume, which increases the city sales tax revenue

Estimated future expenses to buyer:

- Landscaping and revitalization to building: \$60,000
- General maintenance/upkeep in the next 20 years: \$150,000
- Remove and replace underground tanks with the latest safety standards: \$400,000 - \$600,000

As mentioned above, I am a stable and professional owner with a history of success in business. An airport lease agreement extension would not only benefit my business, but would maintain the high standards of the property set forth by the airport commission. Thank you for your consideration of this proposal, and we look forward to strengthening our business relationship.

Sincerely,

Ashoo Ohri



HBV - Gas Station



Quality Inn