

S. Tahoe revamps city lease agreement policy

By Kathryn Reed

South Lake Tahoe this week revised its policy for how contracts are awarded, and then later revised the lease with the restaurateur at Lake Tahoe Airport.

The overall contract issue keeps rearing its head. There are multiple multi-decade agreements in place or ones done decades ago that have not been enforced. The parking agreement with Heavenly Mountain Resort would be an example of the latter.

Then there's the 30-year lease with Mountain West Aviation to operate the airport. It in large part favors the lessee and not the city.



The owners of Flight Deck restaurant have a year to pay off their debt to South Lake Tahoe. Photo/LTN file

The council asked for a more stringent policy when last year it came to light the electeds had not been notified of the multi-year agreement a now fired employee entered into with a nonprofit for it to lease a city-owned building.

While the city owns more than 200 parcels, this includes

things like retention basins. Council asked staff in the future to provide a list of amenities people might actually want to rent or lease.

A request for proposal must be used when the amount is \$30,000 or greater or the length of the contract is more than six months.

“We want to make sure the lessee can run a business and that the benefits to the public are maximized,” Deputy City Attorney Nira Feeley told the council April 2.

While rent is supposed to be charged at fair market, that isn't happening at the airport.

The council agreed to alter the agreement with Tom and Diane Miller who own and operate the Flight Deck restaurant. The base rent is now \$700. It had been \$600 when the contract was signed in April 2010. It increased based on inflation so they were most recently supposed to be paying \$631.

In addition to that \$631, the Millers were supposed to be paying 5 percent of gross revenues less than \$15,000 per month or 7 percent of gross revenues above \$30,000. This included alcohol sales.

Instead, they chose not to pay anything. They were \$40,000 in arrears as of March 1.

With the Alcoholic Beverage Control looking into how the city collects rent at the ice arena in terms of alcohol being part of gross sales, the city is amending most of its agreements.

The Millers took issue with the alcohol sales being part of gross revenues even though it's in the original the contract. (This is per staff. The Millers did not attend the meeting.)

It was agreed the Millers back rent would be reduced to \$22,500. They have one year to pay it – interest free. If the restaurant, which is on the market, sells, then the debt would

be tied to the sale.

Rent is now a flat \$700 month with the city not collecting any percentage of any sales.

Councilwoman Brooke Laine brought up how this site has a history of losing money, and how former Councilman Mike Weber “walked away from considerable debt” when he owned Chase’s restaurant at the airport.

Mayor Tom Davis tried to defend his former colleague, saying that wasn’t true. But the airport manager said Laine’s memory was more accurate.

(Weber didn’t pay the debt until the next owner came along to give him some cash. City Clerk Suzie Alessi later wrote *Lake Tahoe News* to say, “Mike Weber’s profit from the sale of the restaurant was reduced to pay off the debt he owed the city.”)

Laine reluctantly voted for the revised agreement with the Millers.

“I want it to work, but I’m concerned,” Laine said.