
Meeting Date: August 22, 2012
Staff Contact: Stan Allred, Chief Financial Officer

**TITLE: C-12-17 - Approving Write-Off of Uncollectable Accounts Receivable
Second Chance, LLC**

ACTION: Recommend Approval

SUMMARY:

On May 23, 2006, the City of Albuquerque and the Water Authority as co-owners leased a portion of the facility that was formerly used as the Westside Jail Facility to an offender rehabilitation organization called Second Chance. Subsequently, Second Chance failed to exercise its options to extend its lease term on Area 1 or to exercise its option to lease Area 2. Consequently, Second Chance became a month-to-month tenant.

There were concerns regarding Second Chances' manner and use of the leasehold. On December 26, 2008, the City exercised its rights and terminated the leasehold and ordered Second Chance to vacate the premises no later than January 31, 2009. Second Chance failed to vacate by the January deadline and legal action was taken. As of 2009, Second Chance owed the Water Authority \$54,953.24 in unpaid rent.

IMPACT:

After Second Chance left the property, various demand letters were sent and there were communications with Second Chance's lawyers, but no collection suit was filed because there were no assets to secure the debt. The original lease/contract was with a limited liability corporation ("LLC") that had no assets and no monetary guarantee had been required. When the City terminated Second Chance's lease, it essentially terminated the ability of the rehab center to continue so there was no revenue or entity with monetary assets upon which to base a suit.

The City Council has already approved a write-off of the City's outstanding receivables from Second Chance.

COMMENTS:

Since there is no possibility of ever recovering the \$54,953.24 in rent due, it is recommended that the Water Authority also approve writing off the outstanding balance.