City of San Antonio

Legislation Details (With Text)

File #:	16-2101
Type:	Real Property Lease
	In control: City Council A Session
On agenda:	5/12/2016
Title:	An Ordinance authorizing a lease and concession agreement with Northwest Petroleum, LP for a gas station, convenience store and fast food restaurant at the San Antonio International Airport. [Carlos R. Contreras, Assistant City Manager; Noel T. Jones, Director, Aviation]
Sponsors:	
Indexes:	Aviation Concessions, Aviation Contract, Aviation Lease Agreements
Code sections:	
Attachments:	1. DCD Form, 2. Form 1295 - Gas Station, 3. FAA Approval of Long Term Exclusive Agreement, 4. Exhibit for Gas Station, 5. Gas Station Lease, 6. Draft Ordinance, 7. Ordinance 2016-05-12-0338

Date	Ver.	Action By	Action	Result
5/12/2016	1	City Council A Session	Motion to Appr w Cond	Pass

DEPARTMENT: Aviation Department

DEPARTMENT HEAD: Noel T. Jones

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Lease and Concession Agreement with Northwest Petroleum, LP at the San Antonio International Airport

SUMMARY:

This Ordinance authorizes a lease and concession agreement with Northwest Petroleum, LP for a Phillips 66 Gas Station which will include a Q Mart Convenience Store and Burger King Restaurant at the San Antonio International Airport. The new facilities will provide the public with a gas station, restaurant and convenience store on Airport property at the northeast corner of the intersection of Airport Blvd. and Loop 410. Northwest Petroleum, LP will design and construct the building, which is expected to take 18 months. Construction will commence within 100 days of approval of the agreement.

The term of the agreement is 20 years with the option to extend for two additional 10 year terms, with guaranteed revenue of $50,000.00 annually. In addition, the concessionaire will lease 81,889 square feet from the airport which will generate $81,889.00 annually during the first five lease years of the term. As per 49 Code of Federal Regulations (CFR) 23, the Federal Aviation Administration (FAA) has approved the long-term, exclusive concession agreement.

BACKGROUND INFORMATION:

Improving the customer service experience for passengers at the San Antonio International Airport is one of the San Antonio Airport System's top priorities. In 2013 the Aviation Department identified property that could be developed as a gas station that would be available to the public and customers who would like to fuel their rental vehicles before returning to their rental car companies. In addition, the Airport will relocate the existing cell phone lot next to the gas station in order to provide customers with the ability to purchase gas or items at the convenience store or Burger King. The Airport System will also receive non-airline revenue from this project, which assists in keeping costs lower for airlines operating at the airport.

Phillips 66 Gas Station
The gas station will have 10 fuel pumps at five islands for a total of 20 fueling stations. It will have point-of-sale payment available during the hours when the convenience store is closed.

Q Mart Convenience Store
The convenience store will be a minimum of 4,500 square feet and will be open seven days a week from 5 a.m. until 11 p.m. It will have separate public restrooms that are accessible from the interior of the building.

Burger King Restaurant
The restaurant, which is part of the convenience store, will have a drive-thru and will be open seven days a week from 5 a.m. until 11 p.m.

Staff briefed the gas station project to the High Profile Contracts Committee on June 10, 2014, Audit Committee on April 19, 2016 and the Airport Advisory Commission on September 16, 2014 and March 22, 2016.

Solicitation
In November 2013, a Request for Proposals (RFP) was released to select a qualified respondent to provide complete development, financing, design, construction, operation, and maintenance of a Gas Station Concession on up to 4.67 acres at the northeast corner of Loop 410 and Airport Blvd at the San Antonio International Airport. The RFP was advertised in the San Antonio Express-News, on the City's website, TVSA, and Airports Council International website. One response was received in January 2014.

A selection committee consisting of representatives from the Aviation Department and a non-City employee subject matter expert evaluated the proposal. The selection committee used a consensus scoring method to evaluate the proposal based on the published criteria, which included: experience, background and qualifications in providing retail fueling service, consideration of the proposed plan for site plan, design and operation of a gas station concession, proposed minimum annual guarantee, and Airport Concessions Disadvantaged Business Enterprise (ACDBE) program compliance. The evaluation committee unanimously voted to recommend the respondent for contract award.

Airport Concessions Disadvantaged Business
The Office of Civil Rights for the FAA has approved the agreement as a long-term, exclusive lease. The ACDBE goal for this project is 11% and Northwest Petroleum has committed to meet or exceed the goal.

Northwestern Petroleum
The firm has engaged in the gasoline retail and convenience stores businesses since 1991 and has locations in

San Antonio, Houston and Austin.

Agreement

The term of this agreement will include an initial construction period plus 20 years with a minimum $2 million capital improvement requirement. The agreement can be extended for two additional 10-year options.

- For the first 10-year option, the firm is required to make an additional $600,000 capital investment before the end of the primary (20-year) term
- For the second 10-year option, the firm is required to make an additional $200,000 capital investment before the end of the first 10-year extension.

The firm will lease 81,889 square feet of ground space at the northeast corner of Airport Blvd and Loop 410, south of Northern Blvd. The firm will be responsible for the financing, design and construction of the facility.

ISSUE:

City Council is required to authorize lease and concession agreements.

ALTERNATIVES:

City Council could elect not to approve the concession agreement with Northwestern Petroleum for a gas station, convenience store and fast food restaurant at the San Antonio International Airport. The firm has agreed to finance, design and build the facility as part of the agreement. The Aviation Department does not have the means to finance, design and build the facility. With these facilities financed, built and operated by Northwestern Petroleum through the agreement, passengers and the public will be able to utilize the convenience of these services at the airport.

FISCAL IMPACT:

The firm agrees to the following rental rate for the ground space at the San Antonio International.

	Total Square Footage	Annual Rental Rate per Square Foot	Annual Rate
Initial Construction Period	81,889	$0.15	$12,283.35
Lease Years 1-5	81,889	$1.00	$81,889.00

The ground rent shall increase 15% every five years of the lease agreement.

The minimum annual guarantee (MAG) will be $50,000.00 during the first lease year of the agreement. During year two and thereafter, the MAG will be 85% of the prior year's payables consisting of guaranteed rent and percentage rent. Revenue generated from these contracts will be deposited in the Airport Operations & Maintenance Fund.

Product Category	Percentage Fee Rate

All convenience store and fast food restaurant gross receipts	2.00% of Gross Receipts
Commissions paid to Northwest Petroleum on Lottery Sales and winnings	1% of amount paid to Northwest Petroleum
Retail fuel sales	$0.01 per gallon
ATM Rental	$100.00 per month

RECOMMENDATION:

Staff recommends the approval of the Lease and Concession Agreement with Northwestern Petroleum, LP for a gas station, convenience store and fast food restaurant at the San Antonio International Airport.