



City of San Antonio

Agenda Memorandum

File Number: 15-5541

Agenda Item Number: 14.

Agenda Date: 11/12/2015

In Control: City Council A Session

DEPARTMENT: Aviation

DEPARTMENT HEAD: Frank Miller

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Lease Agreement with Lone Western Star Development, LLC at Stinson Municipal Airport

SUMMARY:

This Ordinance authorizes a lease agreement with Lone Western Star Development, LLC (Lone Western Star) for 159,286 square feet of ground space at Stinson Municipal Airport (Stinson). The company plans to design and construct a multi-hangar facility on two separate tracts of land for hangar condominiums at Stinson Municipal Airport. The individual hangar condos will be sold to unit owners who will have an ownership interest in the building for the duration of the lease for storage of aircraft and aircraft equipment.

Tract I will have a rental rate of \$0.09 per square foot until the earlier of: 24 months after the effective date of the lease agreement; the receipt of the certificate of occupancy by the company; or, beneficial occupancy for the facility. The rental rate will then increase to \$0.18 per square foot.

Tract II will have a rental rate of \$0.09 per square foot until the earlier of: the start of the 31st month after the effective date of the lease agreement; the receipt of the certificate of occupancy by the company; or, beneficial occupancy for the facility. The rental rate then increase to \$0.18 per square foot.

The term of the agreement is 40 years as long as construction for the facility on Tract II is initiated within 13 months of the commencement date of the lease agreement. If the construction has not begun on the facility by that date, then the term of the lease agreement is 25 years. The firm can terminate the lease agreement or relinquish one of the two tracts at any time with a 30-day written notice during the first 12 months.

BACKGROUND INFORMATION:

Lone Western Star Development approached the Aviation Department about building hangar condominiums at Stinson. For this type of land use, a developer designs and constructs multi-hangar facilities at an airport and then sells the leasehold interest in a particular hangar condo to an individual owner who then become the record owner of beneficial title to the leasehold interest of one or more hangar units and a percentage of the undivided interests in the lease premises. The Aviation Department authorized a six-month lease agreement to allow the company to advertise the development to gauge interest for hangar condominiums at Stinson. In October 2015, Lone Star Western Development contacted the Aviation Department that it would like to move forward with the lease agreement.

Leasehold

The leasehold has requested 159,286 square feet of ground space which will be divided into two tracts.

- Tract I has 73,390 square feet
- Tract II has 85,896 square feet

A multi-hangar facility is planned on each tract. The term of the agreement is 40 years as long as construction for the facility on Tract II is initiated within 13 months of the commencement date of the lease agreement. If the facility has not begun construction by that date, then the term of the lease agreement is 25 years.

ISSUE:

City Council authorization is required for lease agreements with terms over six months. Approval of this action is consistent with the City's policy to lease City-owned property to generate revenue.

ALTERNATIVES:

City Council could elect not to support the new lease agreement. However, the new lease agreement authorizes Lone Western Star to develop and construct multi-hangar facilities that will allow individuals to purchase individual units for their aircraft or aircraft equipment and produce revenue on undeveloped land.

FISCAL IMPACT:

This lease agreement will generate \$14,335.74 in the first 12 months in ground space rental for the total leasehold of 159,286 square feet. Tract I, comprised of 73,390 square feet, has an annual rental rate of \$0.09 per square foot until the earlier of: 24 months after the effective date of the lease agreement; the receipt of the certificate of occupancy by the company; or, beneficial occupancy for the facility. The rental rate will then increase to \$0.18 per square foot.

Tract II, comprised of 85,896 square feet, will have a rental rate of \$0.09 per square foot until the earlier of: the start of the 31st month after the effective date of the lease agreement; the receipt of the certificate of occupancy by the company; or, beneficial occupancy for the facility. The rental rate then increase to \$0.18 per square foot.

Month	Square Footage	Annual Rate per Square Foot	Annual Rental
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1-24 Months (Tract I)	73,390	\$0.09	\$6,605.10
25 th Month - * (Tract I)	73,390	\$0.18	\$13,210.20
1-30 Months (Tract II)	85,896	\$0.09	\$7,730.64
31 st Month - ** (Tract II)	85,896	\$0.18	\$15,461.28

The ground rental rate will increase 15 percent at the beginning of the sixth anniversary of the commencement date and every five years thereafter during the term of the lease agreement.

RECOMMENDATION:

Staff recommends the authorization of a lease agreement with Lone Western Star Development, LLC for 159,286 square feet of ground space at Stinson Municipal Airport for the development of multi-hangar facilities for hangar condominiums at Stinson Municipal Airport.