



City of San Antonio

Agenda Memorandum

File Number: 19-5575

Agenda Item Number: 13.

Agenda Date: 9/5/2019

In Control: City Council A Session

DEPARTMENT: Aviation

DEPARTMENT HEAD: Russell J. Handy

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Amendment to Lease Agreement with The Hertz Corporation at the San Antonio International Airport

SUMMARY:

City Council consideration of an ordinance approving an amendment to the lease agreement with The Hertz Corporation (Hertz) at the San Antonio International Airport to extend the term for one year with a possible 1 year extension. The amendment will generate \$480,366.74 over the two years, if extended, which will be deposited in the Airport Operating and Maintenance Fund. The amendment will increase the amount of the performance guarantee from \$97,000.00 to \$111,775.02 and add new language related to the insurance certificate tracking provider that airport system tenants are now required to use.

BACKGROUND INFORMATION:

In June 2010, City Council authorized a lease agreement with Hertz through Ordinance No. 2010-06-17-0543 for Building 1170 and 310,179 square feet of ground space at 910 West Cargo Road. The firm operates out of the Consolidated Rental Car Facility at the San Antonio International Airport but would like to continue leasing the leasehold at 910 West Cargo Road while the city considers development possibilities for the property.

ISSUE:

Aviation staff and Hertz negotiated an amendment that would extend the term for an additional year. The extension will begin the day the amendment is approved by City Council and will generate revenue in the

amount \$223,426.39 for the first year. At the discretion of the Aviation Director, the agreement can be extended for a second year and will generate revenue in the amount of \$256,940.35. With a 90-day written notice, either party can terminate the lease agreement.

The amendment will also increase the performance guarantee from \$97,000.00 to \$111,775.02. Since 2010 when the original lease agreement was approved, the Aviation Department has implemented a certificate of insurance (COI) management service, *myCOI*, a web-based document management solution. The new software will assist Aviation Department staff in ensuring that COI requirements, such as all limits, endorsements and insurance requirements are in place. This amendment will incorporate the use of the software into the agreement.

ALTERNATIVES:

City Council could vote to disprove this item. If so, the Aviation Department would lose the opportunity to generate revenue while the department contemplates future development opportunities for the leasehold.

FISCAL IMPACT:

Ordinance approving an amendment to the lease agreement with The Hertz Corporation to extend the term for two, one-year periods.

The first year of the extension will generate \$223,426.39 for 310,179 square feet of ground space and 7,907 square feet of building space, based on the rental rate approved in the original lease agreement approved by City Council in June 2010, which was based on the blending of two appraisals conducted by Eckman Groll, Inc. and Dugger, Canaday, Grafe, Inc.

| Leased Premises | Area (sq.ft) | Annual Rate Per Sq. Ft. | Annual Rental |
|------------------------|---------------------|--------------------------------|----------------------|
| Ground Space | 310,179 | \$0.0483 | \$179,779.75 |
| Building | 7,907 | \$0.4600 | \$43,646.64 |
| | | Total | \$223,426.39 |

If extended for a second year, the rental rate will increase by 15% to \$256,940.35. The generated revenue will be deposited into the Aviation Operating and Maintenance Fund.

RECOMMENDATION:

Staff recommends the approval of the amendment to the lease agreement with Hertz for their leasehold located at 910 West Cargo Road at the San Antonio International Airport.