



# City of San Antonio

## Agenda Memorandum

**File Number:** 19-9398

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**Agenda Item Number:** 16.

**Agenda Date:** 3/5/2020

**In Control:** City Council A Session

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**DEPARTMENT:** Aviation

**DEPARTMENT HEAD:** Jesus H. Saenz, Jr.

**COUNCIL DISTRICTS IMPACTED:** Citywide

### **SUBJECT:**

Lease Agreement with Lewis Aeronautical, LLC at the San Antonio International Airport

### **SUMMARY:**

This ordinance approves a five-year lease agreement with Lewis Aeronautical, LLC for 108,900 square feet of ground space and 21,902 square feet of building space at 567 Sandau Road at the San Antonio International Airport. It also terminates the current 10-year lease agreement with AHR Avionics, Inc. The new lease agreement was requested by AHR Avionics, the current tenant, who advised that they are dissolving AHR Avionics.

If approved by Council, the new lease agreement will retroactively become effective on January 1, 2020 and will expire on December 31, 2025. If the tenant makes capital improvements on the leasehold valued at \$1 million before the conclusion of the fourth anniversary of the execution of the agreement, as approved by the Airport Director, then upon mutual agreement, the term may be extended for an additional five years, pending City Council approval of the extension. The lease agreement will generate approximately \$96,526.24 per year and such funds will be deposited in the Airport Operating and Maintenance Fund.

### **BACKGROUND INFORMATION:**

In October 2012, City Council authorized a 10-year lease agreement with AHR Avionics pursuant to Ordinance 2012-10-18-0819 for 108,900 square feet of ground space and 21,902 square feet of building space at 567 Sandau Road. The tenant has been operating at this location since 1992 as an aircraft services company which provides general aviation aircraft avionics and maintenance, repair and overhaul services.

During the past year, AHR notified Aviation Department staff that it was dissolving and that the principals of AHS would like to negotiate a new lease agreement under Lewis Aeronautical, LLC. Lewis Aeronautical will use the leasehold solely for aircraft and/or aircraft parts and equipment sales, service maintenance and the housing of corporate or private aircraft. The Aviation Department has reviewed this request and is supportive of the change.

The initial term of the proposed agreement is five years. As stated above, upon mutual consent, this term may be extended by both parties for an additional five-year term provided that the tenant makes \$1 million in capital improvements on the leasehold before the conclusion of the fourth anniversary of the execution of the agreement. The improvements are subject to the approval of the Aviation Director. Potential capital improvements may include a permanent structural change or restoration to the property that will enhance its overall value, prolong its useful life or adapt it to new uses. Energy saving enhancements that are approved by the Aviation Director would also be an eligible capital investment.

**ISSUE:**

The tenant has requested, and the Aviation Department has reviewed and supported, a new lease agreement for 108,900 square feet of ground space and 21,902 square feet of building space at 567 Sandau Road. This action will terminate the current lease agreement and will approve a new term commencing on January 1, 2020 for five years with the possibility of extension for an additional five years under the circumstances stated above. City Council authorization is required for lease agreements with terms over six months.

**ALTERNATIVES:**

City Council could not approve this agreement, which would result in Lewis Aeronautical, LLC having to find a new location and the San Antonio International Airport losing a long-time tenant and the revenue it generates.

**FISCAL IMPACT:**

Under the terms of the lease agreement, the lease will generate revenue in the amount of \$96,526.24 annually, the same amount under the current lease agreement. The rental rates under the new lease agreement are based on appraisals performed by Debra Runyan on December 2011 for the building and by Eckmann Groll, Inc on February 2012 for the ground space. As is customary at the Airport, the rental rates provide for a periodic adjustment, which in this case provides that the lease rates will be increased by 15% on November 1, 2022 and every five years thereafter.

	<b>Area (Square Foot)</b>	<b>Annual Rate per Square Foot</b>	<b>Annual Rental Until Oct. 31, 2022</b>	<b>Annual Rental after Nov. 1, 2022</b>
<b>Ground Space</b>	108,900	\$0.46	\$50,094.00	\$57,608.10
<b>Building 1060</b>	21,902	\$2.12	\$46,432.24	\$53,397.08
<b>Total</b>			<b>\$96,526.24</b>	<b>\$111,005.18</b>

Upon mutual consent, this term may be extended by both parties for an additional five year term if the tenant makes \$1 million in capital improvements on the leasehold before the conclusion of the fourth anniversary of

the execution of the agreement.

**RECOMMENDATION:**

Staff recommends the approval of a lease agreement with Lewis Aeronautical, LLC at the San Antonio International Airport.