



City of San Antonio

Agenda Memorandum

File Number:17-2160

Agenda Item Number: 7.

Agenda Date: 4/13/2017

In Control: City Council A Session

DEPARTMENT: Aviation

DEPARTMENT HEAD: Russell J. Handy

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Lease Agreement with The Fidelia Limited Partnership at the San Antonio International Airport

SUMMARY:

This Ordinance authorizes a lease agreement with The Fidelia Limited Partnership (also known as Hallmark) for one building, two hangars and 394,109 square feet of ground space located at 8901 Wetmore Road at the San Antonio International Airport. The initial term of the lease agreement is for 10 years with the option to extend for an additional 10-year period. This lease agreement will replace the 10-year lease agreement approved by City Council on May 14, 2015.

BACKGROUND INFORMATION:

Hallmark has two universities in San Antonio including an aeronautics campus located at 8901 Wetmore Road. Hallmark is a long standing tenant of the airport. The school provides students with an opportunity to obtain a Bachelor's in Aviation Maintenance Management and Associate Degrees. The leasehold include: a 10,665 square foot Building 1540; a 31,600 square foot Hangar 1541; a 24,000 square foot Hangar 1542; and also includes 394,109 square feet of ground space.

On May 14, 2015, City Council authorized a lease agreement with Hallmark through Ordinance 2015-12-0411 with rental rates in the 2015 lease agreement based on a 2013 appraisal. However, a new appraisal for Building 1540 was conducted in 2016. Following the completion of the 2016 appraisal, the City and Hallmark negotiated new terms for the rental rates after taking both appraisals into consideration. As part of the agreement, the City and Hallmark agreed to a credit for payments made under the 2015 lease agreement totaling \$184,348.63. The

aforementioned credit amount will be applied equally over the term of the agreement.

The term of the lease agreement is for 10 years with the option to extend for an additional 10-year period.

ISSUE:

City Council approval is required to authorize lease agreements.

ALTERNATIVES:

City Council could elect to not authorize the lease agreement with Hallmark and keep the original lease agreement approved in 2015 in place. However, the City and Hallmark identified the need for a new lease agreement based on the 2016 appraisal on Building 1540 and have negotiated new terms and rates for the lease agreement.

FISCAL IMPACT:

The rental rates for the lease agreement are described below and based on the appraisal completed in 2016:

	Square Footage	Rental Rate per Square Foot	Annual Rental
Building 1540	10,665	\$0.94	\$10,025.10
Hangar 1541	31,600	1.76	\$55,616.00
Hangar 1542	24,000	1.42	\$34,080.00
Ground Space	394,109	0.35	\$137,938.15
			\$237,659.25

Every five years, the rental amount will be increased by 15 percent. A credit of \$184,348.63 will be made over the course of the initial 10 years of the lease agreement. For the first five years of the term, the annual credit of \$18,434.86 is applied to the annual rental and will result in annual revenues in the amount of \$219,224.39. For the last five years of the initial term which includes the 15 percent escalation, the annual credit amount is \$17,214.03 and will result in annual revenues in the amount of \$254,873.28.

RECOMMENDATION:

Staff recommends authorizing a lease agreement with The Fidelia Limited Partnership at the San Antonio International Airport.