



# City of San Antonio

## Agenda Memorandum

**File Number:**17-3993

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**Agenda Item Number:** 9.

**Agenda Date:** 8/10/2017

**In Control:** City Council A Session

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**DEPARTMENT:** Aviation

**DEPARTMENT HEAD:** Russell J. Handy

**COUNCIL DISTRICTS IMPACTED:** Citywide

### **SUBJECT:**

Lease Agreement with Security Airpark, Inc.

### **SUMMARY:**

This Ordinance authorizes a lease agreement with Security Airpark, Inc. (Security Airpark) for 352,398 square feet of ground space and 40,403 square feet of building space located at 477 Sandau Road. The initial term of the lease agreement is eight years with two options to extend pending capital investments on the property by Security Airpark. The agreement is expected to generate \$645,994.08 annually in revenue.

### **BACKGROUND INFORMATION:**

Security Airpark operates a condominium complex in which hangars are leased to individual entities for the storage and maintenance of personal and corporate aircraft as well as other aviation-related businesses. The space includes 352,398 square feet of ground space and a total of 40,403 square feet of building space over 18 hangars/buildings.

The current lease agreement with Security Airpark was approved through Ordinance 89969 in June 1999 for a 20 year term to expire on June 30, 2019. As part of the current lease agreement, the titles to two facilities, Hangar 2038 and Building 2036, were to revert back to the City on July 1, 2019 and the leaseholder for those buildings would pay rent for the buildings to the City.

Security Airpark would like to continue to lease premises at San Antonio International Airport. The initial term of the new lease agreement, which will become effective with approval of this Ordinance, will be for eight

years. If Security Airpark demonstrates that it or its sub-lessees expended at least \$1,000,000.00 towards approved capital improvements on the premises since the effective date, it will have the right to the first extension option of 10 years. In order to have the right to the second extension operation of five years, Security Airpark must have expended at least \$2,000,000.00 towards capital improvements or approved sublease improvements on the premises since the effective date.

#### **ISSUE:**

City Council authorization is required for lease agreements over six months for the San Antonio Airport System. Approval of the agreement is consistent with City policy to lease City-owned property to generate revenue

#### **ALTERNATIVES:**

City Council could elect to not authorize the lease agreement with Security Airpark. However, this would cause Security Airpark and their tenants to look for other accommodations. Security Airpark would like to remain in the leased premises and the San Antonio Airport System recommends the approval of the lease agreement that would continue their tenancy.

#### **FISCAL IMPACT:**

The lease agreement is expected to generate \$645,994.08 in annual revenue, including \$432,335.20 for the ground space and \$213,658.20 for total building space. The rental rates will increase 15% every five years of the agreement. On July 1, 2019, Building 2036 and Hangar 2038 will revert back to the City. In late 2018 or early 2019, the rental rates for those two facilities will be determined based on an appraisal performed by the City.

#### **RECOMMENDATION:**

Staff recommends the approval of the lease agreement with Security Airpark, Inc. at the San Antonio International Airport.