



City of San Antonio

Agenda Memorandum

File Number:17-4143

Agenda Item Number: 10.

Agenda Date: 8/3/2017

In Control: City Council A Session

DEPARTMENT: Aviation

DEPARTMENT HEAD: Russell J. Handy

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Amendment to the Lease Agreement with the United States Postal Service

SUMMARY:

This Ordinance will authorize an amendment to the lease agreement with the United States Postal Service (USPS) at the San Antonio International Airport (SAT) to modify the methodology utilized to calculate the rental rate. The language in the lease agreement will now reflect the rental rate methodology consistent with use for rate calculation used for other lease agreements at SAT.

BACKGROUND INFORMATION:

USPS has been a long standing tenant at San Antonio International Airport. Through Ordinance 66645 adopted by City Council on February 25, 1988, Council authorized a lease agreement with the USPS for 103,586 square feet of ground space for its postal office located at 10250 John Saunders Rd.

As part of the original lease agreement, the rental rate has been adjusted every five years through the use of a real estate appraiser that established the fair rental value of the property. Since 1988, the San Antonio Airport System has changed its practice of rental rate methodology. The standard practice for the rental rate methodology is now to increase the rental payments 15 percent for every five-year period through the expiration of the lease agreement. This process establishes a rental rate that both the tenant and City agree upon when the lease agreement is signed rather than requiring a third-party appraiser every five years.

In an effort of continuity, USPS has agreed to utilize the same methodology in the calculation of their rental

rate. The 15 percent increase will take place on March 1, 2018 and then increase again on March 1, 2023. The lease agreement will expire on February 29, 2028.

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 approve the proposed amendment. However, utilizing the method follows the established method in other lease agreements at SAT.

FISCAL IMPACT:

The current rental rate is \$0.40 per square foot. On March 1, 2018, the rental rate will increase to \$0.46 per square foot and generate \$47,649.56 annually. The funds will be deposited into the Aviation Operating and Maintenance Fund.

March 1, 2018 through February 28, 2023

Premises	Area (Sq. Ft)	Annual Rate/Sq. Ft	Annual Rental
Ground	103,586	\$0.46	\$47,649.56

March 1, 2023 through February 28, 2028

Premises	Area (Sq. Ft)	Annual Rate/Sq. Ft	Annual Rental
Ground	103,586	\$0.53	\$56,900.58

RECOMMENDATION:

Staff recommends the approval of an amendment to the lease agreement with the USPS at the San Antonio International Airport.