



City of San Antonio

Agenda Memorandum

File Number:18-5395

Agenda Item Number: 11.

Agenda Date: 10/11/2018

In Control: City Council A Session

DEPARTMENT: Aviation

DEPARTMENT HEAD: Russell J. Handy

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Amendment to the Lease Agreement with Sierra Victor, Inc. at San Antonio International Airport

SUMMARY:

This Ordinance will authorize an amendment to the lease agreement with Sierra Victor, Inc. (Sierra Victor) at the San Antonio International Airport to extend the term for an additional 10-year period with the option to extend an additional three one-year periods. The extension of the term is contingent on Sierra Victor completing the work described below. The amendment also provides with a guarantee that the city will not require Sierra Victor to relocate if necessary for seven years from the date of execution of the amendment. This agreement will also increase the leased premises in the amount of 5,503 square footage of ground space for a surface parking area and a covered carport structure at the rental rate of \$0.42 per square foot and will be adjusted periodically.

BACKGROUND INFORMATION:

Sierra Victor, Inc. has provided storage and the maintenance of corporate aircraft since October of 1996 through Ordinance 84988. The lease agreement was for a term of 10 years with the option to extend for a five-year period. In 2006, the agreement was extended for another five-year period through Ordinance 2006-09-07-1034. In November 2015, City Council authorized an amendment to the agreement for an additional three years with two, one-year extension in exchange of Sierra Victor's demolishing two hangars (Buildings 1400 and 1401) and constructing a security fence that meets the Transportation Aviation Security (TSA) regulations under Ordinance 2015-11-12-0944. This work was completed by Sierra Victor.

Sierra Victor would like to extend their lease agreement; build a covered carport on additional ground space; and, have an agreed-upon period where the firm could not be relocated. The City would like to have additional buildings on the leased premises demolished at the expense of the tenant; these facilities were declared surplus by City Council through Ordinance 2009-02-05-0084 and can be demolished. Both parties have negotiated the proposed amendment for consideration of City Council.

Proposed Amendment

This amendment will extend the term for an additional ten-year period to October 30, 2029. This term can be extended for an additional three, one-year periods. The extension of the term from its expiration date of October 31, 2019 is contingent on Sierra Victor completing the work requested by the city and TSA within 180 days from the from the date all required permits are issued. Work will include the removal of the Brown Hangars, ALP Buildings #1425/1426 and #1430 and Nayak Hangars and the installation of TSA-approved permanent security fencing. A full list of the tasks that must be completed is included in the amendment.

The amendment includes an increase of 5,503 square feet of additional surface parking area for the construction of a covered carport at the initial ground rental rate of \$0.42 per space foot, which will be adjusted based on the standard provision listed in the lease agreement. The rental rate was assessed utilizing an appraisal completed by Eckmann Groll on January 10, 2018. The additional ground space will generate an additional \$2,311.26 in annual revenue.

Under this amendment, the city agrees not to exercise its right to relocate Sierra Victor prior to the expiration of the seven years from the date of the execution of the amendment. Within 60 days of the completion of the demolition work, Sierra Victor will provide the city with documentation of all costs and payments associated with the work. This documentation will be reviewed and validated by the city. This information will develop the amortization schedule covering the ten-year primary extension. If the city exercises its right to relocate Sierra Victor, the tenant will be reimbursed for any remaining unamortized amounts related to the demolition work for any unexpired portion of the primary 10-year term. The city will provide a 12-month written notice prior to exercising its right to relocate.

ISSUE:

This Ordinance will authorize an amendment to the lease agreement with Sierra Victor to extend the term for an additional 10-year period with the option to extend an additional three one-year periods, contingent on Sierra Victor demolishing several structures and installing TSA-approved security fencing. The amendment also provides with a guarantee that the city will not require Sierra Victor to relocate if necessary for seven years from the date of execution of the amendment. This agreement will also increase the leased premises in the amount of 5,503 square footage of ground space for a surface parking area and a covered carport structure at the rental rate of \$0.42 per square foot and will be adjusted periodically.

City Council authorization is required for any revenue contracts, lease agreements or amendments over six months for the San Antonio Airport System.

ALTERNATIVES:

City Council could elect to not authorize the proposed amendment to the lease agreement with Sierra Victor. However, this amendment to the lease agreement provides mutual benefit to both parties. If the amendment is not approved, the City must bear the significant cost of the proposed demolition work, and risks losing a valued airport tenant.

FISCAL IMPACT:

The lease agreement generates \$50,381.16 in annual revenue for the Operating and Maintenance Fund. This proposed amendment will add an additional \$2,311.26 in annual revenue for the 5,503 square feet of ground space. The rental rate of \$0.42 per square foot was developed from an appraisal completed by Eckmann Groll on January 10, 2018. With the approved amendment, the leased premise will generate \$52,692.42 in annual revenue.

RECOMMENDATION:

Staff recommends an amendment to the lease agreement with Sierra Victor at the San Antonio International Airport.