



City of San Antonio

Agenda Memorandum

File Number:19-2597

Agenda Item Number: 12.

Agenda Date: 5/30/2019

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 Services Automobile Association (USAA) at the San Antonio International Airport

SUMMARY:

Council consideration for authorization of an amendment to the lease agreement with the United Services Automobile Association (USAA) for its leasehold at 10500 John Cape Road. The amendment includes a memorandum of agreement to share costs related to roof repairs to the USAA hangar and covered parking structure with each party contributing \$91,889.00 to the overall project cost of \$183,778.00 and certain adjustments related to maintenance and rent escalation.

BACKGROUND INFORMATION:

On December 1, 2005, City Council authorized a 15-year lease agreement with USAA with the option of two five-year extensions for the use of approximately 80,532 square feet of ground space and a 25,862 square foot building at 10500 John Cape Road.

In April 2016, the hangar and the parking structure received hail damage. Both the tenant and City recognized conflicting language in the 2005 lease agreement regarding responsibility for roof repairs.

This amendment to the lease agreement addresses the roof repairs and replaces the conflicting language. The amendment also replaces the outdated appraisal adjustment process with the now standard process of a 15% rental escalation every five years for the rest of the term, which will begin on March 1, 2020.

ISSUE:

The ordinance authorizes an amendment to the lease agreement with USAA including:

Roof Repairs to Hangar and Covered Parking Structure at USAA

Both parties agreed to share the costs for the roof repairs. USAA will obtain the Contractor and pay for the work in totality with the City reimbursing USAA for its share in the amount of \$91,889.00.

Maintenance and Repairs Provision

The new language clarifies that USAA will be responsible for utility fees and the repair and maintenance work to structures on the leasehold caused by ordinary or extraordinary reasons including weather. The adequacy of the performance of the foregoing maintenance and repair by USAA will be determined by the Aviation Director. Should the tenant refuse or neglect to undertake any such maintenance or repair or if the City is required to perform any maintenance or repair necessitated by negligent acts or omissions of tenant, employees, agents, subtenants, and others, then the City has the right to perform the maintenance or repair work on behalf of the tenant who will be responsible to reimburse the City no later than 10 days following tenant's receipt of the written demand from the City for same. In cases not requiring exigent action, City will provide tenant a written request to perform the described work at least 30 days before the City undertakes such work on behalf of the tenant.

Rental Escalation

The original lease agreement, approved by City Council in 2005, included the application of the appraisal adjustment method. This amendment replaces the original language with the 15% method, which applies a flat 15% rent escalation every five years allowing tenants to plan for anticipated costs over the lifetime of the term of the lease agreement. The next rent escalation will begin on March 1, 2020 when the next contract extension will commence and applied every five years. Both parties agreed to exercise the two, five-year extensions and the expiration date of the lease agreement is now February 28, 2030.

ALTERNATIVES:

This amendment addresses the conflicting language in the agreement and updates the rental escalation method. In addition, it addresses how the City and USAA could share the costs for the roof repairs. USAA and the City were able to negotiate a memorandum of agreement to share the costs of the repairs to the hangar and covered parking equally.

FISCAL IMPACT:

Ordinance authorizing an amendment to the lease agreement with the United Services Automobile Association to share costs related to roof repairs to the hangar and covered parking structure roof at 10500 John Cape Road, update the provisions related to the maintenance and repair provisions; and, update the rental rate process.

Roof Repairs

If authorized, the City will pay \$91,889.00 to USAA for the work from the FY2019 Airport Operating and Maintenance Fund for its share of the total project cost of \$183,778.00.

Rental Escalation

The lease agreement, approved by City Council in 2005, will generate \$149,514.60 in annual revenue through

February 29, 2020. On March 1, 2020, the lease agreement will generate \$171,941.76 in annual rental based on the 15% rate escalation.

RECOMMENDATION:

Staff recommends the authorization of the amendment to the lease agreement with the United Services Automobile Association (USAA) for their leasehold at 10500 John Cape Road at the San Antonio International Airport.