



City of San Antonio

Agenda Memorandum

File Number:20-3067

Agenda Item Number: 12.

Agenda Date: 5/21/2020

In Control: City Council A Session

DEPARTMENT: Aviation

DEPARTMENT HEAD: Jesus H. Saenz, Jr., IAP

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Lease Agreement with HH Aviation, L.L.C. at the San Antonio International Airport

SUMMARY:

An ordinance authorizing a lease agreement with HH Aviation, L.L.C. (HH Aviation) for Hangar Building 1100 and ground space at 10226 John Cape Road at the San Antonio International Airport with an initial term of five years. The term may be extended for an additional five years if HH Aviation expends at least \$1 million in approved capital improvements to the leasehold before the end of the fourth year of the initial term. The agreement will generate \$132,934.84 in annual revenue for the Airport Operating and Maintenance Fund. The revenue is based on an appraisal completed by Valbridge Property Advisors in January 2020.

BACKGROUND INFORMATION:

HH Aviation is the corporate aviation division of HOLT CAT that operates out of the Holt Hangar at San Antonio International Airport. Holt is a San Antonio-based company and the largest Caterpillar heavy equipment and engine dealership in the United States with locations throughout Texas. HH Aviation has operated at San Antonio International Airport for more than 30 years. The firm has a leasehold at 911 Paul Wilkins Rd comprised of Building 1120 and ground space.

In 2014, City Council authorized the Assignment and Assumption Agreement for the leasehold at 10226 John Cape Road to HH Aviation which included 15,400 square feet of Hangar Building 1100 and 60,644 square feet of ground space. The agreement expired in November 2019 and has been extended under the holdover provision while the long-term lease agreement is negotiated.

ISSUE:

The City and HH Aviation have negotiated a lease agreement for the property at 10226 John Cape. HH Aviation will use the location for the storage and maintenance of corporate aircraft and associated office support activities. The firm will continue to lease its original location. The initial term of the agreement is five years with the option to renew for an additional five-year period if the firm expends at least \$1 million in capital improvements to the John Cape location before the end of the fourth calendar year of the initial term.

Lease agreements with terms over six months require City Council authorization.

ALTERNATIVES:

City Council could elect to not approve the lease agreement which would result in HH Aviation not being able to support its business activity and the Aviation Department would lose revenue for the Airport Operating and Maintenance Fund.

FISCAL IMPACT:

The agreement will generate \$132,934.84 in annual revenue. The rental rates were based on appraisals performed by Valbridge Property Advisors in January 2020. If HH Aviation performs the minimal capital investment of \$1 million to the leasehold by the end of the fourth year of the initial term, the term may be extended for an additional five-year period. The new rental rate for years six through 10 will increase by 15%. Revenue generated by the agreement will be deposited into the Airport Operating and Maintenance Fund.

Leased Premises	Square Feet	Annual Rate/ Square Foot	Annual Rental
Building 1110	15,400	\$6.23	\$95,942.00
Ground space	60,644	\$0.61	\$36,992.84
TOTAL			\$132,934.84

RECOMMENDATION:

Staff recommends the authorization of a lease agreement with HH Aviation, L.L.C. at the San Antonio International Airport.