



City of San Antonio

Agenda Memorandum

File Number:

Agenda Item Number: 24

Agenda Date: December 15, 2022

In Control: City Council A Session

DEPARTMENT: Center City Development & Operations

DEPARTMENT HEAD: John Jacks

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Office Lease to Support the Airport's Terminal Development Program Team

SUMMARY:

Lease agreement for five years for 26,006 square feet of office space at 10100 Reunion Place in Council District 9, with the right to expand into an additional 10,973 square feet of space. The lease also includes a five year renewal term. Funding in the amount of \$392,405.75 is available in the FY 2023 Airport Operating & Maintenance Fund Adopted Budget. Funding for subsequent years of the lease is contingent on City Council approval of the annual budget.

BACKGROUND INFORMATION:

On November 18, 2021, City Council approved the Strategic Development Plan (SDP), a Master Planning process required by the Federal Aviation Administration to take place every eight to ten years. This process is a comprehensive, long-range study of every physical aspect of an airport to ensure it meets projected demand and serves its designated role within the national airport system.

The SDP for the San Antonio International Airport identified airfield, terminal, roadway and supporting infrastructure improvements, including:

- Enhancing safety in all areas

- Accommodating non-stop flights to farther international destinations and optimizing the capacity of existing runways
- Increasing aircraft gates for increased number of flights
- Providing an enhanced passenger experience through facilities able to handle increased passenger growth in the terminal facilities, parking, and reduced vehicular congestion
- Ensuring a sense of place
- Incorporating technology and innovation

During the B Session presentation on May 18, 2022, the City Council was presented with the major components included in the Terminal Development Program, which will include a new Terminal C as well as other enabling facilities to support air service growth for the San Antonio region, scheduled to be operational by the end of the second quarter of 2028.

City staff from the Aviation Department and other departments require a centralized location to support the Terminal Development Program. This centralization will provide an efficiency of services as well as proactively relocate Aviation staff in anticipation of space requirements for new airport facilities.

ISSUE:

This lease agreement will provide additional office space to support the Terminal Development Program for the San Antonio International Airport which will build a new Terminal C facility and enabling projects by the end of the second quarter of 2028. The additional office space will centralize the City staff involved in the planning, development, financing and construction of the Terminal Development Plan as well as the consultants who have been contracted to support these activities. As part of the FY 2023 Budget, the City Council authorized over 30 new positions for the following departments to support the Terminal Development Plan from Aviation, Finance, Human Resources, Development Services and IT.

Under terms of the lease the landlord will improve the building to meet the City's needs with anticipated occupancy commencing in February 2023. Lease terms provide for flexibility allowing the City to expand the occupancy, terminate the use any time after the third year and renew for an additional five years if there is further need for leased space. The Director of the Aviation Department may administratively implement the expansion and renewal clauses under the lease.

ALTERNATIVES:

The Council may elect not to approve this agreement and search for other office space to accommodate this need. However, given there are no owned facilities that can accommodate this need proximate to the airport, it is unlikely we could find a more favorable leased building at a more competitive lease rate.

FISCAL IMPACT:

Under the terms of the lease, rent will be charged according to the following schedule:

Term	Monthly/Annual Rent	Annual Rate PSF
Year 1	\$55,262.75/ \$663,153	\$25.50
Year 2	\$57,473.26/ \$689,679	\$26.52
Year 3	\$59,772.19/ \$717,266	\$27.58
Year 4	\$62,163.08/ \$745,957	\$28.68
Year 5	\$64,649.60/ \$775,795	\$29.83

The costs cited above include all expenses associated with the City occupancy. In the event the City expands the occupancy as provided in the lease the rent will increase proportionality by the per square foot amounts cited above on an annual basis. Funding in the amount of \$392,405.75 is available in the FY 2023 Airport Operating & Maintenance Fund Adopted Budget. Funding for subsequent years of the lease is contingent on City Council approval of the annual budget. Furthermore, after the initial five year term has expired, the lease delegates to the Director of the Aviation Department the option to extend the lease an additional five years at market rate.

RECOMMENDATION:

Staff recommends that City Council authorize the execution of a five year lease agreement for 26,006 square feet of office space located at 10100 Reunion Place with the right to expand up to an additional 10,973 square feet.