

AN ORDINANCE **2014 - 11 - 13 - 0905**

**AUTHORIZING AN AMENDMENT TO THE LEASE WITH M7
AEROSPACE LLC AT THE SAN ANTONIO INTERNATIONAL
AIRPORT.**

* * * * *

WHEREAS, pursuant to Ordinance 2010-11-18-0980, City Council authorized a Lease for a ten year term with two five-year options with M7 Aerospace LP, now operating as M7 Aerospace LLC (“M7 Aerospace”), for ground space and several City-owned hangars and buildings for operation of aircraft maintenance, repair, and overhaul and manufacturing facilities at San Antonio International Airport; and

WHEREAS, M7 Aerospace has requested to reduce the size of the leased premises by the removal of Building 12/1840, consisting of 20,008 square feet, and ground space totaling 36,316, allowing the City to recapture the building and ground space for the Airport’s use, which changes require an Amendment to the Lease to reduce the area of the Leased Premises, which will reduce the revenue generated under the Lease by \$63,527.90 to an annual revenue amount to \$736,472.10; **NOW THEREFORE**,

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO:

SECTION 1. The City Manager or her designee is hereby authorized to execute the First Amendment to the existing Lease with M7 Aerospace LLC, to reduce the area of the Leased Premises and the Lease rentals, a copy of which amendment is set out in **Exhibit 1**.

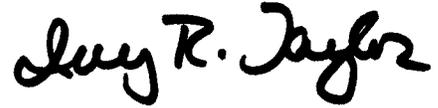
SECTION 2. Funds generated by this Ordinance will be deposited as per the table below:

Amount	General Ledger	Internal Order	Fund
\$295,260.10	4409040	233000000004	51001000
\$441,212.00	4409016	233000000004	51001000
Total Amt \$736,472.10			

SECTION 3. The financial allocations in this Ordinance are subject to approval by the Director of Finance, City of San Antonio. The Director of Finance, may, subject to concurrence by the City Manager or the City Manager's designee, correct allocations to specific SAP Fund Numbers, SAP Project Definitions, SAP WBS Elements, SAP Internal Orders, SAP Fund Centers, SAP Cost Centers, SAP Functional Areas, SAP Funds Reservation Document Numbers, and SAP GL Accounts as necessary to carry out the purpose of this Ordinance.

SECTION 4. This Ordinance shall take effect immediately upon receipt of eight affirmative votes; otherwise, it is effective ten days after passage.

PASSED and APPROVED this 13th day of November, 2014.

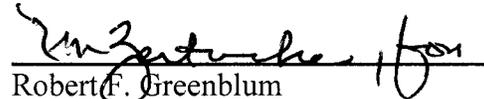

M A Y O R
Ivy R. Taylor

ATTEST:



Leticia M. Vacek
City Clerk

APPROVED AS TO FORM:



Robert F. Greenblum
City Attorney

Agenda Item:	18 (in consent vote: 5, 6, 8, 9, 10, 11, 13, 15A, 15B, 16, 17, 18, 19A, 19B, 22, 23, 24, 25, 26, 27, 28, 30, 31, 33, 37A, 37B, 37C, 37D, 37E)						
Date:	11/13/2014						
Time:	09:45:37 AM						
Vote Type:	Motion to Approve						
Description:	An Ordinance authorizing an amendment to the lease agreement with M7 Aerospace to recapture a building and 36,316 square feet of ground space at San Antonio International Airport. [Ed Belmares, Assistant City Manager; Frank Miller, Director, Aviation]						
Result:	Passed						
Voter	Group	Not Present	Yea	Nay	Abstain	Motion	Second
Ivy R. Taylor	Mayor		x				
Diego Bernal	District 1		x				x
Keith Toney	District 2		x				
Rebecca Viagran	District 3		x				
Rey Saldaña	District 4	x					
Shirley Gonzales	District 5	x					
Ray Lopez	District 6		x				
Cris Medina	District 7		x				
Ron Nirenberg	District 8		x				
Joe Krier	District 9		x			x	
Michael Gallagher	District 10		x				

Exhibit 1

**SAN ANTONIO INTERNATIONAL AIRPORT
FIRST AMENDMENT OF LEASE**

THIS FIRST AMENDMENT OF LEASE ("Amendment") is entered into by and between **M7 AEROSPACE LLC** ("Lessee"), a Delaware limited liability company authorized to conduct business in the State of Texas (formerly named M7 Aerospace LP), acting by and through its general partner, M7 Aerospace GP, LLC, a Delaware limited liability company; and the **City of San Antonio** ("City" or "Lessor") acting by and through its City Manager pursuant to Ordinance No. _____ passed and approved on _____, which Amendment is set forth as follows:

WHEREAS, City and Lessee entered into that certain San Antonio International Airport Lease on November 18, 2010, pursuant to Ordinance No. 2010-11-18-0980 (hereinafter the "Lease"); and

WHEREAS, Tenant and City have agreed to remove Building 12, located in Parcel B, from the Leased Premises, resulting in the necessity of changing the exhibit which depicts the location of the Leased Premises, and resulting in an adjustment to the rental payment to exclude Building 12 and ground space for Building 12 and adjacent parking;

NOW THEREFORE: in consideration of the terms, covenants and promises, agreements and demises herein contained, and for other good and valuable consideration, each to the other given, the receipt and sufficiency of which is hereby acknowledged, Lessee and City agree:

I. Article 2, Description of Leased Premises of the Lease Agreement is hereby deleted in its entirety and replaced with the following:

ARTICLE 2. DESCRIPTION OF LEASED PREMISES

2.01 Lessor, for and in consideration of the rents, covenants and promises herein contained to be kept, performed and observed by Lessee, does hereby lease unto Lessee, and Lessee does hereby accept from Lessor, the following described property (collectively referred to as "Leased Premises"):

2.02 Ground Space: 20.69 acres (901,530 square feet) of land at the San Antonio International Airport, San Antonio, Bexar County, Texas, identified in **Exhibits 1-A and 1-B** attached hereto and made a part hereof by reference ("Ground Space"), and consisting of the following:

Ground	Area in square feet
Parcel A	523,747
Parcel B	88,642
Parcel D	279,901
Parcel F	9,240
Total Ground	901,530

2.03 Building Space: 437,940 square feet of hangar, shop, warehouse and office space identified in the attached **Exhibit 1-A and 1-B**, and listed below:

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<u>Building Name</u>	<u>Area in square feet</u>
Building 130/1820	25,199
Hangar 5/1830	171,274
Building 150/1833	56,960
Building 13 (B)/1835	37,536
Building 14/1845	50,550
Hangar 11/1825	43,621
Building A/2836	25,500
Building C/1835	4,800
Building D/1833	22,500
Total	437,940

2.04 The Leased Premises were previously occupied by Lessee under a different lease. Said lease had its inception in 1987 and had been amended six times. Each of the six amendments enlarged and/or reduced the original leasehold, making the lease more complex and the lease boundary lines more difficult to ascertain. Lessor and Lessee have agreed that a new survey is necessary to ascertain the current boundaries of the Leased Premises. In furtherance of this objective, Lessor shall perform a meets and bounds survey of the Leased Premises, at Lessor's expense, within 180 days of the commencement of this Lease Agreement. Said survey shall be delivered to Lessee and incorporated into and become part of this Lease Agreement, and shall become the controlling description of the Leased Premises and its boundaries; provided Lessee shall have the right to reasonably approve any material differences in said survey and the description of the Leased Premises attached to this Lease Agreement. Notwithstanding the foregoing, rental for December 1, 2014 through November 30, 2015 shall be \$730,979.27 and rental for December 1, 2015 through November 30, 2020 shall be \$824,193.51.

2.05 Lessor hereby reserves an access easement across that portion of the Leased Premises identified on **Exhibit 1**, as an access easement for the use of Lessor and its assigns, including without limitation its other permitted users and occupants of the Airport and any and all emergency service vehicles or personnel.

2.06 **Exhibits 1-A and 1-B** attached hereto and incorporated by reference replace Exhibit 1 attached to the Lease in its entirety.

II. Article 3, Rental of the Lease Agreement is hereby deleted in its entirety and replaced with the following:

ARTICLE 3. RENTAL

3.01 Lessor and Lessee have agreed on the rental that Lessee shall pay for the Leased Premises prior to the performance of the survey described above. Lessee agrees to pay Lessor as rental as indicated on the tables below, monthly in advance (without notice or demand, both of which are expressly waived except as expressly provided for in **Article 21** below) for the use and occupancy of the Leased Premises, at the times and in the manner hereinafter provided. All rentals shall be calculated on an annual basis and shall be paid by Lessee to Lessor in advance without invoicing, notice or demand, in equal monthly installments on or before the first day of each calendar month beginning on the Commencement Date and continuing throughout the remainder of the term of this Lease Agreement and any extension(s) hereof. In the event that the Effective Date of this Amendment shall be a day other than the first day of any calendar

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month or the term of this Lease Agreement shall expire on a day other than the last day of a calendar month, then, and in such event, rental installments will be prorated for the first or last month as the case may be.

A. For the Period commencing December 1, 2014 through November 30, 2015:

Leased Premises	Area (SF)	Annual Rate per Square Foot	Annual Rent	Monthly Rent
Ground				
Parcel A	523,747	\$0.3271	\$171,317.64	\$14,276.47
Parcel B	88,642	\$0.2369	\$20,999.29	\$1,749.94
Parcel D	279,901	\$0.3462	\$96,901.73	\$8,075.14
Parcel F	9,240	\$0.2369	\$2,188.96	\$182.41
Total Ground	901,530		\$291,407.62	\$24,283.97
Buildings				
Building 130/1820	25,199	\$0.0397	\$1,000.40	\$83.37
Hangar 5/1830	171,274	\$1.0121	\$173,360.12	\$14,446.68
Building 150/1833	56,960	\$0.2633	\$14,997.57	\$1,249.80
Building 13 (B)/1835	37,536	\$0.5328	\$19,999.18	\$1,666.60
Building 14/1845	50,550	\$2.9278	\$148,000.29	\$12,333.36
Hangar 11/1825	43,621	\$0.9285	\$40,502.10	\$3,375.17
Building A/2836	25,500	\$0.7900	\$20,145.00	\$1,678.75
Building C/1835	4,800	\$0.7900	\$3,792.00	\$316.00
Building D/1833	22,500	\$0.7900	\$17,775.00	\$1,481.25
Total Buildings	437,940		\$439,571.65	\$36,630.97
TOTAL			\$730,979.27	\$60,914.94

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B. For the Period commencing December 1, 2015 through November, 2020.

Leased Premises	Area (SF)	Annual Rate per Square Foot	Annual Rent	Monthly Rent
Ground				
Parcel A	523,747	\$0.3679	\$192,686.52	\$16,057.21
Parcel B	88,642	\$0.2666	\$23,631.96	\$1,969.33
Parcel D	279,901	\$0.3895	\$109,021.44	\$9,085.12
Parcel F	9,240	\$0.2666	\$2,463.94	\$205.33
Total Ground	901,530		\$327,803.86	\$27,316.99
Buildings				
Building 130/1820	25,199	\$0.0446	\$1,123.88	\$93.66
Hangar 5/1830	171,274	\$1.1495	\$196,879.46	\$16,406.62
Building 150/1833	56,960	\$0.2963	\$16,877.25	\$1,406.44
Building 13 (B)/1835	37,536	\$0.5999	\$22,519.35	\$1,876.61
Building 14/1845	50,550	\$3.2938	\$166,501.59	\$13,875.13
Hangar 11/1825	43,621	\$1.0445	\$45,562.13	\$3,796.84
Building A/2836	25,500	\$0.8887	\$22,661.85	\$1,888.49
Building C/1835	4,800	\$0.8888	\$4,266.24	\$355.52
Building D/1833	22,500	\$0.8888	\$19,998.00	\$1,666.50
Total Building	437,940		\$496,389.75	\$41,365.81
TOTAL			\$824,193.61	\$68,682.80

C. For the First Five Year Extension, commencing December 1, 2020 through November 30, 2025:

The annual rent shall be the fair market value of the Leased Premises, as determined by future appraisal performed in accordance with the Appraisal Process. Fair market value shall be ten percent (10%) of the fee simple appraised value of the Leased Premises.

D. For the Second Five Year Extension, commencing December 1, 2025 through November 30, 2030:

The annual rent shall be the Fair Market Value of Leased Premises as determined by future appraisal performed in accordance with the Appraisal Process. Fair Market Value shall be ten percent (10%) of the fee simple appraised value of the Leased Premises.

3.02 Fees and charges for miscellaneous items and services, including, but not limited to, employee badges, parking charges for areas other than the Leased Premises, airfield driver's and security classes, shall be assessed by City ordinance, in connection with the ordinary usage of Airport facilities, provided such fees and charges shall be equally applicable to all similarly situated parties.

3.03 Lessee shall pay to City additional fees, charges and rentals in the event of any of the following:

- (a) If City has paid any sum or sums, or has incurred any obligation or expense, for which Lessee has agreed to pay or reimburse City, or for which Lessee is otherwise responsible;

(b) If Lessor is required or elects to pay any sum or sums, or incur any obligation or expense, because of the failure, neglect or refusal of Lessee to perform or fulfill any of the promises, terms, conditions or covenants required of it herein beyond any applicable notice and cure periods;

(c) Pursuant to any separate permit or written agreement between the parties not contained herein;

(d) Pursuant to any ordinance or resolution of City; or

(e) Use of facilities that are not a part of the Leased Premises, provided that additional fees, charges and rental would apply to non-governmental users of such facilities.

3.04 All rentals and payments that become due and payable by the Lessee shall be made to the City of San Antonio and shall be mailed or delivered to:

City of San Antonio
Aviation Department, Attn: Finance Division
457 Sandau Road
San Antonio, Texas 78216

unless Lessee is otherwise notified in writing. The Lessor reserves the right to require that payment be made by wire transfer. All rentals and payments unpaid for ten (10) days after the date due shall bear an interest rate from the date the payment was originally due until paid. From October 1, 2010 through March 31, 2012 the interest rate shall be ten percent (10%) per annum. Effective April 1, 2012, the interest rate shall be eighteen percent (18%) per annum, or the maximum allowable rate.

3.06 All rentals, fees and charges payable by Lessee to Lessor under the terms hereof, whether or not expressly denominated as rent, shall constitute rent for all purposes, including, but not limited to, purposes of the United States Bankruptcy Code.

III. This Amendment sets forth the entire agreement between the parties with respect to the subject matter hereof. Except as modified herein, the terms and conditions of the Lease, as amended by this Amendment remain in full force and effect.

IV. The Amendment shall be effective upon execution by City ("Effective Date").

V. This Amendment is executed in multiple counterparts each of which contains all required original signatures and shall be considered an original on its own.

IN WITNESS WHEREOF, the undersigned have duly executed this Amendment of Lease as of the dates set forth below.

CITY OF SAN ANTONIO
A Texas home-rule municipality

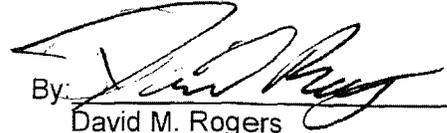
M7 AEROSPACE LLC
A Delaware Limited Liability Company

By: _____
Sheryl Sculley, City Manager

Date: _____

Approved as to form:

City Attorney

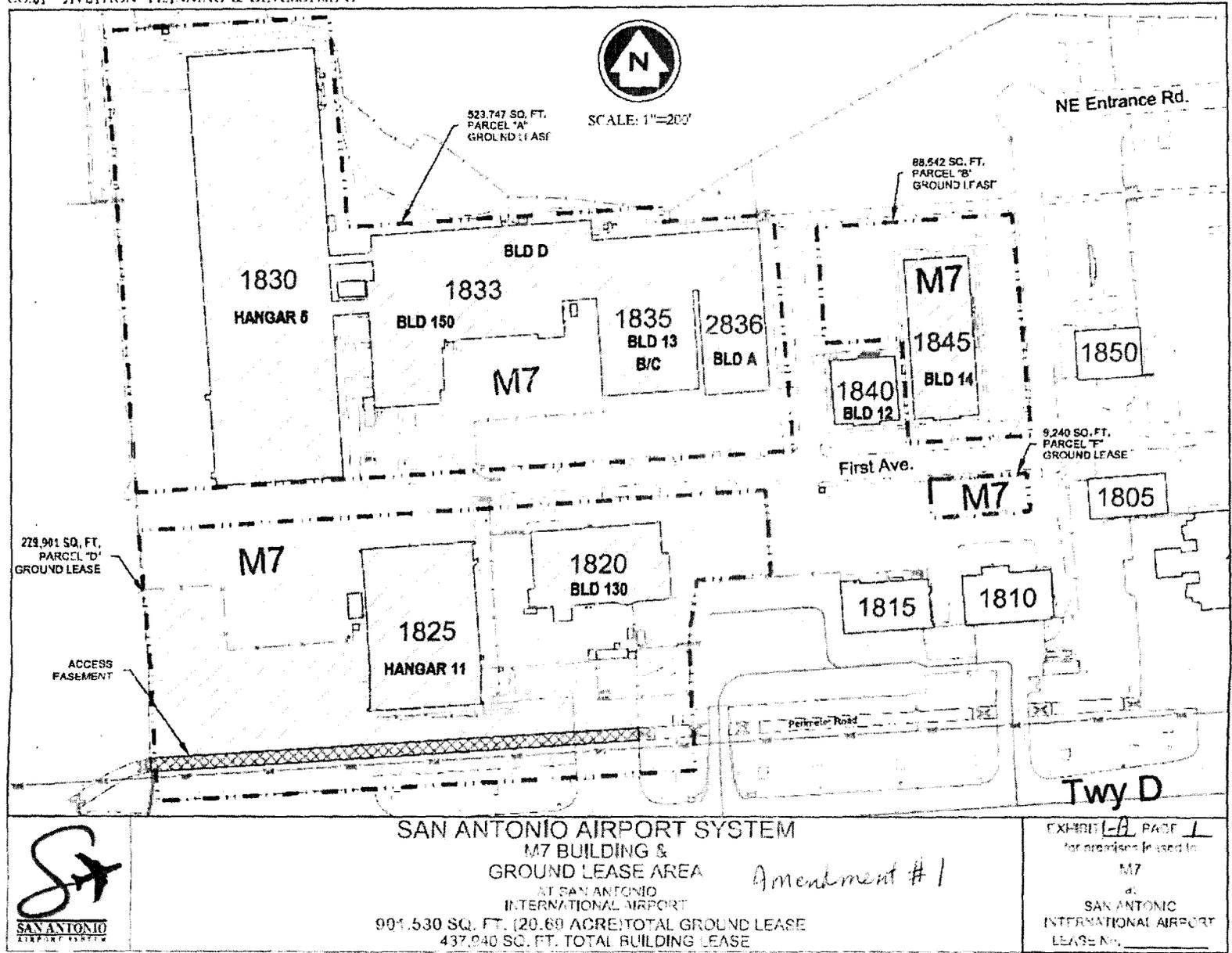
By: 
David M. Rogers
Senior Vice President, Operations
Date: 5-Nov-2014


11/5/2014

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**EXHIBITS 1-A and 1-B
Leased Premises**

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SAN ANTONIO AIRPORT SYSTEM

M7 BUILDING & GROUND LEASE AREA

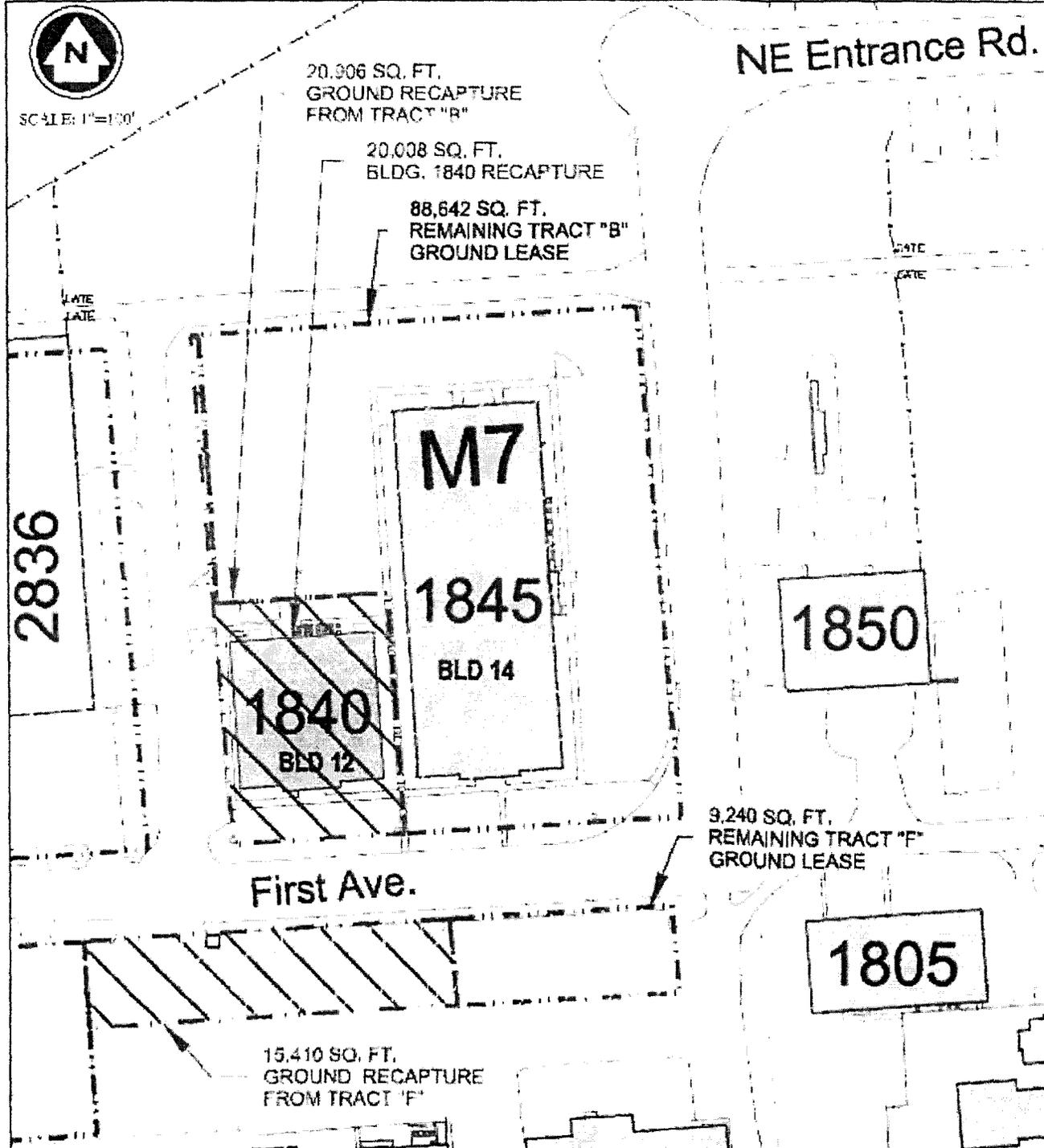
AT SAN ANTONIO INTERNATIONAL AIRPORT

901,530 SQ. FT. (20.69 ACRES) TOTAL GROUND LEASE
437,940 SQ. FT. TOTAL BUILDING LEASE

Amendment #1

EXHIBIT LA PAGE 1
for premises leased to
M7
at
SAN ANTONIO INTERNATIONAL AIRPORT
LEASE No. _____

DMR



SAN ANTONIO AIRPORT SYSTEM
BLDG. #1840 & GROUND AREAS
M7 LEASE *Amendment #1*
AT SAN ANTONIO INTERNATIONAL AIRPORT
36,316 SQ. FT. TOTAL GROUND RECAPTURE
20,008 SQ. FT. TOTAL BUILDING RECAPTURE

EXHIBIT 1-b, PAGE 1
 for premises recaptured from
M7
 at
SAN ANTONIO INTERNATIONAL AIRPORT
 LEASE No. _____

Handwritten signature/initials