

AGENDA



Thursday, March 26, 2009

**Aviation
RECOMMENDATION FOR COUNCIL ACTION****Item No. 10**

Subject: Authorize negotiation and execution of a sixty-three month lease with Aero Austin L.P. for approximately 24,000 sq. ft. of warehouse and office space at the Aeroterm Cargo facility at Austin-Bergstrom International Airport at an annual rental not to exceed \$186,000 for the initial year, escalating annually thereafter at a rate not to exceed 4% per year, plus the City's pro-rata share of utilities, with an option for renew the lease for two additional terms of three years each on the same terms and conditions.

Amount and Source of Funding: Funding in the amount of \$108,000; \$93,000 for one-half year's rent and \$15,000 for estimated utilities, is available in the Fiscal Year 2008-2009 Operating Budget of the Aviation Department. Funding for the remainder of the initial lease term and extension options is contingent upon available funding in future budgets.

Fiscal Note: There is no unanticipated fiscal impact. A fiscal note is not required.

For More Information: For more information call David Petersen at 530-7526.

Boards and Commission Action: Recommended by the Austin Airport Advisory Commission.

The proposed lease is to provide on-Airport warehouse space and storage for the Aviation Department.

In 1999 the City of Austin Department of Aviation entered into a ten year lease for warehouse and storage space with Austin Bellyport Development LLC. That lease expires at the end of April 2009. The proposed lease with Aero Austin L.P. is intended to replace the Austin Bellyport lease. The Aero Austin lease will provide the Aviation Department with equivalent storage/warehouse space at a significantly lower cost than the current lease, while freeing up space in the Bellyport facility for airlines, groundhandlers, concessionaires, and other aviation users. The Aeroterm facility is also more efficient as the warehouse space is one large contiguous area, while the Austin Bellyport space was divided into two separate buildings. After considering offers from both Aeroterm and Aviation Facilities Company, Inc. which manages the Bellyport facility, the Department recommends entering into a lease with Aeroterm. The rental for the first year will be \$186,000, plus the cost of utilities. The rental includes a base rent component and a variable expense component, and will escalate at approximately 4 % annually thereafter. The lease provides an option to renew for two terms of three years each on the same terms and conditions.