

**CITY OF SAN ANTONIO
AVIATION DEPARTMENT
CITY COUNCIL AGENDA MEMORANDUM**

TO: Mayor and City Council

FROM: Mark H. Webb, Interim Aviation Director

SUBJECT: New Lease with United Services Automobile Association at San Antonio International Airport

DATE: December 1, 2005

SUMMARY & RECOMMENDATION

An Ordinance authorizing the execution of a Lease Agreement between the City of San Antonio and United Services Automobile Association ("USAA") for the use of approximately 80,532 square feet of ground space, located at 10500 John Cape Road, and a 25,862 square foot building thereon for a term of fifteen (15) years with two (2) five-year renewal options. Over the fifteen (15) year term of the Lease Agreement, the anticipated building and ground rent will generate approximately \$1.8 million in revenue.

Staff recommends the approval of this ordinance.

BACKGROUND INFORMATION

USAA, headquartered in San Antonio, Texas, is a diversified financial services company, with 5.2 million members, that is known for its financial strength, outstanding service, and competitive products. USAA was established in 1922, when a group of Army Officers, who decided to self-insure each other, met in San Antonio to form United States Army Automobile Association, a member-owned insurance company. In 1923, the company began to extend eligibility to the other branches of the armed services, and was renamed United Services Automobile Association (USAA) the following year. USAA has grown into a Fortune 200 financial services company with more than \$81 billion in owned and managed assets and has approximately 21,000 employees in offices located throughout the United States and Europe of which 14,000 are located in San Antonio. USAA is one of only two property and casualty insurance companies in the nation to maintain the highest possible rating from all three major ratings agencies – A. M. Best, Moody's and Standard & Poor's – for its companies.

USAA has been a tenant at San Antonio International Airport since 1985. Its most recent lease expired on February 20, 2005 and since that time USAA has occupied the leased premises on a month-to-month holdover basis, pending the approval of a new lease agreement. The new fifteen-year lease, effective on March 1, 2005, will update airport contract provisions and allow the tenant to continue to occupy 80,532 square feet of ground space, located at 10500 John Cape Road, and a 25,862 square foot hangar with three stories of offices, shops and storage space. Under the new lease, USAA will pay an appraisal-based annual ground rental of \$.4541 per square foot per year. This will produce annual ground rental of \$36,569.59. In addition, USAA has been paying and will continue to pay, since the building reverted to the City upon the lease expiration in February 2005, appraisal-based annual building rental of \$3.21 per square foot per year. This will produce annual building rental of \$83,017.02. USAA currently employs 18 persons in its aviation operation, providing scheduled and on-demand air transportation to meet the business needs of an estimated 6,000 employees annually.

POLICY ANALYSIS

This ordinance is consistent with City Council policy to generate revenue through the leasing of City-owned property.

FINANCIAL DATA

Under the terms of this new Lease Agreement, USAA will pay \$83,017.02 annually in building rent and \$36,569.59 annually for ground rent. Over the fifteen (15) year term of the Lease Agreement, the anticipated building and ground rent will generate approximately \$1.8 million. In addition, USAA purchases jet fuel through a third-party provider, which in turn, pays the Aviation Department approximately \$25,000 annually in fuel flowage fees. Annual revenue is detailed below:

Premises	Sq. Ft.	Rate per Sq. Ft. - Old Lease	Annual Rental – Old Lease	Rate per Sq. Ft. - New Lease	Annual Rental – New Lease
Ground	80,532	\$0.4541	\$35,569.59	\$0.4541	\$35,569.59
Building	25,862	\$0.00	\$0.00	\$3.21	\$83,017.02
Total Rent			\$35,569.59		\$118,586.61

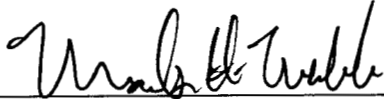
Commencing in 2009, the rental rates will be subject to an economic adjustment at five-year intervals based upon the published Bureau of Labor Statistics Indices.

COORDINATION

This item has been coordinated with the City Attorney's Office and Asset Management Department.

SUPPLEMENTARY COMMENTS

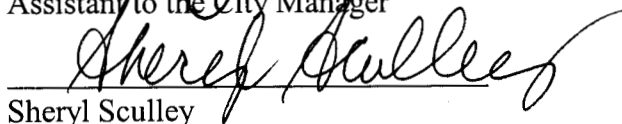
The required City of San Antonio Discretionary Contracts Disclosure form completed by the Lessee is attached.



Mark H. Webb
Interim Aviation Director



Roland A. Lozano
Assistant to the City Manager



Sheryl Sculley
City Manager

City of San Antonio
Discretionary Contracts Disclosure

*For use of this form, see Section 2-59 through 2-61 of the City Code (Ethics Code)
Attach additional sheets if space provided is not sufficient.*

(1) Identify any individual or business entity¹ that is a **party** to the discretionary contract:

UNITED SERVICES AUTOMOBILE ASSOCIATION

(2) Identify any individual or business entity which is a **partner, parent** or **subsidiary** business entity, of any individual or business entity identified above in Box (1):

☐ No partner, parent or subsidiary; or

List partner, parent or subsidiary of each party to the contract and identify the corresponding party: See Attachment One for Direct Subsidiaries

(3) Identify any individual or business entity that would be a **subcontractor** on the discretionary contract.

☒ No subcontractor(s); or

List subcontractors:

(4) Identify any **lobbyist** or **public relations firm** employed by any party to the discretionary contract for purposes related to seeking the discretionary contract.

☒ No lobbyist or public relations firm employed; or

List lobbyists or public relations firms:

¹ A *business entity* means a sole proprietorship, partnership, firm, corporation, holding company, joint-stock company, receivership, trust, unincorporated association, or any other entity recognized by law. A sole proprietor should list the name of the individual and the d/b/a, if any.

(5) Political Contributions

List all political contributions totaling one hundred dollars (\$100) or more within the past twenty-four (24) months made to any *current* or *former member* of City Council, any *candidate* for City Council, or to any *political action committee* that contributes to City Council elections, by any individual or business entity whose identity must be disclosed under Box (1), (2), (3) or (4) above, or by the officers, owners of any business entity listed in Box (1), (2) or (3):

☐ No contributions made; If contributions made, list below:

By Whom Made:	To Whom Made:	Amount:	Date of Contribution:
See Attachment Two			

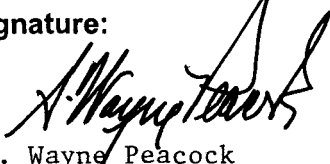
(6) Disclosures in Proposals

Any individual or business entity seeking a discretionary contract with the city must disclose any known facts which, reasonably understood, raise a question² as to whether any city official or employee would violate Section 2-43 of the City Code (Ethics Code), ("conflicts of interest") by participating in official action relating to the discretionary contract.

☒ Party not aware of facts which would raise a "conflicts-of-interest" issue under Section 2-43 of the City Code; or

Party aware of the following facts:

This form is required to be supplemented in the event there is any change in the information before the discretionary contract is the subject of council action, and no later than five (5) business days after any change about which information is required to be filed, whichever occurs first.

Signature:  S. Wayne Peacock	Title: Senior Vice President Corporate Real Estate Company or D/B/A: United Services Automobile Association	Date: 11/9/2005
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² For purposes of this rule, facts are "reasonably understood" to "raise a question" about the appropriateness of official action if a disinterested person would conclude that the facts, if true, require recusal or require careful consideration of whether or not recusal is required.

ATTACHMENT ONE

USAA's DIRECT SUBSIDIARIES

USAA GENERAL INDEMNITY COMPANY

USAA LIFE INSURANCE CO.

USAA CORPORATE ATTORNEY IN FACT, INC.

ENTERPRISE INDEMNITY CAPTIVE INSURANCE. CO. INC.

USAA FUNDING COMPANY

USAA PROPERTY HOLDINGS, INC.

USAA CAPITAL CORPORATION

USAA ALLIANCE SERVICES CO.

ATTACHMENT TWO
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From	To	Office	Date	Amount
USAA EMPLOYEE PAC	Enrique Barrera Campaign	City Council 6	11/16/2004	500
USAA EMPLOYEE PAC	Roger Flores, Jr.	Council District 1	12/19/2003	500
USAA EMPLOYEE PAC	Roger Flores, Jr.	Council District 1	10/27/2004	500
USAA EMPLOYEE PAC	Chip Haass	Council District 10	12/19/2003	500
USAA EMPLOYEE PAC	Chip Haass	Council District 10	5/21/2004	500
USAA EMPLOYEE PAC	Chip Haass	Council District 10	6/23/2005	500
USAA EMPLOYEE PAC	Art Alcausin Hall Campaign	Council District 08	12/19/2003	250
USAA EMPLOYEE PAC	Art Alcausin Hall Campaign	Council District 08	4/20/2004	500
USAA EMPLOYEE PAC	Art Alcausin Hall Campaign	Council District 08	11/16/2004	500
USAA EMPLOYEE PAC	Phil Hardberger for Mayor	Mayor	8/4/2004	2500
USAA EMPLOYEE PAC	Phil Hardberger for Mayor	Mayor	5/12/2005	1000
USAA EMPLOYEE PAC	Delicia Herrera Campaign	City Council	7/27/2005	100
USAA EMPLOYEE PAC	Richard Perez	Council District 04	12/19/2003	500
USAA EMPLOYEE PAC	Richard Perez	Council District 04	2/22/2005	500
USAA EMPLOYEE PAC	Patti Radle	Council District 05	12/19/2003	500
USAA EMPLOYEE PAC	Patti Radle	Council District 05	9/9/2004	500
USAA EMPLOYEE PAC	Carroll Schubert Campaign	City Council 9	4/8/2004	500
USAA EMPLOYEE PAC	Carroll Schubert Campaign	Mayor	8/4/2004	2500
USAA EMPLOYEE PAC	Ron Segovia	Council District 03	12/19/2003	500
USAA EMPLOYEE PAC	Ron Segovia	Council District 03	2/6/2004	250
USAA EMPLOYEE PAC	Joel Williams	Council District 02	2/22/2005	500
USAA EMPLOYEE PAC	Kevin Wolff Campaign	City Council	10/13/2004	500

Source: USAA Employee PAC database.

ATTACHMENT TWO
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From	Title	To	Office	Date	Amount
Steven Bennett	Executive Vice President & General Counsel	Art Alcausin Hall Campaign	Council District 08	12/7/2004	250
Steve Bennett	Executive Vice President & General Counsel	Phil Hardberger for Mayor	Mayor	5/17/2005	500
Chris Claus	President/CEO IMCO	Phil Hardberger for Mayor	Mayor	5/17/2005	500
Elizabeth Conklyn	Executive Vice President, Human Resources	Phil Hardberger for Mayor	Mayor	5/17/2005	500
Bob Davis	Chairman & CEO	Phil Hardberger for Mayor	Mayor	5/17/2005	1000
David Garrison	Executive Vice President, Corporate Services	Phil Hardberger for Mayor	Mayor	5/17/2005	500
Barbara Gentry	Senior Vice President, Community Affairs	Phil Hardberger for Mayor	Mayor	12/5/2004	500
Barbara Gentry	Senior Vice President, Community Affairs	Phil Hardberger for Mayor	Mayor	11/23/2004	250
Barbara Gentry	Senior Vice President, Community Affairs	Phil Hardberger for Mayor	Mayor	5/11/2005	1000
Tim Handren	USAA COO, Executive Vice President EBO	Phil Hardberger for Mayor	Mayor	5/17/2005	500
Dawn Johnson	President/COO ASC & Executive Vice President Marketing	Phil Hardberger for Mayor	Mayor	5/17/2005	500
Edward Kelley	President/CEO Real Estate Company	Kevin Wolff Campaign	Council District 09	1/21/2005 0:00	500
Edward Kelley	President/CEO Real Estate Company	Carroll Schubert for Mayor	Mayor	5/9/2004 0:00	500
Edward Kelley	President/CEO Real Estate Company	Carroll Schubert for Mayor	Mayor	10/25/2004 0:00	1000
Cyndi Taylor Krier	Vice President, Texas Government Relations	Kevin Wolff Campaign	Council District 09	1/29/2005 0:00	500
William McCartney	Senior Vice President, Government Relations	Phil Hardberger for Mayor	Mayor	12/8/2004	1000
William McCartney	Senior Vice President, Government Relations	Phil Hardberger for Mayor	Mayor	5/17/2005	1000
Sam Mitts	Senior Vice President, Senior Financial Officer	Carroll Schubert for Mayor	Mayor	5/8/2004 0:00	250
Sam Mitts	Senior Vice President, Senior Financial Officer	Carroll Schubert for Mayor	Mayor	2/1/2005 0:00	500
Stuart Parker	President/CEO Financial Planning Services	Phil Hardberger for Mayor	Mayor	5/17/2005	500
Joe Robles	Executive Vice President, Corporate Finance & Corporate Treasurer	Phil Hardberger for Mayor	Mayor	5/17/2005	500
Katie Spring	Assistant Vice President, Public Communications	Phil Hardberger for Mayor	Mayor	12/16/2004	250
Wendi Strong	Executive Vice President, Corporate Communications	Phil Hardberger for Mayor	Mayor	5/17/2005	500
Wendi Strong	Executive Vice President, Corporate Communications	Art Alcausin Hall Campaign	Council District 08	3/7/2005	500

Source: Official Website for the city of San Antonio - Campaign Finance Report Page - http://www.sanantonio.gov/clerk/Elections/C_and_E_Rpts/index.htm