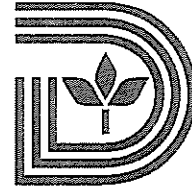


Memorandum



CITY OF DALLAS

DATE February 13, 2009

TO Members of the Economic Development Committee: Ron Natinsky, Chair; Tennell Atkins, Vice-Chair; Jerry R. Allen; Dwaine R. Caraway; Sheffie Kadane; Linda Koop; Mitchell Rasansky; Steve Salazar

SUBJECT TXI Aviation I, L.L.C.
Proposed Lease Amendments

Attached is the briefing entitled, "TXI Aviation I, L.L.C. – Proposed Lease Amendments" that will be presented to you on February 17, 2009.

Please contact me if you need additional information.



Ramon R. Miguez, R.E.
Assistant City Manager

Attachment

c: Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Thomas P. Perkins, Jr., City Attorney
Deborah Watkins, City Secretary
Craig Kinton, City Auditor
Judge C. Victor Lander, Administrative Judge
Ryan S. Evans, First Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
A.C. Gonzalez, Assistant City Manager
Forest E. Turner, Interim Assistant City Manager
David Cook, Chief Financial Officer
Jeanne Chipperfield, Director, Budget and Management Services
Edward Scott, Director, Controller's Office
Helena Stevens-Thompson, Assistant to the City Manager - Council Office
Dan Weber, Director, Department of Aviation

TXI Aviation I, L.L.C. Proposed Lease Amendments

Briefing to the
Economic Development Committee

Department of Aviation
February 17, 2009



Purpose

To discuss the proposal for an amendment to both leases of TXI Aviation I, L.L.C., which extends the deadline for completing capital improvement obligations.

Background

- **1986 – Lease 1**, consisting of 168,000 s.f. and a tenant-constructed \$2.6 M hangar
- **May 2007 – Lease 2**, consisting of 102,000 s.f. located adjacent to Lease 1
 - Included requirement to construct **\$2.5 M, 35K s.f. hangar** within 24 mon (5/09)
- **May 2007 – Lease 1 amended** to coincide with Lease 2 term
 - Included requirement for addt'l **\$1 M, 15K s.f. hangar** within 24 mon
- **April 2008 – amendments** added 19,000 s.f. to Lease 1, and 34,000 s.f. to Lease 2, to accommodate design changes to both hangars

TXI AVIATION I, L.L.C.

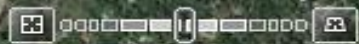
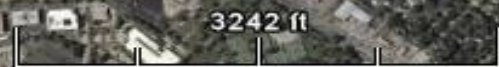


Image © 2006 Sanborn

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Pointer 32°50'51.51" N 96°50'56.61" W

Streaming ||||| 100%

Eye alt 11218 ft

Lease 2 Effective May 2007

Lease 1 Effective 1986

**April 16, 2008, Amended
Lease 2 to add 33,692 SF**

**April 16, 2008, Amended
Lease 2 to add 19,152 SF**

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Pointer 32°50'30.12" N 96°51'21.10" W elev 470 ft Streaming 100%

Eye alt 2224 ft

New Amendment Proposal

- Several events have caused delays in developing improvements:
 - Hangar design challenges, delays caused by proximity to runways
 - FAA approval required several re-design efforts
 - City Staff involved as part of design review process
 - Financial market crisis has prevented financing
- TXI requests a **12 month extension to May 1, 2010**, to complete required improvements, resulting in an amendment to both leases
- TXI **expenses to date** exceed **\$800,000** in design and consultant services toward the combined \$3.5 M improvements
- TXI has paid **prevailing ground rent since lease inception** on land to be improved.

Lessee Brings Substantial Benefits to Love Field



- Lessee is a 23-year full service Fixed Base Operator operating 24/7
- Current full time employment is 65 with annual payroll of \$4 M
- Local taxes and utilities total \$250,000 annually
- Local purchases of supplies & goods including fuel approx \$8 M
- Annual lease rental revenue currently \$91,565 with escalations
- Will result in \$3.5 M new capital improvements on Love Field
- Lessee anticipates a 58% increase in business, and commensurate increase in employment and local expenditures in first year following completion, and 100% increase within 5 years of completion.

Recommendation, Next Steps



- Recommendation
 - Recommend City Council authorize the City Manager to execute amendments to both TXI leases extending the date for completion of capital improvements to May 1, 2010.
- Next Step
 - February 25, 2009 City Council agenda