

Memorandum



CITY OF DALLAS

DATE April 2, 2010

TO Economic Development Committee:
Ron Natinsky (Chair), Tennell Atkins (Vice Chair), Jerry R. Allen, Dwaine R. Caraway, Sheffie Kadane, Linda Koop, Ann Margolin, Steve Salazar

SUBJECT TXI Aviation I, LLC (Vitesse Aviation Services) Proposed
Lease Amendments to Ground Leases at Love Field

Attached is the briefing entitled, "TXI Aviation I, LLC Proposed Lease Amendments at Love Field", that will be presented to you on Monday, April 5, 2010.

Please contact me if you need additional information.

A handwritten signature in dark ink, appearing to read 'A.C. Gonzalez', written over a horizontal line.

A.C. González
Assistant City Manager

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
Forest E. Turner, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Edward Scott, Director, Controller's Office
Helena Stevens-Thompson, Assistant to the City Manager - Council Office
Daniel T. Weber, Director, Department of Aviation

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

Briefing to the
Economic Development Committee

Department of Aviation
April 5, 2010



Purpose

- Review TXI's two leases
- Discuss effects of economic recession
- 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

- Lessee is a 9-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
- Planned development 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.

Background, cont.

- **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 add'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
- **February 2009 – amendments** to both leases which extended the \$3.5 M capital commitments by one year to May 1, 2010

TXI AVIATION I, L.L.C.



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3242 ft

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 1 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

Effects of Economic Recession

- TXI advised its inability to obtain financing during the current economic recession
- Effects of the recession on General Aviation Activity at Love Field is exhibited in aircraft operation statistics

| | | |
|---------------|--------|---------|
| - CY 2008 | 72,917 | -21.45% |
| - CY 2009 | 54,041 | -25.89% |
| - CY 2010 YTD | 8,262 | -04.66% |

- Love Field General Aviation market (as measured by aircraft operations) has shrunk over 50% since 2007

New Amendment Proposal

- TXI requests a **12 month extension to May 1, 2011**, 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.

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, 2011.
- Next Step
 - April 28, 2010 City Council agenda