

Memorandum



CITY OF DALLAS

DATE June 13, 2008

TO Economic Development Committee:
Ron Natinsky (Chair), Tennell Atkins (Vice Chair), Jerry R. Allen, Dwain R. Caraway, (Deputy Mayor Pro Tem), Sheffie Kadane, Linda Koop Mitchell Rasansky, Steve Salazar

SUBJECT Jet Center of Dallas, L.L.C. Proposed Lease at Dallas Executive Airport

Attached are the briefing materials on the Department of Aviation Jet Center of Dallas, L.L.C. Proposed Lease at Dallas Executive Airport to be presented to the Economic Development Committee on Monday, June 16, 2008 and Thursday, June 19, 2008.

Please let me know if you should need additional information.

A handwritten signature in black ink, appearing to read 'Ramon F. Miguez'.

Ramon F. Miguez, P.E.
Assistant City Manager

Attachment

c: The Honorable Mayor & Members of the City Council
Mary K. Suhm, City Manager
Deborah Watkins, City Secretary
Tom Perkins, City Attorney
Craig D. Kinton, City Auditor
Judge Jay Robinson, Judiciary
Ryan S. Evans, First Assistant City Manager
A.C. Gonzalez, Assistant City Manager
David O. Brown, Interim Assistant City Manager
Jill A. Jordan, P. E., Assistant City Manager
David K. Cook, Chief Financial Officer

Jet Center of Dallas, L.L.C.

**Proposed Lease
At Dallas Executive Airport**

**Briefing to the Council
Economic Development Committee**



Department of Aviation

June 16, 2008



Purpose

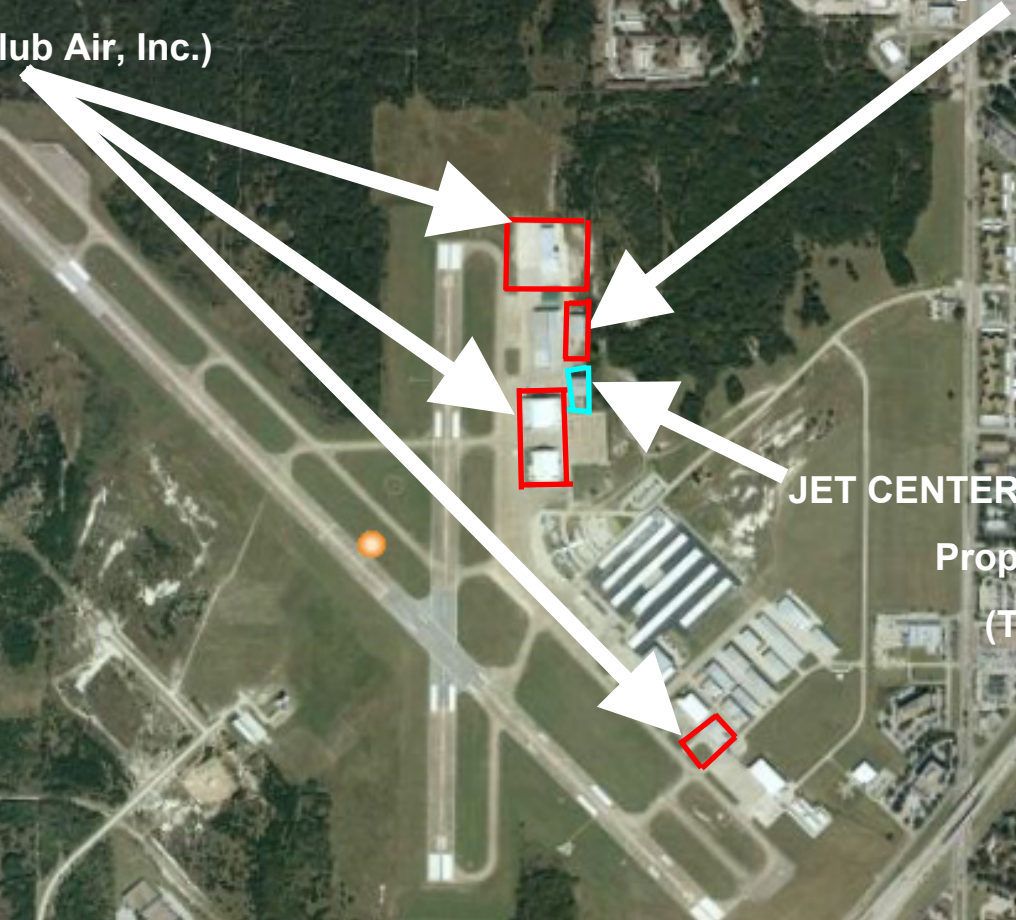
- ❖ Review existing Jet Center of Dallas, L.L.C. Leases at Executive Airport
- ❖ Review Proposed New Lease



JET CENTER OF DALLAS, L.L.C.
Existing Lease No. 1
(Sublease from Club Air, Inc.)

JET CENTER OF DALLAS, L.L.C.
Existing Lease No. 2

JET CENTER OF DALLAS, L.L.C.
Proposed Lease
(This Item)



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Existing Leases

- ❖ The Jet Center of Dallas, L.L.C.
 - ❖ One of three Fixed Base Operators at Executive Airport offering aeronautical services to private/corporate aircraft operators
 - ❖ The Jet Center of Dallas has expended approximately \$8 million on its two existing leases since April 1, 2000
 - ❖ Existing Lease No. 1
 - ❖ Existing sublease in whole dated January 29, 2001
 - ❖ Sublease from Club Air, Inc. (Base Lease dated April 1, 2000)
 - ❖ 30 year primary term, plus two 5-year options (expires March 31, 2040)
 - ❖ 295,802 square feet of land (6.79 acres)
 - ❖ 72,388 square feet of hangar/office space
 - ❖ 86,302 square feet of aircraft ramp, fuel farm, automobile parking
 - ❖ 137,112 square feet of unimproved land
 - ❖ Capital improvement obligation of \$1 million within 3 years has already been expended
 - ❖ Current Annual Rent: \$51,278.12

Existing Leases



Existing Lease No. 2

- ❖ Existing lease effective January 1, 2004
 - ❖ 20 year primary term, plus two ten-year options (expire in 2044)
 - ❖ 46,369 square feet of land (1.06 acres)
 - ❖ 14,307 square feet of hangar space
 - ❖ 26,428 square feet of aircraft ramp and automobile parking
 - ❖ 5,634 square feet of unimproved land
 - ❖ Renovation/maintenance expenditure obligation of \$50,000 within 10 years
 - ❖ Current Annual Rent: \$36,910.80

- ❖ The Jet Center of Dallas has expended approximately \$8 million on its two leases since April 1, 2000

RFP Specifications

- ❖ May 2008 – Aviation Department Solicited request for proposals to lease hangar facility
 - ❖ 30,133 square feet of land
 - ❖ 13,003 square feet hangar
 - ❖ 7,130 square feet of office space
 - ❖ 5,000 square feet of automobile parking space
 - ❖ 5,000 square feet of unimproved land
 - ❖ Minimum Annual Rental
 - ❖ \$43,906



RFP Process

- ❖ September 2007
 - ❖ Property became available when existing tenant vacated facility and terminated month-to-month lease
- ❖ October 2007 – April 2008
 - ❖ Received expressions of interest from 3 separate parties
 - ❖ Elected to solicit proposals – RFP process
- ❖ May 2008
 - ❖ Notified tenants and interested parties of RFP
 - ❖ Received only one response to the RFP (The Jet Center of Dallas, LLC)



Proposal Received



- ❖ The Jet Center of Dallas Proposal (only proposer)
 - ❖ 12 year Primary Term, plus two 12 year options to extend lease
 - ❖ 25, 133 SF (excludes 5,000 SF of automobile parking space from RFP)
 - ❖ \$225,430 - Renovation/repairs to the leased premises within 1st year
 - ❖ 12.8 years necessary to amortize investment
 - ❖ Repair hangar roof leaks
 - ❖ Repair fabric hangar door
 - ❖ Replace a majority of hangar panels
 - ❖ Replacement of office space roof, interior walls, carpet, bathroom repairs/remodel
 - ❖ Repaint hangar exterior
 - ❖ Strip and reseal hangar floor
 - ❖ Haul off debris, remove concrete slabs
 - ❖ \$21,952.25 – Annual rent paid to City during 12-year Primary Term and initial ten months of the first option period
 - ❖ Approximately 50% less than current prevailing rental rates
 - ❖ City receives benefit of \$225,430 upgrade/renovation/repair to a City-owned facility at tenant's cost
 - ❖ Improves appearance of airport

Proposal Received

(continued)



- ❖ The Jet Center of Dallas Proposal (only proposer)
 - ❖ Rent Escalations
 - ❖ Effective upon completion of amortization (12 yrs., 10 months) rent escalates to the prevailing rates at the time,
 - ❖ Every three years thereafter based on the greater of:
 - ❖ 3%,
 - ❖ Aggregate CPI increase over previous three years,
 - ❖ Council approved lease rates based on appraisals
 - ❖ Rent escalations are capped at 12% for any three year period

Recommendation

- ❖ Staff recommends approval of The Jet Center of Dallas new lease
 - ❖ Refurbish/renovate existing hangar and office facilities which have been neglected over the years.
 - ❖ Supports the City's goal of creating private economic development activity in the southern sector.
 - ❖ Increases economic development activity at the airport.
 - ❖ Create more opportunities for the traveling public who use the City's airport amenities.

- ❖ NEXT STEPS
 - ❖ June 25, 2008 - Seek Council's approval

QUESTIONS AND ANSWERS



Appendix

- ❖ The Jet Center of Dallas Lease No. 1 and Lease No.2 Details

- ❖ Executive Airport Leases
 - ❖ Use
 - ❖ Primary Term
 - ❖ Lease Effective Date
 - ❖ Rent Escalations
 - ❖ Options

The Jet Center of Dallas, L.L.C



❖ Lease No. 1 Details

- ❖ Original 30-year Primary Term commenced on April 1, 2000 will expire on March 31, 2030, plus, two 5-year options to extend lease through March 31, 2040 (at Jet Center’s option)
- ❖ Club Air, Inc., current Lessee Subleased in whole to The Jet Center of Dallas, LLC on January 29, 2001 (City consented to Sublease)
- ❖ Ground rent only through first 8 years of Primary Term:

Tract 1	2,256 SF @ \$.17/sf/yr – Off. Space	= \$	383.52
“	8,011 SF @ \$.17/sf/yr – Hgr./Off. Space	= \$	1,364.59
“	27,431_SF @ \$.17/sf/yr – Improved land	= \$	4,660.55
“	25,794 SF @ \$.13/sf/yr – Unimproved land	= \$	3,353.22
Tract 2	52,411 SF @ \$.17/sf/yr – Improved land	= \$	8,909.87
Tract 3	39,434 SF @ \$.17/sf/yr – Hangar No.	= \$	6,703.78
“	87,984 SF @ \$.13/sf/yr – Unimproved land	= \$	12,626.32
Tract 5	5,525 SF @ \$.13/sf/yr – Hangar	= \$	792.88
“	5,950 SF @ \$.13/sf/yr – Hangar	= \$	853.87
“	10,302 SF @ \$.13/sf/yr – Hangar	= \$	1,478.41
“	910 SF @ \$.13/sf/yr – Office space	= \$	130.60
Tract 6	5,260 SF @ \$.17/sf/yr – Improved land	= \$	987.11
“	1,200 SF @ \$5.00/sf/yr – Fuel Farm	= \$	6,000.00
“	23,334 SF @ \$.13/sf/yr – Unimproved land	= \$	3,033.42
TOTAL	295,802 SF	\$	51,278.12

The Jet Center of Dallas, L.L.C



- ❖ Lease No 1. Details (continued)
 - ❖ Existing Rent Escalations –
 - ❖ Tract 1 – September 1, 2008 – to prevailing rates land and improvements
 - ❖ Tract 3 – September 1, 2009 – to prevailing rates land and improvements
 - ❖ Tract 2 – April 1, 2011 – to prevailing rates land and improvements
 - ❖ Tract 4 – April 1, 2016 – Unimproved land to improved land rates
 - ❖ Tract 5 – Every three years based on CPI, but not less than 3%
 - ❖ Tract 6 – Every three years based on CPI, but not less than 3%
 - ❖ Option periods – all rent for land and improvements to prevailing rates for similar space
 - ❖ Capital Improvement Obligations (\$1 million)
 - ❖ Must expend not less than \$.150 0million on Tract 1 by March 31, 2001
 - ❖ Must expend not less than \$.250 million on Tract 3 by March 31, 2001
 - ❖ Must expend not less than \$.250 million on Tract 3 by March 31, 2002
 - ❖ Must expend not less than \$.100 million anywhere by March 31, 2002
 - ❖ Must expend not less than \$.250 million on Tract 4 by March 31, 2003

The Jet Center of Dallas, L.L.C



❖ Lease No. 2 Details

- ❖ Original 20-year Primary Term commenced on January 1, 2004 will expire on December 31, 2023, plus, two 10-year options to extend lease through December 31, 2043 (at Jet Center's option)

- ❖ Ground rent only through first 8 years of Primary Term:

	26,428 SF @ \$.18540/sf/yr – Improved Land	= \$ 4,899.75
	5,634 SF @ \$.14180/sf/yr – Unimproved Land	= \$ 798.90
	<u>14,307</u> SF @ \$2.1816/sf/yr – Hangar Space	= <u>\$ 31,212.15</u>
TOTAL	46,396 SF	= \$ 36,910.80

- ❖ Existing Rent Escalations

- ❖ CPI increases every three years, not to exceed 12%

- ❖ Capital Improvement Obligations

- ❖ Must expend not less than \$50,000 within 10 years from effective date of lease

DALLAS EXECUTIVE AIRPORT LEASES

SORTED BY 

LESSEE	AVIATION USE	PRIMARY TERM YRS.	LEASE EFFECTIVE DATE	*RENT ESCALATORS Y or N	OPTIONS YRS.
Dallas Police Dept. (Helicopter)	Yes	20	6/1/1973	Y, 11	2/10 & 1/1
Ivy - Two West Hills, L.P.	No	40	5/4/1978	Y, 3	1/10 & 2/20
Ivy Realty Trust	No	40	2/24/1984	Y, 4	1/10 & 2/20
Indus Aviation, Inc.	Yes	30	2/9/1990	Y, 1	2/5
J. G. Moore & Co.	Yes	30	2/9/1990	Y, 8	2/5
William P. Denton	Yes	30	2/9/1990	Y, 8	2/5
Texas National Guard & Armory	No	51	10/1/1990	N	none
Akridge Aircraft Interiors, Inc.	Yes	20	4/1/2000	Y, 10	2/5
Ambassador Aviation, Ltd.	Yes	30	4/1/2000	Y, 5	1/10
Club Air, Inc.	Yes	30	4/1/2000	Y, 6	2/5
JC Aviation Investments, Inc.	Yes	30	4/1/2000	Y, 1	2/5
IndusAviation, Inc.	Yes	30	5/1/2000	Y, 8	2/5
JC Aviation Investments, Inc.	Yes	30	5/1/2000	Y, 9	2/5
American Telecom Network	No	5	6/1/2000	Y, 9	5/1
Cutter Aviation Dallas, Inc.	Yes	30	10/1/2001	Y, 7	1/10

*See Legend Page 18

DALLAS EXECUTIVE AIRPORT LEASES

SORTED BY 

LESSEE	AVIATION USE	PRIMARY TERM YRS.	LEASE EFFECTIVE DATE	*RENT ESCALATORS Y or N	OPTIONS YRS.
JC Aviation Investments, Inc.	Yes	30	1/1/2002	Y, 9	2/5
CDBDC	No	40	4/23/2002	Y, 1	none
Trace Air, Inc	Yes	30	12/23/2002	Y, 9	2/5
JC Aviation Investments, Inc.	Yes	30	7/20/2003	Y, 9	2/5
JC Aviation Investments, Inc.	Yes	30	7/20/2003	Y, 9	2/5
Jet Center of Dallas, Inc.	Yes	20	1/1/2004	Y, 1	2/10
JC Aviation Investments, Inc.	Yes	30	10/1/2004	Y, 1	2/5
Cutter Aviation Dallas, Inc.	Yes	30	9/1/2005	Y, 2	2/5
TOTAL 51 YEAR LEASES		1			
TOTAL 40 YEAR LEASES		3			
TOTAL 30 YEAR LEASES		15			
TOTAL 20 YEAR LEASES		3			
TOTAL 5 YEAR LEASES		1			
TOTAL LEASES		23			

*See Legend Page 18

DALLAS EXECUTIVE AIRPORT LEASES

LEGEND

*Rent Escalators:

1. Commencing the fourth year of the lease and every three years thereafter, rent rates increase to reflect the cumulative increases, if any, in the CPI (Consumer Price Index) during the immediately preceding three year period, not to exceed 12%. Then, at the option period, if any, rates for land and improvements escalate to prevailing rates.
2. Commencing the fourth year of the lease and every three years thereafter, rent rates increase to reflect the greater of i) 3% or ii) the cumulative increases, if any, in the CPI during the immediately preceding three year period, not to exceed 12%. Then, at the option period, if any, rates for land and improvements escalate to prevailing rates.
3. Second 25 years of lease ground rent shall be 9% of appraised fair market value.
Third 25 year of lease ground rent shall be 9% of appraised fair market value.
Last 15 years of lease ground rent shall be 9% of appraised fair market value.
4. Second 25 years of lease ground rent shall be 10% of appraised fair market value.
Third 25 year of lease ground rent shall be 10% of appraised fair market value.
5. Beginning the 26th year of the lease, rent on improvements only shall be adjusted to 70% of comparable average rental rates for similar facilities or privately managed or city managed facilities, whichever is greater, at Arlington Airport, Grand Prairie Airport, Lancaster Airport, and Mesquite Airport. Then, at the option period, rates for land and improvements escalate to prevailing rates.
6. Predetermined rent rate increases, periodically, throughout life of lease.
7. Commencing upon exercise of the option period and every three years thereafter, rent rates increase to reflect the cumulative increases, if any, in the CPI (Consumer Price Index) during the immediately preceding three year period, not to exceed 12%.
8. Commencing the fourth year of the lease and every three years thereafter, rent rates may be adjusted to prevailing rental rates, not to exceed 12%. Then, at the option period, rates for land and improvements escalate to prevailing rates.
9. Commencing the option period, rent on land and improvements will escalate to prevailing rates.
10. Commencing upon exercise of the option period and every three years thereafter, land and improvement rent rates increase to prevailing rental rates, not to exceed 12%.
11. Final ten year option, rent escalates to prevailing rates for land and improvements.