

# Memorandum



CITY OF DALLAS

DATE October 2, 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; Ann Margolin; Steve Salazar

SUBJECT Southwest Airlines Co. Proposed Fuel Facility Lease at Dallas Love Field

Attached are the briefing materials on the Department of Aviation Southwest Airlines Co. Proposed Fuel Facility Lease at Dallas Love Field to be presented to the Economic Development Committee on Monday, October 5, 2009.

Please let me know if you should need additional information.

A handwritten signature in black ink, appearing to read 'A. C. Gonzalez'.

A. C. Gonzalez  
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  
David K. 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

# Southwest Airlines Co. Proposed Fuel Facility Lease at Dallas Love Field

Briefing to the City Council  
Economic Development Committee

Department of Aviation  
October 5, 2009



# Purpose

- To review the proposed new fuel facility lease to Southwest Airlines at Love Field.

# Proposed Southwest Airlines Fuel Facility Lease



Image © 2006 Sanborn

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3242 ft

Pointer 32°50'51.51" N 96°50'56.61" W

Streaming ||||| 100%

Eye alt 11218 ft

# Proposed Southwest Airlines Fuel Facility Lease



Brookside Ave

237 ft

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2009 Google

Imagery Date: Nov 6, 2007

32°50'31.60" N 96°51'27.79" W elev. 468 ft

Eye alt 1281 ft

# Background

- **Original Lease**
  - Fuel storage facility constructed 1956 (900K gallon capacity)
  - Lease term 1958-1983, to Love Field Fueling Facilities Corp.
  - Upon expiration, lease continued 4 years under Letter of Understanding
- **Facility leased to Southwest Airlines 1987-2002**
  - Upon expiration, lease cont'd month-to-month during negotiation of a new lease
    - Several events caused uncertainties and delays in negotiating new lease
      - Effects of 9/11/01 terrorist attacks
      - Wright Amendment Repeal issues
    - Capital improvements addressing the facility age and condition was considered
  - Southwest initiated facility replacement (2006) due to age (50 yrs) and to increase capacity by one-third, to 1.2 M gallons
    - New state-of-the-art, meets or exceeds all industry safety and environmental standards
- **New lease negotiations complete & pending Council consideration**
  - Consistent with new conditions of Love Field Modernization Program

# Proposed Lease

- Operational Requirements
  - Fuel farm supplies Terminal Apron Fuel Hydrant Sys.
    - Currently serves only West Concourse
  - Future will serve all 20 gates under Love Field Modernization Program
    - Southwest must make system and capacity available to other airlines serving Love Field
  - Southwest may NOT sell fuel retail or to non-airlines
    - Right to sell is reserved to FBOs (currently 7 on airport)

# Proposed Lease Cont.

- Lease Provisions
  - Complies with Council Leasing Policies
  - 30 year Primary Term, plus one 10-year option, effective retroactive to March 1, 2006
  - Leasehold area 88,313 SF (2.027 acres)
  - Initial Annual Rent - \$.99/sf/yr
    - \$87,429 (88,313 x \$.99/sf/yr), paid monthly at \$7,285



# Proposed Lease Cont.

- Rent Escalation
  - Rent escalated every three years by the greater of:
    - Three (3%) percent of the existing rental rate, or
    - The Consumer Price Index; however, the aggregate escalation for any three-year period shall not exceed twelve percent (12%).
- Capital Improvement Obligation (Satisfied 2006)
  - Replace original 18 50,000 gallon underground storage tanks with 3 aboveground storage cells totaling 1.2 million gallons
  - Capital investment by Southwest exceeded \$14 million

# Proposed Donation Agreement



- Donation Agreement
  - Southwest will donate and convey all right, title, and interest in any Purchased Items installed on the leased premises to City immediately upon acquisition of such Purchased Items
  - The proposed Donation Agreement will authorize City ownership of Purchased Items to be used in the construction of the new capital improvements on the Leased Premises

# Recommendation & Next Steps

- Recommend approval of the Southwest Airlines Co. Lease and Donation Agreement
  - Increased annual revenue to the City from \$50,000 to \$87,429
  - Increase airline fuel storage capacity from 900,000 gallons to 1.2 million gallons
  - Approval of the proposed Donation Agreement authorizing City ownership of materials used in the construction of the new facility
- **NEXT STEPS**
  - October 28, 2009 – City Council Agenda for consideration

# QUESTIONS & ANSWERS