DEPARTMENT OF AVIATION

Gulfstream Aerospace Corporation Proposal at Love Field

Briefing to the Economic Development Committee

December 3, 2007

Key Focus Area
Economic Vibrancy

Purpose of Today's Briefing

- City Council approved land lease for Gulfstream in June, 2007.
  - Construct new hangar to support growth in aircraft production rates.
- Recent opportunities have resulted in adjustments to Gulfstream's business plan which require proposal adjustments.
  - Opportunities – availability of existing hangar enables ramp-up of production (and corresponding employment) on a faster schedule.
- Today's briefing will compare June proposal with new adjusted proposal and describe the effects on the commitments made.

Gulfstream

- Gulfstream Aerospace Corporation
  - Wholly owned subsidiary of General Dynamics
  - Gulfstream designs, develops, manufactures, markets, services and supports advanced business-jet aircraft
  - Dallas Love Field Facility (one of 7 nationwide)
    - Final Phase Manufacturing (interior and painting)
    - 55 new aircraft projected for 2007, which is a 206% increase since 2003 (G150 and G200)
    - Provide customer services to over 2,000 aircraft annually that are currently in operation
    - 757 employees currently at Dallas location
      - $26 per hour - average employee wages

History of Negotiations

- July 2006 – Local Gulfstream management and Aviation Dept staff exchanged proposals for new ground lease and hangar development.
- Jan 2007 – General Dynamics Real Estate Vice President accompanied local Gulfstream mgt in further discussions with Aviation Dept staff.
- Mar 2007 – Follow-up meeting resulted in General Dynamics proposed term sheet for lease and hangar development.
- May 2007 – Continued negotiations led to revised proposed term sheet and tentative acceptance by staff.
- **June 2007** – Council approved Resolution Nos. 07-1858 & 07-1859, authorizing approval of the Lease and $150,000 economic development grant
- **October 2007** – Gulfstream proposed changes to certain deal points
- **November 2007** – Staff & Gulfstream agreed, pending City Council approval, to renegotiated deal points

Gulfstream Proposed Development

	APPROVED JUNE 2007	PROPOSED CHANGE
Term	40 years	(no change)
Site	6.18 acres	(no change)
Min. Capital Investment	$40 million	$20 million
New Jobs Commitment	Increase jobs from 757 to 907 within 24 months	(no change)
Hangars	85,000 square feet new	45,000 square feet new 46,800 square feet -sublease
3 Existing Hangars	Requires agreement of new consolidated lease	(no change)
Economic Development Public-Private Partnership	$150,000 for due diligence expenses	(no change)
Remediation of Existing Environmental Contamination	Gulfstream responsible	Gulfstream pays first $100K. City to reimburse costs above $100K to agreed level of remediation (rent credits)
Annual Rental Revenue	$86,144	(no change)
Estimated Property Tax	$291,680	$149,580

Summary of Impacts

- Revised Capital Improvement **commitment of $20 M is second in size** only to Southwest Airline's $25 M commitment for it's new hangar.
- City's property tax revenue estimated at $149,580.
- Gulfstream's production levels have increased. Avoidance of construction period allows faster ramp-up with the **economic impact occurring sooner than previously anticipated.**
- **Estimated payroll** of new jobs **remains $8,112,000** (150 jobs @ $26/hr avg). Ramp-up has begun – **66 positions are already filled**.
- Rental revenue remains unchanged.
- **Gulfstream pays first $100K** of remediation costs. **City reimburses costs exceeding $100K** to the agreed-upon level of remediation (rent credits – no cash outlay).

Recommendation

- Staff recommends approval of the proposed changes to the June, 2006 approved lease as summarized below:
  - Reduce minimum capital investment from $40 million to $20 million;
  - Airport will reimburse Gulfstream for agreed upon costs of environmental remediation exceeding $100,000 through rent credits (no cash outlay)
- NEXT STEPS

December 12, 2007 - Council Agenda