

# Presentation to the Dallas City Council by the Real Estate Task Force

March 2, 2005

# Real Estate Task Force

- Jeffrey C. Chavez – Sarofim Realty Advisors
- Charles G. Dannis – Crosson Dannis, Inc.
- Anthony W. Dona – Thackeray Partners
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- Robert L. Trimble – Catlyn Capital Corp.
- Rod Washington – Bank One
- Manuel M. Ybarra – Pillar Commercial

# Real Estate Task Force

- Two primary objectives:
  - Assess policy and procedures for ground leases at the City airports
  - Provide insights in to the business environment in the aviation area generally

# Ground Lease Policy & Procedures

- Actions taken by the Committee:
  - Conducted interviews with tenants, aviation department staff and city officials
  - Reviewed recent Love Field leases
  - Conducted multiple group meetings both with and without Aviation Department present

# Ground Lease Policies and Procedures

- General observations:
  - Good policies and procedures are in place and observed by the Aviation Department
  - A high quality standard lease form is currently being used
    - Leases are generally being executed substantially in line with the standard lease form

# Ground Lease Policies and Procedures

- Committee Recommendations
  - The Committee suggested minor changes to the stand lease form. These were outlined in Exhibit A. We would recommend the City staff review these with legal and determine which to incorporate in the standard lease form.
  - Business and Commerce Committee and the Aviation Department should agree on the “material lease provisions.”
  - Material lease provisions should not be changed without specific communication with Business and Commerce and Committee. This would:
    - Streamline communications with tenants
    - Provide for more consistent communication with Business and Commerce, and
    - Empower aviation staff in the negotiating process

# Material Lease Provisions in Committee's View

- Primary term of no more than 40 years.
- Lease rates, escalations, and fuel flowage fees as per City Council guidelines.
- Option term length should not exceed 40 years inclusive of primary term and rates should be in line with the then relevant City Council guidelines.
- Time to complete improvements should be limited to 24 months.
- The requirement of environmental insurance should not be eliminated.
- In the event of a sublease, the tenant should remain liable and 75% of sublease revenue should accrue to the benefit of the City.
- The indemnification provisions in the standard lease form should not be stricken or amended.

# Observations Regarding the Business Environment

- The City needs to better focus on the reality that airports are not a normal profit center with typical profit motives.
  - Profits from the airport cannot be used for general City needs. Thus, while Love Field has profit center potential, its cash flow can only be used to maintain and improve the city airports.
- The primary focus of the airports then is to make sure there is adequate planning to maintain the airport properly. Exhibit D was prepared for the Committee to evidence such planning is in place.
- The Committee observed tension with tenants due to confusion in the lease process. Given the airports should function as economic development area which competes with other cities, the tenant/City interface must improve.



# Additional Matters

- The Committee was asked to review the policy on month-to-month leases. We suggest a formal review mechanism for month-to-month leases that have been in place for an extended period of time.
- The Committee noted that ground lease revenues which was our assignment, are approximately  $\frac{1}{2}$  of Love Field's rental revenue. The other half are office leases on improved structures. We suggest the standard lease rate for office leases be reviewed once per annum by the Council.

## Real Estate Task Force

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February 22, 2005

The Honorable Laura Miller  
Dallas City Hall  
1500 Marilla Street  
Room 5EN  
Dallas, TX 75201-6390

Dear Mayor Miller:

It has been the privilege of the Real Estate Task Force (“Committee”) to have the opportunity to review the leasing procedures with the Department of Aviation. As part of our due diligence, we have met several times both as a Committee and with the Aviation Department. In addition, our members have interviewed Council Members, customers of Love Field, and reviewed leases.

Our report will cover two fundamental areas.

1. Our primary mission was the assessment of the policies and procedures related to groundleases at Love Field, specifically, to see if the City of Dallas has achieved reasonable value and the processes have been appropriate.
2. More important than the policies and procedures analysis, we hope to provide a third party’s insights as to the business environment and processes of the City related to the aviation area.

### **Policies and Procedures**

The Committee was generally impressed with the policies and procedures related to the Aviation Department. To start with, a Standard Lease Form is used as the foundation for all leases. It is our impression as a Committee that this lease is generally well written and fair from the landlord’s perspective. As a Committee, we came up with specific changes that we would recommend to the Standard Lease Form. We have highlighted these changes in Exhibit A. While none of these changes are material in and of themselves, we think in aggregate they make the Standard Lese Form better for all parties.

It is our understanding that currently there is a process for the Aviation Department to interact with the Business and Commerce Committee. We understand that leases are negotiated by the Aviation Department and then are brought to the Business and Commerce Committee for review. Any issues brought up by Business and Commerce Committee are taken back to be negotiated further by the Aviation Department. We think an important modification to this process would be to agree in advance on what we refer to as “material lease provisions”. A problem with the current system is the Aviation Department does not necessarily feel empowered because they may not know which issues the Business and Commerce Committee will deem most important. Moreover, we found the customers of Love Field with whom we talked believe there is at times confusion between the Business and Commerce Committee and Aviation Department which makes negotiating leases more difficult. We have come up with a list of key provisions that we consider the most critical to the lease. These are outlined in Exhibit B. Council could increase or decrease this list as they see fit. We believe that any time the staff negotiates changes to these provisions, they should know in advance that this will be scrutinized carefully and will be examined based on economic development impact (which might be personal property tax increases, employment impact), thereby influencing the City to change these provisions. Moreover, since City staff will know that these are the areas of focus of Business and Commerce, they might know to discuss changes to these provisions in advance with the Committee so that the prospective tenant, who is ultimately the City’s customer, doesn’t have a negative experience during the negotiating process.

The third thing that we did procedurally as a Committee is review some of the most recent leases (outlined in Exhibit C) and analyze how many of them have the provisions we would consider “material”. We did this to provide a sense of how well the existing lease product is being done even without the oversight and suggestions of our Committee. What we found is that the provisions that we thought most important are generally being included. For example, rent escalations, while not incorporated in several cases, generally are being included. The one significant area of concern that we found as a Committee is related to sublease rights. When the City makes a long-term lease with a tenant, it is our view the tenant should not have the right to sublease to others and retain all the profit. Generally speaking, the current leases do not have a provision to capture sublease revenues on behalf of the City. This can also be important from an economic development point of view, because once the City forfeits sublease rights, the City inadvertently waives the ability to control space at the airport, even if the existing tenant is not fully utilizing the space. This is one area in particular that we would ask the staff and the Business and Commerce Committee to more carefully focus on with greater diligence. It should be noted, when we refer to sublease, we do not mean the sublease of space from say, an FBO to an airplane owner in the ordinary course of business. Rather, we mean space that the original tenant is no longer using and leases to third parties. (Note: City staff has already prepared language to include in the Standard Lease Form which solves the Committee’s concern.)

### **General Observations**

The most important thing we think the City should focus on is that the City’s airports are not a profit center with normal profit motives, but clearly represent an economic development asset. Any entity like an airport that is subsidized with FAA grants cannot operate at a profit. Positive

cash flow that is generated from revenues must go into long term capital improvement projects. Thus, the main objective that the City should have is to make sure that the cash flow from airports is enough to service the long term capital requirements of the facilities and infrastructure. Anything above this is a dis-incentive for business to want to be at these airports which is not in the City's best interest. Because of this, we asked the Aviation Department to prepare Exhibit D which tracks projected cash flows from the airports vs. existing cash balances vs. capital requirements according to the airport master plans. While it was beyond the scope of our Committee to analyze the airport master plans, it seems that the existing airports are in a good consolidated economic position. Exhibit D shows the airport system should end 2004 with over \$50 million cash and through 2014 is never expected to fall below \$19 million.

Once one thinks of the airports from an economic development perspective, it is critical to assess how the customer feels. We focused on Love Field as it is the largest single aviation facility solely owned by the City of Dallas. While our survey was limited in scope, we did find consistent satisfaction with the Aviation Department and the operations of Love Field from its customers. On the negative side, we found concern that the interface between the Aviation Department and Business and Commerce Committee could be more efficient. There was a general sense that the City was unnecessarily hard on its tenants during lease negotiations – obviously not the best answer from an economic development perspective.

## **Additional Matters**

### Month-to-Month Leases

During the course of our review, the Aviation staff requested we review their month-to-month lease procedures. Attached as Exhibit E is their standing policy for month-to-month leases. We also visited briefly with a member of internal audit. It seems to our Committee there is one significant item missing from current procedures – namely a mechanism for formal review of month-to-month leases which have been in place for an extended period. We would advise policy to require an annual report to Business and Commerce Committee regarding month-to-month leases which have been in place longer than 12 months and the reason why. Included in the review, we would include a review of the economics of month-to-month leases.

### Office Rental

Ground rents are rents on structures including hangars, terminals, ticket counters, etc. are as significant as ground rents. Based on our comparison of current fiscal year projections to 2004 Budgeted Revenues, such rentals comprise approximately 57% of "Rental on Airport" or approximately 18% of revenues. Current procedure calls for Business and Commerce Committee to review such leases at the letter of intent stage and then final lease terms. It is customary for these leases to "abate" rent when the tenant has invested capital dollars which we believe is appropriate. We might suggest the standard rates for "office leases" be reviewed once per annum with Business and Commerce Committee.

## Love Field Debt

In examining cash flows of these airports (Exhibit D), it struck us as to why there is debt of \$43,880,000 as of September 30, 2004 with an interest rate of 5% on the Love Field garage. Given the significant cash balances in place, it is unclear why the City would want the negative arbitrage between debt rates and cash investment rates.

We look forward to the continued opportunity to be of service.

Anthony W. Dona, Chairman  
Jeffrey C. Chavez  
Charles G. Dannis  
Sharon K. Simmons  
Robert L. Trimble  
Roderick Washington  
Manuel M. Ybarra

## EXHIBIT “A”

### Recommended Changes to the Standard Lease Form:

Issue	Concern	Recommendation
<p><b>1) Sec. 2, page 2 – CPI Increase</b> The Standard Form (“Form”) sets only a cap of 12% for the annual CPI increase.</p>	<p>The benefit of a cap on CPI is given to the Lessee without giving the Lessor the corresponding assurance of at least a minimal increase in rent.</p>	<p>The escalation should be the greater of actual CPI or a standard minimal increase, but not to exceed 12%. <b>(Note: City staff has already provided language to fix this concern.)</b></p>
<p><b>2) Sec. 4, page 4 – Extension of Lease</b> The Form offers the Lessee an option to extend their term.</p>	<p>Unless the option is at Fair Market Value, the Lessor could miss the opportunity to recapture and release the space at higher market rents.</p>	<p>Make the option to extend a negotiated point and not a standard section of the Form. (Subtenants should not have the right to any options).</p>
<p><b>3) Sec. 6, page 6 – Capital Items</b> There are no established timeframes for the commencement, progress, or completion of the Tenant Improvements.</p>	<p>Several of the concessions, including free rent, given in the Lease by the Lessor are predicated on the Lessee completing capital improvements on the premises. Without a clear definition of the timeframes required, the Lessee could have the benefit of these concessions while not fulfilling their obligations.</p>	<p>Set deadlines for the delivery and approval of plans and the commencement and completion of construction. Failure to adhere to such deadlines should result in the loss of concessions (i.e., a reduction in the corresponding number of days of free rent).</p>
<p><b>4) Sec. 6, page 7 – Capital Items</b> Lessee has the right to remodel, renovate and refurbish the Premises, but the Form does not set a monetary threshold over which the Lessor’s approval is required.</p>	<p>Without setting a monetary threshold, the Lessor does not have the ability to restrict remodeling and renovation that might substantially alter the appearance, uniformity, or integrity of the Premises.</p>	<p>Suggested language: “No structural alterations and no alterations or physical additions in or to the Premises over \$____, per occurrence, may be made without Lessor’s prior written consent, which shall not be unreasonably withheld or delayed.”</p>
<p><b>5) Sec. 6, page 8 – Capital Items</b> The Form does not explicitly require the Lessee to provide Lien Waivers or Certificates of Completion from its contractors.</p>	<p>Without these the Lessor cannot ensure that the Capital Improvements have been completed according to the agreed plan or that the contractors have been paid.</p>	<p>The Form should require these as a condition of the fulfillment of the Lessee’s obligation. Failure to provide these should result in the Lessee’s forfeiture of free rent or other concessions.</p>

<p><b>6) Sec. 9, page 13 – “No Subrogation”</b> The Form does not include this language.</p>	<p>Without this language, the Lessee could interfere with the Lessor’s ability to collect insurance proceeds.</p>	<p>Suggested language: “Lessor and Lessee each waives any claim it might have against the other for any damage to or theft, destruction, loss of use of any property, to the extent the same is insured against under any insurance policy that covers the Premises, fixtures, personal property, leasehold improvements, or business, regardless of whether the negligence of the other party caused such loss.”</p>
<p><b>7) Sec. 11, page 13 – Assignment &amp; Subletting</b> There are no standards for the approval and consent of a Sublessee or Assignee.</p>	<p>The Lessor has little control over the type and quality of tenant who will be occupying and operating out of the Premises.</p>	<p>Suggested language: “Lessor shall not <i>unreasonably</i> withhold its consent to any assignment or subletting, provided the proposed transferee (1) is creditworthy, (2) has a good reputation in the business community, (3) will use the Premises only for the Permitted Use and will not use the Premises in any manner that would violate any restrictive covenants and (4) is not a person or entity with whom Lessor is then, or has been within the prior six month period, negotiating to lease space.” In addition, the Lessor should be given the right to recapture that portion of the Premises which the Lessee wishes to sublease or assign.</p>
<p><b>8) Sec. 11, page 13 – Assignment &amp; Subletting</b> The Lessor is not entitled to any Sublease rent over and above the base rent paid by the Lessee.</p>	<p>The Lessee benefits, therefore, from charging the highest possible rate to its transferee. This could have detrimental effect on attracting businesses to Love Field. In addition, it gives an unintended economic benefit to the Lessee, for which they are not in business.</p>	<p>Suggested language: “Lessee shall pay to Lessor the excess of (1) 75% of all compensation received by Lessee for a Transfer less the costs reasonably incurred by Lessee with unaffiliated third parties in connection with such transfer (i.e. commissions) over (2) the Rent allocable to the portion of the Premises covered thereby.”</p>

<p><b>9) Sec. 16, page 17 – Survival of Obligations</b> When terminated for a default, Lessee is not responsible for the cost of releasing the Premises.</p>	<p>The Lessor, therefore, is required to pay the costs to release the Premise when the Lease has been terminated due to a default of the existing Lessee.</p>	<p>The Lessor should be able to terminate the Lessee’s right to possess the Premises without terminating the Lease: “Upon event of default, Lessor may take the following action: terminate Lessee’s right to possess the Premises without terminating this Lease. Lessee shall pay Lessor (1) all Rent accrued hereunder, (2) all Rent required hereunder to be paid during the remainder of the term diminished by any net sums received by Lessor through reletting the Premises after deducting all costs incurred by Lessor in reletting the Premises.”</p>
<p><b>10) Sec. 19, page 21 – Termination by Lessee</b> The Lessor has only 60 days to begin curing a material default before the Lessee can terminate the Lease.</p>	<p>This is relatively short timeframe, especially when the Lessor may be relying on a third party in order to cure a default.</p>	<p>The Form should allow the Lessor at least 120 days.</p>
<p><b>11) Sec. 21, page 21 – Right to Remove Property</b> The Lessee is not required to reimburse the Lessor for the cost of removing the Lessee’s property in cases of Lessee’s failure to do so.</p>	<p>The Lessor should be able to pursue the Lessee for the cost of removing Lessee’s property following the termination of the Lease for Lessee’s default.</p>	<p>Suggested language: “Lessor may remove all of Lessee’s property from the Premises and store the same in a public warehouse or elsewhere at the cost of, and for the account of, Lessee, without becoming liable for any loss or damage which may be occasioned thereby.”</p>
<p><b>12) Sec. 23, page 22 – Indemnification</b> There is no Limitation of Liability.</p>	<p>In case of a dispute, the limits of Lessor’s liability should be made expressly clear.</p>	<p>Suggested language: “The liability of Lessor to Lessee for any default by Lessor under the terms of this Lease or any matter relating to or arising out of the occupancy of the Premises shall be limited to Lessee’s actual direct, but not consequential, damages.”</p>



<p><b>13) Sec. 24, page 24 – Fire &amp; Other Casualties</b>  The Lessee may terminate the Lease as to such portion of the Premises as damaged or rendered unusable with only 30 days notice.</p>	<p>The damage should be required to be “material” and Lessor is not given time to make repairs before Lessee can terminate the Lease as to that portion of the Premises.</p>	<p>Suggested language: “If a material portion of the Premises is damaged such that Lessee is prevented from conducting its business in the Premises in a manner reasonably comparable to that conducted immediately before such Casualty and Lessor estimates that the damage caused thereby cannot be repaired within 270 days, then Lessee may terminate this Lease by delivering written notice to Lessor within 30 days of the damage.”</p>
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## EXHIBIT “B”

### Material Lease Provisions

The following sections should not be revised or stricken from the standard lease form without prior approval of the City Council:

Section 2, page 2 – Primary Term

- 1) Primary Term Length – According to the City Council (“Council”) this should not exceed 40 years, inclusive of options.
- 2) Primary Term Rate – The rate is set by the Council according to the budget requirements.
- 3) Primary Term CPI Escalation – The Standard Form (“Form”) assumes a CPI escalation of not more than 12%.

Section 4, page 4 – Extension of Lease

- 4) Option Term Length – See #1 “Primary Term Length” above.
- 5) Option Rate – According to the Form, the option rent shall not be lower than the rate in effect immediately preceding the Option Term.
- 6) Option Term CPI Escalation – See #3 “Primary Term CPI Escalation” above.

Section 6, page 6 – Capital Improvements

- 7) Capital Improvements – The Form gives the Lessee a time period of 10 years to complete the construction or renovation of the improvements. This timeframe should not be reduced without approval.

Section 9, page 13 – Environmental Insurance

- 8) The requirements for Lessee’s insurance outlined in Schedule 1 of the Form should not be reduced.

Section 11, page 13 – Subletting and Assignment

- 9) Sublease/Assignment – Lessor should not release Lessee’s liability.

Section 13, page 15 – Fuel Flow Fee

- 10) Fuel Flow Fee charge – See #2 “Primary Term Rate” above.

Section 23, page 22 – Indemnification

- 11) Indemnification – This section should not be stricken without approval.

**Exhibit C**

**Love Field Airport - Analysis of Existing Leases**

	Sec. 2 - Primary Term Length	Sec. 2 - Primary Term Rate	Sec. 2 - Primary Term CPI Escalation	Sec. 4 - Option Term Length	Sec. 4 - Option Rate	Sec. 4 - Option CPI Escalation	Sec. 6 - Capital Imp. - Timeframe	Sec. 9 - Environmental Insurance	Sec. 11 - Subletting & Assignment - Liability	Sec. 13 - Fuel Flow Fee - Rate	Sec. 23 - Indemnification
Love Partners, Inc. (dated May 01, 2003)	C	C	C	C	C	C	C	C	C	n/a	C
Monterrey, Inc. (dated January 1, 2001)	C	C	C	C	C	NC <sup>1</sup>	C	NC	C	n/a	C
TWG Properties, Ltd. (dated February 9, 2000)	C	C	C	n/a	n/a	n/a	C	C	C	C	C
TWG Properties, Ltd. (dated October 9, 2002)	C	C	C	n/a	n/a	n/a	C	C	C	C	C
Learjet TX, L.P. (dated July 1, 2002)	C	C	NC <sup>2</sup>	n/a	n/a	n/a	C	C	C	C	C
American Airlines, Inc. (dated August 1, 2001) <sup>3</sup>	C	C	C	C	C	C	C	C	C	n/a	C
Frontiers of Flight Museum, Inc. (July 1, 2001)	C	NC <sup>4</sup>	NC <sup>4</sup>	n/a	n/a	n/a	C	NC	C	n/a	C
Southwest Airlines Co. (dated August 1, 2001) <sup>3</sup>	C	C	C	C	C	C	C	C	C	n/a	C
Transportation Security Administration (dated April 1, 2003) <sup>5</sup>	C	C	C	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

C - Compliant  
 NC - Noncompliant

- Notes:
- 1) No escalation in the Option Rate.
  - 2) No escalation in the Primary Term Rate.
  - 3) Uses a different lease form, but is substantially similar to the Standard Lease Form.
  - 4) See explanation in "Special Provisions related to Frontiers of Flight Museum Lease" provided by the Aviation Department.
  - 5) This is a Governmental Short Form Lease.

**In summary, 33% of the leases surveyed failed to include a rent escalation in either the primary or option term and 22% did not included an environmental insurance provision. There were no other significant variations from the Standard Lease Form in any other category evaluated.**

EXHIBIT "D"

Dallas Airport System

Scenario: Includes CIP  
25-Aug-04

Financial Summary  
(Fiscal Years Ending September 30)

	2003	2004 *	2005 *	2006 *	2007 *	2008 *	2009 *	2010 *	2011 *	2012 *	2013 *	2014 *
Beginning Cash Balance	64,437,659	59,297,738	51,567,625	41,254,895	33,811,196	27,250,099	23,421,146	19,865,579	19,473,217	20,252,199	26,759,836	34,402,229
<b>Operating Revenues</b>												
Landing Fees	1,663,954	1,667,147	1,668,345	1,718,395	1,769,947	1,823,046	1,877,737	1,934,069	1,992,091	2,051,854	2,113,410	2,176,812
Concessions	6,322,991	7,458,723	7,849,356	8,084,837	8,327,382	8,577,203	8,834,519	9,099,555	9,372,542	9,653,718	9,943,329	10,241,629
Parking Garage(s)	7,417,427	8,254,717	8,289,515	8,703,991	9,139,190	9,596,150	10,075,957	10,579,755	11,108,743	11,664,180	12,247,389	12,859,759
Fuel Flow Fees	961,785	1,324,555	1,329,969	1,369,868	1,410,964	1,453,293	1,496,892	1,541,799	1,588,053	1,635,694	1,684,765	1,735,308
Utility Reimbursements	410,541	471,114	462,213	462,213	462,213	462,213	462,213	476,079	490,362	505,073	520,225	535,832
Rental On Airport	8,472,062	9,180,052	9,346,889	10,361,781	11,411,443	12,461,105	13,510,767	14,560,429	15,610,091	16,659,753	17,709,415	18,759,077
All Other Revenues	1,061,440	449,303	181,255	186,693	192,293	198,062	204,004	210,124	216,428	222,921	229,608	236,497
	26,310,200	28,805,611	29,127,542	30,887,778	32,713,433	34,571,072	36,462,090	38,401,810	40,378,309	42,393,192	44,448,141	46,544,913
<b>Operating Expenses (Gross)</b>	23,519,404	28,219,281	32,805,702	32,938,478	33,637,029	34,792,526	35,553,567	36,344,172	33,483,541	40,673,056	42,593,248	44,541,045
Less Capital Transfer	0	0	0	0	0	0	0	0	0	(10,000,000)	(11,000,000)	(12,000,000)
Less Debt Service	(3,568,132)	(3,808,309)	(7,717,625)	(7,657,000)	(7,597,750)	(7,539,250)	(7,483,375)	(7,431,875)	(3,703,875)	0	0	0
Net Operating Expenses	19,951,272	24,410,972	25,088,077	25,281,478	26,039,279	27,253,276	28,070,192	28,912,297	29,779,666	30,673,056	31,593,248	32,541,045
<b>Net Revenues Over O &amp; M</b>	6,358,928	4,394,639	4,039,465	5,606,300	6,674,153	7,317,796	8,391,898	9,489,513	10,598,643	11,720,136	12,854,893	14,003,867
<b>Gross Revenues Over Exp</b>	2,790,796	586,330	(3,678,160)	(2,050,700)	(923,597)	(221,454)	908,523	2,057,638	6,894,768	1,720,136	1,854,893	2,003,867
<b>CIP Program</b>												
Capital Expenses	14,203,486	9,413,801	18,803,320	16,612,999	12,650,000	14,430,000	15,302,000	9,800,000	24,463,141	14,850,000	14,850,000	14,850,000
Capital Revenues (AIP)	2,277,600	1,097,358	12,168,750	11,220,000	7,012,500	10,822,500	10,837,910	7,350,000	18,347,356	9,637,500	9,637,500	9,637,500
Capital Revenues (Op Transfer)										10,000,000	11,000,000	12,000,000
Gross Revenues Over Exp	(11,925,886)	(8,316,443)	(6,634,570)	(5,392,999)	(5,637,500)	(3,607,500)	(4,464,090)	(2,450,000)	(6,115,785)	4,787,500	5,787,500	6,787,500
<b>Ending Cash Balance</b>	59,297,738	51,567,625	41,254,895	33,811,196	27,250,099	23,421,146	19,865,579	19,473,217	20,252,199	26,759,836	34,402,229	43,193,596

\* Projected

**EXHIBIT "E"**

V.

MONTH TO MOINTH LEASE/RENTAL

1. Policy:

IT SHALL BE THE POLICY OF THE DEPARTMENT OF AVIATION TO LEASE OR RENT ON A MONTH TO MONTH BASIS PROPERTY:

1.1 At the prevailing rental rates.

1.2 With a provision to terminate at any time for any reason without notice.

2. Purpose

2.1 To better utilize space that would otherwise be vacant.

2.2 To provide temporary space for a current tenant.

2.3 To provide temporary or interim space for new tenants.

2.4 To enable City to terminate lease/rental at any time for any reason

3. Scope:

This policy applies to all month-to-month rentals on/off airport property.

4. Responsibility:

IT SHALL BE THE RESPONSIBILITY OF THE ASSISTANT DIRECTOR OF AVIATION, ADMINISTRATION TO:

4.1 Insure that this policy is implemented for all month-to-month tenants at Dallas Love Field and Dallas Executive Airport.

4.2 Negotiate the terms of the contract and recommend acceptance or denial.

5. Definitions:

Month-to-month Lease Rental: a short-form document referred to as a Tenancy Agreement developed by the Department of Aviation and the City Attorneys Office. which gives the Department of Aviation the absolute right to terminate the lease without giving any notice.

6. Procedures:

- 6.1 The person or entity who desires a month-to-month tenancy shall make a written request to the Department of Aviation.
- 6.2 Department of Aviation shall review the request and determine whether short-term rental would be beneficial.
- 6.3 Terms are negotiated and the rental document is forwarded to the City Attorney's Office.
- 6.4 The approved document is submitted to tenant for execution
- 6.5 Tenant returns the executed document to the Aviation Department.