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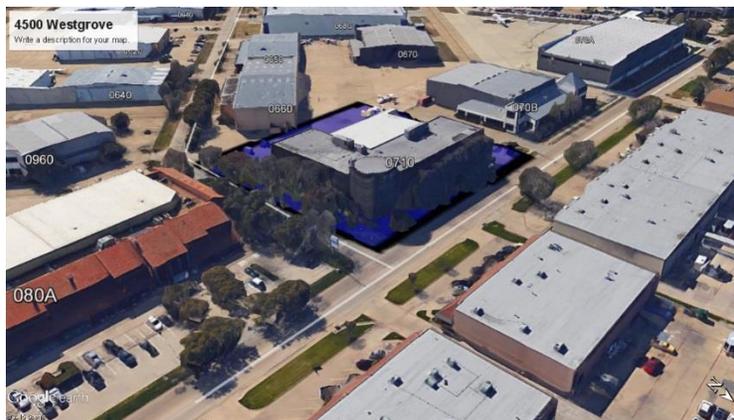
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- MEMORANDUM -

To: Lisa Pyles, Director of Infrastructure & Development Services
From: Bill Dyer, Airport Real Estate Manager
CC: Joel Jenkinson, Airport Director
Date: November 18, 2016
Re: A Request for the City Council’s Consideration and Consent to Amend Ground Lease 0710-55 (commonly known as 4500 Westgrove Drive) at Addison Airport, Key Development, LLC as Tenant.

Requested Action:

Key Development, LLC is requesting the City Council’s consideration and consent for the Town to enter into and execute a third amendment to the above-referenced ground lease, thereby extending the “Repair and Improvement Period” established in the Second



Amendment to Ground Lease, which second amendment was approved by Council in November 2015. No other terms of the ground lease, as amended, are being modified. Extending the Repair and Improvement Period will provide the Tenant the needed time to complete the remaining building improvements and thereby qualify for the eight

(8) year term extension as outlined in the Second Amendment.

Airport Management is recommending the City Council give its consent for the City Manager, on behalf of the Town, to enter into and execute the proposed Third Amendment

to Ground Lease (the “Amendment”) attached hereto as Exhibit 1. The City Attorney has reviewed the agreement and finds it acceptable to form.

Background Information:

Key Development, LLC acquired and took assignment of the leasehold interest and building improvements located at 4500 Westgrove Drive at Addison Airport in 2006. The Second Amendment was made effective in December 2015 and amended the lease term by adding 96 months (to end 3/31/2047), provided within 12 months of the effective date of the Second Amendment the Tenant completes a total of \$378,000 of the Building Improvements as described in Exhibit B of that amendment (the “Repair and Improvement Period”). To date, the Tenant has completed over \$264,000 (70%) toward those Building Improvements. Due to circumstances outlined below, Key Development has been unable to complete all of the Building Improvements within the stipulated 12-month period, therefore they are requesting the Town to extend the “Repair and Improvement Period” an additional 18 months allowing for plenty of time for Key Development to complete the remaining \$113,800 in Building Improvements.

Delays Experienced and Reason for Extension Request:

Key Development experienced eight months of delays largely due to:

- A six-month delay due to unforeseen elevator motor and electrical upgrade requirements that included installing heat and fire sensors at each floor level,, an updated alarm panel, which required new duct detectors, pull stations and wiring and a new fire sprinkler system. After these upgrades were completed, the Tenant had to schedule and pass city and state inspections.
- A two-month delay due to delays in receiving atrium improvement scope, estimates and feasibility study, as well as requested revisions to the scope of work.

Over the next 18 months Key Development will obtain revised and updated scopes of work needed for improvements to the office roof and interior elevator cab that will complete the Building Improvements required in the Second Amendment:

- Additional time is needed for an updated roof improvement scope and estimates due to the time lapse from the initial scope and estimates obtained. Construction will need to take place during more favorable weather conditions in spring and summer. Consideration is also being made for unforeseen complications and additional items that may need to be included in this scope once work has begun.
- Elevator cab improvements may now commence as all upgrades to the elevators have been completed. Consideration is also being made for unforeseen complications and additional items that may need to be included in this scope once work has begun.

Current Property Description and Lease Status:

Property Description		Ground Lease Information	
Date of Report	11/15/2016	Lease #	0710-5502
Property Number	0710	Tenant Name	Key Development, LLC
Property Address	4500 Westgrove Drive	Doing Business As	Key Development, LLC
Ramp Address	V-16	Primary Contact:	James W. Keyes
Property Type	Ground Lease	Lease Commencement Date	3/2/1984
Land Area (SFL)	67,686	Lease Expiration Date	3/31/2039
Hangar Area (BSF)	10,000	Years Remaining in Term	22
Office/Shop Area (BSF)	29,626	Current Monthly Rent	\$4,810.81
Total Building Area (BAF)	39,626	Current Annual Rent	\$57,729.72
Year Built	1985	Annual Rent /SF Land	\$0.85
Est. Economic Life	60	Est. Remaining Contract Rent	\$1,554,722
End of Proj. Eco. Life	2045	Next Rent Adjustment Date	04/01/18 - CPI every 2 years
% Obsolescent	52%	Permitted Use:	Multi-tenant office w/ attached aircraft hangar; sale & storage of aircraft & aircraft parts; flight training, charter, repairs and rentals
Aircraft Apron Area (SFL)	15,215		

Conclusion and Recommendation:

Based upon the foregoing, Key Development, LLC has been a tenant in good standing at Addison Airport since 2006. They have successfully managed, operated and maintained the leased premises to a high standard ever since taking ownership of the building improvements.

Key Development’s proposal is consistent with the 2013 Addison Airport Strategic Plan by (i) enhancing the overall value of the Airport and surrounding community; and (ii) represents upgrades and improvements to an existing Airport facility. With respect to the FAA Addison Airport Master Plan Update, this plan does not contemplate any significant land-use change for this portion of the Airport.

Airport Management is recommending the Town give its consent for the City Manager to enter into and execute on behalf of the Town the proposed Third Amendment to Ground Lease. The City Attorney has reviewed and approves of the agreement to form.