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- M E M O R A N D U M -

To: Lisa Pyles, Director of Infrastructure & Development Services

From: Bill Dyer, Airport Real Estate Manager

CC: Joel Jenkinson, Airport Director

Date: February 13, 2017

Re: A Request for the City Council's Consideration and Consent of a Conventional Hangar Lease with Wing Aviation Charter Services, LLC for Office and Hangar Space at 4555 Glenn Curtiss Drive (Taxiway Uniform) Formerly Referred to as the "Starbase Jet Hangar"

Requested Action

Wing Aviation Charter Services, LLC ("Wing") is requesting the City Council's consideration and consent for the Town to enter into and execute a Conventional Hangar Lease with Wing for the above-referenced, Town-owned, airport property.

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 Conventional Hangar Lease ("the Lease"), located in the Resolution. The City Attorney has reviewed the proposed lease agreement and finds it acceptable to form.

Background Information

With City Council approval, in 2014 the Town of Addison purchased the off-airport, fee-simple property commonly known as 4555 Glenn Curtiss Drive pursuant to Title 49, Code of Federal Regulations (CFR), Part 24, *Uniform Relocation Assistance and Real Property Acquisition for Federal and Federally Assisted Programs*, Section 21 of the Texas Property Code, and the U.S. Department of Transportation Federal Aviation Administration Advisory Circular No. 150.5100-17. The property was acquired by the Town to achieve certain strategic airport objectives as outlined in the 2013 Addison Airport Strategic Plan; specifically, to better protect the airport from encroaching non-compatible uses and to increase airport revenues.



4555 Glenn Curtiss Drive – Taxiway Uniform. ALP Property No. U-4

After the Town acquired the property, the then current tenant, Starbase Aviation, LLC, continued to lease the hangar and office space until its lease expiration of January 31, 2017. Starbase elected not to continue its occupancy of the premises because of a material change to their business operations making it necessary. Due to the extensive interest in commercial hangars on Addison Airport, and in the interest of treating all parties fairly and impartially under certain FAA grant assurance guidelines, Airport Management determined it was in the Town's best interest to advertise the property for lease through the Town's RFP (Request for Proposal) process using www.Bidsync.com with assistance from the Town's Purchasing Department.

Request for Proposal Review Process

The Request for Proposal was posted on www.Bidsync.com on November 3, 2016 with responses being accepted through November 30, 2016. Airport Management received three qualifying written responses. Two responses received were from current Addison Airport tenants: Baker Aviation, an aircraft maintenance provider; and Atlantic Aviation, one of two FBOs located on Addison Airport. The third response received was from Wing Aviation Charter Services, LLC.

Airport Management's RFP review committee included Joel Jenkinson, airport director; Darci Neuzil, deputy airport director; Joe McAnally, operations manager; and Bill Dyer, real estate manager. The review process was observed by Wil Newcomer, purchasing manager for the Town of Addison.

Each RFP response submitted was reviewed and scored independently by the review committee members based on criteria set forth in the RFP. Mr. Newcomer reviewed and tallied the scores that revealed Wing Aviation Charter Services, LLC had the highest score of 98.7 largely because of their (i) well established reputation within the air charter industry, (ii) representing a new established aviation business to the Airport, (iii) proposed use is most compatible with the office/hangar facility and, (iv) proposed long-term commitment to Addison Airport.

Wing Aviation Charter Services, LLC

Established in 2002, Wing Aviation Charter Services is an aircraft management and jet charter operator headquartered at Hobby Airport (HOU) in Houston, Texas. It serves discerning clients worldwide with a comprehensive array of private aviation services that encompass aircraft charter, management and brokerage. Wing currently employs 75 and manages 24 aircraft under its FAA Part 135 Charter Certificate.

Wing Aviation Charter Services, LLC's 2015 assets were in excess of \$20 million and liabilities were under \$6 million. Its founder and president, Dr. Dirk Laukien, is an active pilot and aircraft owner. He holds an FAA ATP certificate and is a certified flight instructor for fixed-wing and rotary aircraft. Much of Dr. Laukien's success is due to his commitment to maintaining a heightened level of safety and service throughout all his business ventures. Wing's parent company, Black Forest Ventures, holds over two million square feet of commercial real estate holdings including the following aviation-related real estate developments:

- Galaxy FBO – Phase I
In operation since 2013, this 15-acre fixed-base operation at Conroe-North Houston Regional Airport (KCXO) consists of a three-story 45,000 square-foot FBO facility, two 28,000 square-foot hangars and 12,000 square feet of additional storage space on nine acres of land.
- Galaxy FBO – Phase II
Currently under construction at KCXO, Phase II will add two new hangars totaling 35,000 square feet and 4.9 acres of ramp space.
- Wing Aviation Headquarters – Houston Hobby (HOU) Airport
Wing's proposed 19-acre, multi-million-dollar project has been approved by the City of Houston and is currently under FAA review and field studies. The project includes 20,000 square feet of office space, nine acres of ramp and two 38,000 square-foot hangar/aircraft storage facilities.

Wing anticipates generating approximately \$1.5 million in revenue per year at Addison Airport based on its management and charter operations, and will base four to six aircraft on the property. It plans on making 4555 Glenn Curtiss its Dallas-area headquarters and will consolidate its aviation assets and employees within the Metroplex to better serve its Dallas-based clients. In so doing, Addison Airport will become home to over a dozen Wing Aviation

employees including flight crews, dispatchers, maintenance and customer support and sales personnel. Plans include creating new employment opportunities to better support its expanded operations. In the short term, Wing will hire maintenance and line crews and a customer service representative. In the long term, it plans on doubling its Addison-based employee headcount to 30.

Current Property Description and Lease Status

Property Description		Proposed Lease Information	
Date of Report	2/8/2017	Lease #	4555-0102
Property Number	4555	Tenant Name	Wing Aviation Charter Services, LLC
Property Address	4555 Glenn Curtiss Dr.	Doing Business As	Wing Aviation
Ramp Address	U-4	Primary Contact:	Jonathan Hitchcock, CFO
Property Type	Commercial Hangar	Lease Commencement Date	Proposed 3/1/2017
Land Area (SFL)	49,005	Lease Expiration Date	2/29/2027
Hangar Area (BSF)	16,650	Years Remaining in Term	10 Yrs w/ two consecutive 5 Yrs Options
Office (BSF)	8,300	Proposed Monthly Rent	\$18,192.75
Total Building Area (BAF)	24,950	Proposed Annual Rent	\$218,313.00
Year Built	2005	Proposed Annual Net Rent PSF	\$8.75
Est. Economic Life	50	Est. Remaining Contract Rent	N/A
End of Proj. Eco. Life	2055	First Rent Adjustment Date	3 rd anniversary of commencement date; 1 st anniversary of Option Term
% Obsolescent	24%	Permitted Use:	General office, clerical and administrative purposes; aircraft storage, aircraft cleaning, aircraft charter and other hangar or business activities in compliance with the Conventional Lease
Aircraft Apron Area (SFL)	16,000		

Proposed Lease Terms

Presented herein as Exhibit 1 is the proposed Conventional Hangar Lease For Commercial Aviation Use Agreement by and between the Town of Addison and Wing Aviation Charter Services, LLC, which has been reviewed and approved by the city attorney. The following is a summary of the salient terms and conditions incorporated into the proposed agreement:

1. Commencement Date – as of the Effective Date (date of full execution of the agreement).
2. Primary Term - 10 years (120 consecutive calendar months)
3. Option to Extend – provided Tenant is (i) in good standing with the Landlord and not in default, (ii) occupies at least 75% of the premises and (iii) no adverse material change to the ownership or Tenant’s financial condition; Tenant may exercise option to extend the Lease Term two consecutive 60 month terms by giving landlord proper written notice. Landlord has the right not to allow Option to Extend under certain conditions

4. Base Rent – \$218,313 annually (\$8.75/bsf) for the first three years, thereafter rent is subject to a biennial CPI adjustment.
5. Option Rent – the greater of the product of multiplying the last monthly installment of the Adjusted Base Rent of the Primary Term times 12 months or, Landlord’s Fair Market Rent, as defined in the Lease.
6. Security Deposit – \$150,000.00 or the equivalent of 8.25 months or Base Rental as adjusted from time to time.
7. Use of Premises – Operating and subleasing office and hangar facilities and parking used directly in support of and in connection with corporate flight operations, FAA Part 135 and FAA Part 91 aircraft charter and aircraft management operations.

Proposed Concessions:

In consideration of Wing acceptance of the proposed Lease terms and conditions including those summarized above, Airport Management proposes the Town grant the two following concessions:

1. In lieu of Landlord incurring the cost of contracting various trades to complete an assortment of interior cleaning, repairs, restoration and limited remodeling of the floor plan necessitated by the Tenant’s use of the leased premises, Tenant has agreed to accept a tenant finish-out allowance of the amount not to exceed \$30,000 to be paid by Landlord subject to the terms of a Tenant Finish-out and Reimbursement Work Letter agreement attached as Exhibit “G” to the Lease.
2. Additionally, Landlord agrees to construct or cause to construct, at its expense, a taxiway connector leading directly from the leased premises to Taxiway Uniform within the first 18 months of the Lease. Currently the tenant must cross the adjacent property (Martinaire’s) aircraft apron for ingress/egress to Taxiway Uniform, which presents certain safety and operational hazards and inefficiencies. This capital improvement was already scheduled for FY-17 as an Airport’s CIP project with a preliminary cost estimate of \$150,000 and is eligible for TxDOT RAMP grant funding for FY17 & FY18 (\$100,000 in the aggregate) if so elected by the Town.

Economic Impact: The proposed lease represents the continuance of approximately \$225,000 in annual revenue to the airport for at least the next 10 years. Additionally Wing projects the purchase of 150,000 gallons of fuel at Addison Airport, with volumes increasing to as much as 250,000 gallons based upon their growth projections. These volumes represent \$21,000 to \$35,000 respectively in new annual fuel flowage fees to the Airport for the next ten years or longer. Wing intends to initially base 14 employees at the Glenn Curtiss facility with plans to increase their FTEs at the site to 30 as their operations grow. The lease arrangement represents nearly \$2.5 million in direct revenue to the Airport over the primary lease term.

Conclusion and Recommendation:

Wing Aviation Charter Services, LLC is requesting the City Council’s consideration and consent for the Town to enter into and execute a Conventional Hangar Lease with Wing for the Town-owned hangar and office facility located at 4555 Glenn Curtiss Drive.

The proposed lease will bring a first-class and successful commercial business to Addison Airport. This opportunity will achieve the Town’s strategic objectives for Addison Airport of upgrading and improving an existing airport facility; enhancing the overall value of the airport with the construction of a new taxiway connector; generating additional revenue on the airport; and creating both direct and indirect economic benefits to the airport and Town of Addison.

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 Conventional Hangar Lease (“the Lease”), which is attached hereto as Exhibit 1. The City Attorney has reviewed the proposed lease agreement and finds it acceptable to form.