

Atlantic Aviation Ground Lease

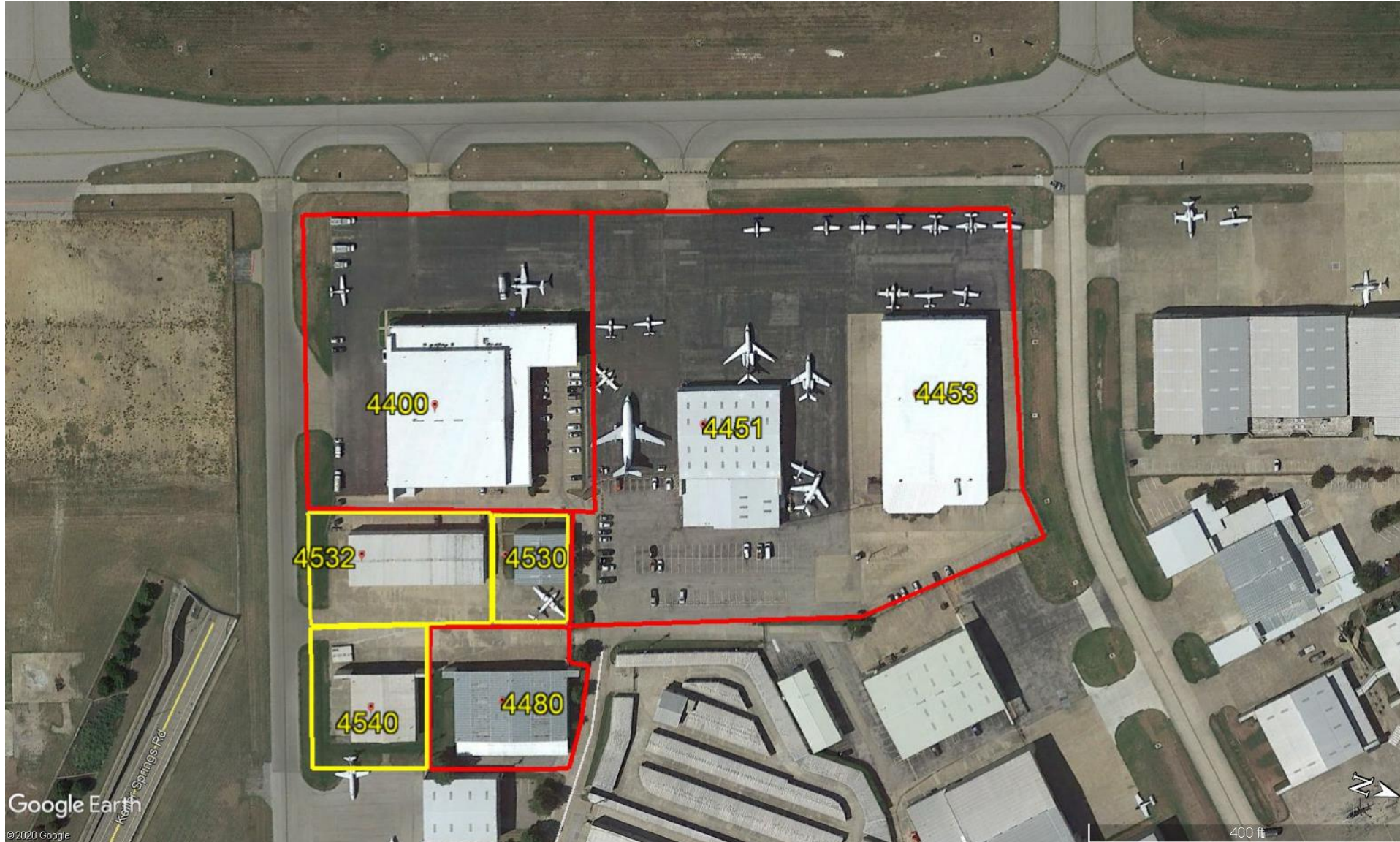
July 14, 2020

The logo for ADDISON, featuring the word "ADDISON" in a bold, blue, sans-serif font centered within a white circle. The circle is set against a blue background that is part of a larger graphic design on the right side of the slide, which includes a white diagonal line and a grey triangular corner.

- Party
 - Mercury Air Center – Addison, Inc. (Doing business as Atlantic Aviation)
 - Consolidating 2 ground leases, 1 long-term commercial lease and 3 short-term commercial leases to a single 40-year ground lease
- Area
 - 11.5 acres of airport land
 - 6 parcels already improved with Fixed Base Operator (FBO) terminal and 7 aircraft hangars w/ 200K Square Feet of apron
- Lease Term
 - Base Term - 7 years
 - 3 Term Extension Options up to 40-years with a minimum \$14 million capital investment
- Lease Rate
 - Ground Rent \$1.235/Square Feet of Land

Overview

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Summary of Ground Lease Proposal

- Base Ground Rental begins at \$1.235/SFL
 - Rate represents \$.725/SF land plus \$.505/SFL in residual value and accrued interest over term
 - \$615,620 annual rental subject to biennial CPI adjustment
- Atlantic to expend a minimum \$14M in new capital investment
- Extended Term #1: 7 Year Base Term (2027) plus 13-years (until 2040) upon completion of \$6M on new executive jet hangar to be completed 4-years following commencement date (2024)
- Extended Term #2: Extended Term #1 plus 15-years (until 2055) upon completion of \$5.5M renovation of FBO terminal and new apron by end of 2027
- Extended Term #3: 5-years (until 2060) upon completion of \$2.5M renovation of hangar and off-street parking by end of 2033

Benefits to the Town of Addison

- Retains Atlantic Aviation, largest FBO in country, at Addison Airport
- Shifts capital and market risk from Airport to Atlantic
- In addition to ground rent, amortizing reversion value substantially increases Airport revenue over the term
- Significantly improves the quality of the aeronautical facilities with private capital
- Increase Town tax base by converting exempted Town-owned assets to taxable assets
- Consistent with 2013 Strategic Plan and 2016 Airport Master Plan

Recommendation

- Staff recommends that the Council approve the Atlantic Ground Lease as proposed and authorize the City Manager to execute the Ground Lease and other such documents necessary to the transaction
- The City Attorney has reviewed the Ground Lease and other such agreements and find them acceptable for the Town's purposes

Questions

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