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## ~ MEMORANDUM ~

To: Ashley D. Mitchell, Deputy City Manager

From: Bill Dyer, Real Estate Manager

Cc: Joel Jenkinson, Airport Director

Date: August 4, 2020

Re: A Request for the Consideration and Consent of the Town of Addison for a Proposed Third Amendment to Ground Lease #0950-5101 (Concourse Plaza II, LTD., as “Tenant” ) commonly known as Addison Airport Office Center located at 16051 Addison Road at Addison Airport, Texas (the “Demised Premises”)

### **Requested Action**

Concourse Plaza II, LTD., Tenant to the above-referenced Ground Lease, is requesting the Town of Addison's consent to a proposed Third Amendment to Ground Lease (the “Amendment”) that will extend the current lease term by 6 years to September 30, 2060.



On August 14, 2018, the council approved a Second Amendment extending the current Ground Lease term by 360 months to September 30, 2054. That Second Amendment required Concourse Plaza complete no less than \$1,500,000 in certain capital repairs and improvements within the first 36-months of the Second Amendment effective date. That Second Amendment also, amongst other things, increased Concourse Plaza’s rental rate by 22.6% to be in alignment with the prevailing market rental rates.

Concourse Plaza has satisfactorily completed all required capital repairs and improvements pursuant to the Second Amendment with the Second Amendment Construction Cost Evidence<sup>1</sup> totaling \$1,992,270, exceeding the minimum required sum of \$1,500,000 by \$492,270. It is the overage, which serves as the basis and justification for the Tenant's request for the added 6-year term. The proposed Third Amendment provides for extending the current lease term the additional 6- years to September 30, 2060 (see Exhibit "A").

Airport Management recommends the City Council give its consent to the proposed Third Amendment by authorizing the City Manager to sign the Amendment on behalf of the Landlord. The city attorney has reviewed the proposed Amendment and finds it to be acceptable to form for the City's purposes.

### **Background Information**

The Demised Premises is located at the southwest corner of Addison Road and Keller Springs Road, at 16051 Addison Road, and consists of 1.80 acres of land. It is improved with a 42,916 square-foot, two-story, multi-tenant office building with five attached box hangars consisting of 8,359 square feet. Commercially it is known as Addison Airport Office Center.

The Ground Lease was originally entered into on October 11, 1983 with Bunnell Properties, Inc. as tenant. Attached to the Ground Lease and made a part thereof is the "Addendum to Ground Lease" whereby among other things, the term "general office use" is included among the permitted uses of the Demised Premises and the Tenant shall give priority to qualifying aviation-oriented sub-leases when practical. On April 22, 1997, landlord and tenant entered into a Settlement and First Amendment Agreement that, among other things, modified the Demised Premises by reducing the square footage of land to the current 78,506 square feet (1.80 acres) to accommodate the Addison Airport Tunnel alignment. By way of various assignments over the term Concourse Plaza II, LTD., a Texas limited partnership, is now the Tenant with Harkinson Investment Corporation as the General Partner.

### **Summary of Ground Lease Terms**

<i>Name of Tenant</i>	<i>Description</i>
<b>Name of Tenant</b>	Concourse Plaza II, LTD
<b>Lease #</b>	0950-5101
<b>Lease Type</b>	Ground Lease
<b>Ramp #</b>	S12
<b>Property Name</b>	Addison Airport Office Center
<b>Legal Address (1)</b>	16051 Addison Rd., Addison, TX 75001
	Addison Airport Office Center
<b>Primary Contact</b>	Jeff Harkinson, Harkinson Investment Corp. GP
<b>Lease Commencement Date</b>	10/01/1983
<b>Lease Expiration Date</b>	09/30/2054
<b>Years Remaining</b>	34.27
<b>Current Monthly Ground Rent</b>	\$4,252.41
<b>Current Annual Ground Rent</b>	\$51,028.92 (\$0.65/SFL)

<sup>1</sup> As defined in the Second Amendment, being that Application for Payment #9, signed and notarized dated March 2, 2020 held on file in the Airport archives.

<b>Next Rental Adjustment</b>	09/1/2020
<b>DCAD Est. Value of Improvements</b>	\$2,130,000
<b>Brief Description of Improvements</b>	SWC of Addison Road and Keller Springs. 2-story structure consisting of @ 42,600 sf of multi-tenant office space, 5 box hangars and covered parking.
<b>Year Built</b>	1984
<b>Land Area</b>	78,506
<b>Building Area</b>	51,275 SF (excluding covered parking)
<b>Rentable Office Area</b>	42,916 RSF
<b>Hangar/Air Serv.</b>	8,359 SF
<b>Ramp Area</b>	7,700 SF

### **Current Status**

The primary use of the leased premises is multi-tenant, general administrative offices with five (5) box aircraft hangars attached averaging about 1,680 rentable square feet each. The airport administrative offices have been in Addison Airport Office Center since October 2004 pursuant to a separate sub-lease agreement.

The tenant is in good standing with the City. There are no extraordinary legal, environmental, or strategic considerations to report currently.

### **Summary of Proposed Lease Amendment Terms**

The proposed Third Amendment to Ground Lease provides for a term extension of 72-months or, to September 30, 2060 in recognition of the actual cost of capital repairs and improvements made more than the Second Amendment stipulated minimum..

### **Conclusion and Recommendation**

Concourse Plaza II, LTD.'s Ground Lease is scheduled to expire September 30, 2054. The Tenant is requesting the Town of Addison's consent to the proposed Third Amendment to Ground Lease (see Exhibit "A"). The proposed Third Amendment to Ground Lease will extend the current lease term by 6 years, or 72 months, making the new proposed expiration date September 30, 2060.

The Second Amendment provided for additional lease term based on \$50,000 in approved capital repairs and improvements for each year of added term ( $\$1,500,000/30 \text{ years} = \$50,000/\text{year}$ ). On this same basis, the Tenant would be eligible for an additional 9.8 years of term based upon the \$492,270 in qualified expenditures more than the Second Amendment minimum requirement. Because, the 9.8 years would cause the total remaining lease term to exceed the statutory limit of 40-years, the proposed term modification for this Third Amendment is limited to 6-years.

The requested action has little or no direct economic impact to the Airport.

The requested action is consistent with the 2013 Addison Airport Strategic Plan. The 2016 Airport Master Plan does not contemplate any material changes in the vicinity of the Demised Premises at the east end of Taxiway Sierra during its twenty (20) year planning horizon.

Airport management recommends the Town of Addison give its consent to the requested action and authorize the city manager to execute the Third Amendment to Ground on behalf of the City. The City Attorney has reviewed the Third Amendment and finds it to be acceptable to form for the City's purposes.

A copy of the Ground Lease is available upon request.

**TO OWNER/CLIENT:**  
 Concourse Plaza II, Ltd. c/o Herfindson Investment  
 16057 Addison Road  
 Addison, Texas 75001

**PROJECT:**  
 Addison Airport Office Center  
 16057 Addison Road  
 Addison, Texas 75001

**FROM CONTRACTOR:**  
 Drive Construction GC, LLC  
 4275 Kellie Road, Suite 180  
 Addison, Texas 75001

**CONTRACT FOR:** Addison Airport Office Center Prime Contract

**APPLICATION NO:** 9  
**INVOICE NO:** 9  
**PERIOD:** 02/01/20 - 02/29/20  
**PROJECT NO:** 19007  
**CONTRACT DATE:**

**CONTRACTOR'S APPLICATION FOR PAYMENT**  
 Application is made for payment, as shown below, in connection with this Contract. Continuation Sheet is attached.

The undersigned certifies that to the best of the Contractor's knowledge, information and belief, the Work covered by this Application for Payment has been completed in accordance with the Contract Documents, that all amounts have been paid by the Contractor for Work which previous Certificates for payment were issued and payments received from the Owner/Client, and that current payments shown herein is now due.

**CONTRACTOR:** Drive Construction GC, LLC

By: *J. Wood* Date: 3/2/2020

State of: Texas  
 County of: Dallas  
 Subscribed and sworn to before me this 2 day of March 2020  
 Notary Public: Kathleen Wood  
 My commission expires: 2/1/23



1. Original Contract Sum	\$1,792,591.00
2. Net change by change orders	\$209,689.03
3. Contract Sum to date (Line 1 ± 2)	\$1,992,270.03
4. Total completed and stored to date (Column 5 on detail sheet)	\$1,992,270.03
5. Retainage:	
a. 0.00% of completed work	\$0.00
b. 0.00% of stored material	\$0.00
Total retainage (Line 5a + 5b or total in column 1 of detail sheet)	\$0.00
Total earned less retainage (Line 4 less Line 5 Total)	\$1,992,270.03
Less previous certificates for payment (Line 6 from prior certificates)	\$1,742,156.65
Current payment due:	\$250,113.38
Balance to finish, including retainage (Line 3 less Line 6)	\$0.00

CHANGE ORDER SUMMARY	ADDITIONS	DEDUCTIONS
Total changes approved in previous months by Owner/Client:	\$522,595.99	\$(12,906.96)
Total approved this month:	\$0.00	\$0.00
Totals:	\$522,595.99	\$(12,906.96)
Net change by change orders:	\$209,689.03	

Owner: *W. Wood* Date: 3/20/2020

CONTINUATION SHEET

DOCUMENT DETAIL SHEET

Document SUMMARY SHEET, APPLICATION AND CERTIFICATE FOR PAYMENT, containing Contractor's signed Certification is attached.  
Use Column I on Contracts where variable retainage for line items apply.

APPLICATION NUMBER: 9  
APPLICATION DATE: 3/2/2020  
PERIOD: 02/01/20 - 02/29/20

Contract Lines

ITEM NO.	DESCRIPTION OF WORK	SCHEDULED VALUE	WORK COMPLETED		MATERIALS PRESENTLY STORED (NOT IN D OR E)	TOTAL COMPLETED AND STORED TO DATE (D + E + F)	% (G / C)	BALANCE TO FINISH (C - G)	RETAINAGE
			FROM PREVIOUS APPLICATION (D + E)	THIS PERIOD					
1	Lobby General Conditions	\$78,385.00	\$78,385.00	\$0.00	\$0.00	\$78,385.00	100.00%	\$0.00	\$0.00
2	Lobby Demo	\$24,451.00	\$24,451.00	\$0.00	\$0.00	\$24,451.00	100.00%	\$0.00	\$0.00
3	Lobby Concrete	\$21,278.00	\$21,278.00	\$0.00	\$0.00	\$21,278.00	100.00%	\$0.00	\$0.00
4	Lobby Insulation	\$68,750.00	\$68,750.00	\$0.00	\$0.00	\$68,750.00	100.00%	\$0.00	\$0.00
5	Lobby ACM	\$27,834.00	\$27,834.00	\$0.00	\$0.00	\$27,834.00	100.00%	\$0.00	\$0.00
6	Lobby Doors	\$7,055.00	\$7,055.00	\$0.00	\$0.00	\$7,055.00	100.00%	\$0.00	\$0.00
7	Lobby Glass	\$40,910.00	\$40,910.00	\$0.00	\$0.00	\$40,910.00	100.00%	\$0.00	\$0.00
8	Lobby Drywall	\$63,135.00	\$63,135.00	\$0.00	\$0.00	\$63,135.00	100.00%	\$0.00	\$0.00
9	Lobby Flooring	\$49,818.00	\$49,818.00	\$0.00	\$0.00	\$49,818.00	100.00%	\$0.00	\$0.00
10	Lobby Painting	\$81,156.00	\$69,465.52	\$0.00	\$11,690.48	\$81,156.00	100.00%	\$0.00	\$0.00
11	Lobby Fire Protection	\$64,407.00	\$64,407.00	\$0.00	\$0.00	\$64,407.00	100.00%	\$0.00	\$0.00
12	Lobby Elevators	\$7,500.00	\$7,500.00	\$0.00	\$0.00	\$7,500.00	100.00%	\$0.00	\$0.00
13	Lobby Mechanical	\$38,330.00	\$38,330.00	\$0.00	\$0.00	\$38,330.00	100.00%	\$0.00	\$0.00
14	Lobby Electrical	\$115,000.00	\$115,000.00	\$0.00	\$0.00	\$115,000.00	100.00%	\$0.00	\$0.00
15	Lobby OH&P	\$37,800.00	\$37,800.00	\$0.00	\$0.00	\$37,800.00	100.00%	\$0.00	\$0.00
16	Lobby Tax	\$59,863.00	\$59,863.00	\$0.00	\$0.00	\$59,863.00	100.00%	\$0.00	\$0.00
17	Exterior General Conditions	\$17,259.00	\$17,259.00	\$0.00	\$0.00	\$17,259.00	100.00%	\$0.00	\$0.00
18	Exterior Demo	\$5,300.00	\$5,300.00	\$0.00	\$0.00	\$5,300.00	100.00%	\$0.00	\$0.00
19	Exterior Carpentry	\$27,255.00	\$27,255.00	\$0.00	\$0.00	\$27,255.00	100.00%	\$0.00	\$0.00
20	Exterior Misc Metals	\$31,160.00	\$31,160.00	\$0.00	\$0.00	\$31,160.00	100.00%	\$0.00	\$0.00
21	Exterior Doors	\$10,900.00	\$10,900.00	\$0.00	\$0.00	\$10,900.00	100.00%	\$0.00	\$0.00
22	Exterior Glass	\$24,105.00	\$24,105.00	\$0.00	\$0.00	\$24,105.00	100.00%	\$0.00	\$0.00
23	Exterior Drywall	\$14,000.00	\$14,000.00	\$0.00	\$0.00	\$14,000.00	100.00%	\$0.00	\$0.00
24	Exterior Flooring	\$22,068.00	\$22,068.00	\$0.00	\$0.00	\$22,068.00	100.00%	\$0.00	\$0.00
25	Exterior Painting	\$82,000.00	\$82,000.00	\$0.00	\$0.00	\$82,000.00	100.00%	\$0.00	\$0.00
26	Exterior Fire Protection	\$14,936.00	\$14,936.00	\$0.00	\$0.00	\$14,936.00	100.00%	\$0.00	\$0.00
27	Exterior Mechanical	\$12,126.00	\$12,126.00	\$0.00	\$0.00	\$12,126.00	100.00%	\$0.00	\$0.00
28	Exterior Electrical	\$33,243.00	\$33,243.00	\$0.00	\$0.00	\$33,243.00	100.00%	\$0.00	\$0.00
29	Exterior OH&P	\$13,290.00	\$13,290.00	\$0.00	\$0.00	\$13,290.00	100.00%	\$0.00	\$0.00
30	Exterior Tax	\$25,380.00	\$25,380.00	\$0.00	\$0.00	\$25,380.00	100.00%	\$0.00	\$0.00
31	HVAC RTU's	\$160,278.00	\$160,278.00	\$0.00	\$0.00	\$160,278.00	100.00%	\$0.00	\$0.00
32	HVAC Controls	\$78,575.00	\$78,575.00	\$0.00	\$0.00	\$78,575.00	100.00%	\$0.00	\$0.00
33	Allowance for Replacement of Hanger Panels	\$100,000.00	\$100,000.00	\$0.00	\$0.00	\$100,000.00	100.00%	\$0.00	\$0.00
34	ADA Modifications - Restrooms	\$183,206.00	\$183,206.00	\$0.00	\$0.00	\$183,206.00	100.00%	\$0.00	\$0.00

A ITEM NO.	B DESCRIPTION OF WORK	C SCHEDULED VALUE	D WORK COMPLETED		F MATERIALS PRESENTLY STORED (NOT IN D OR E)	G TOTAL COMPLETED AND STORED TO DATE (D + E + F)		H BALANCE TO FINISH (C - G)	I RETAINAGE
			FROM PREVIOUS APPLICATION (D + E)	THIS PERIOD		% (G / C)			
35	Signage Allowance	\$60,000.00	\$60,000.00	\$0.00	\$0.00	\$60,000.00	100.00%	\$0.00	\$0.00
36	Contingency	\$82,028.00	\$82,028.00	\$0.00	\$0.00	\$82,028.00	100.00%	\$0.00	\$0.00
TOTALS:		\$1,782,581.00	\$1,770,890.52	\$0.00	\$11,690.48	\$1,782,581.00	100.00%	\$0.00	\$0.00

Change Orders

A ITEM NO.	B DESCRIPTION OF WORK	C SCHEDULED VALUE	D WORK COMPLETED		F MATERIALS PRESENTLY STORED (NOT IN D OR E)	G TOTAL COMPLETED AND STORED TO DATE (D + E + F)		H BALANCE TO FINISH (C - G)	I RETAINAGE
			FROM PREVIOUS APPLICATION (D + E)	THIS PERIOD		% (G / C)			
37	PCCO#001 Change Order #1	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	100.00%	\$0.00	\$0.00
38	PCCO#002 Requested Changes for Garage Ceiling; Slab Stone; RTU Condensate	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	100.00%	\$0.00	\$0.00
39	PCCO#003 Change Order #3	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	100.00%	\$0.00	\$0.00
40	PCCO#004 Change Order #4 Credits	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	100.00%	\$0.00	\$0.00
41	PCCO#005 Change Order #5: Bollards; FEC's;	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	100.00%	\$0.00	\$0.00
42	PCCO#006 Change Order #6 - Paint Sprinkler & Electrical Pipes	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	100.00%	\$0.00	\$0.00
43	PCCO#007 Change Order #7 - Flat Roofing; Plumbing Main; Lighting; Car Charger	\$18,712.84	\$18,712.84	\$0.00	\$0.00	\$18,712.84	100.00%	\$0.00	\$0.00
44	PCCO#008 Change Order #8	\$27,143.00	\$27,143.00	\$0.00	\$0.00	\$27,143.00	100.00%	\$0.00	\$0.00
45	PCCO#009 Change Order #9 - Mac Bottom	\$12,090.00	\$12,090.00	\$0.00	\$0.00	\$12,090.00	100.00%	\$0.00	\$0.00
46	PCCO#010 Change Order #10 - Stairwell	\$6,587.00	\$0.00	\$6,587.00	\$0.00	\$6,587.00	100.00%	\$0.00	\$0.00
47	PCCO#011 Change Order #11 - 3rd Floor Suites 300; 304; 305; Lighting at South Parking Canopy	\$103,451.00	\$77,004.00	\$26,447.00	\$0.00	\$103,451.00	100.00%	\$0.00	\$0.00
48	PCCO#012 Change Order #12 - Pendants Lights	\$2,620.00	\$2,620.00	\$0.00	\$0.00	\$2,620.00	100.00%	\$0.00	\$0.00
49	PCCO#013 Change Order #13 - East Roof & Gutter	\$34,500.00	\$34,500.00	\$0.00	\$0.00	\$34,500.00	100.00%	\$0.00	\$0.00
50	PCCO#014 Change Order #14 - Credit Signage	\$(60,000.00)	\$(60,000.00)	\$0.00	\$0.00	\$(60,000.00)	100.00%	\$0.00	\$0.00
51	PCCO#015 Change Order #15- Window replacement, Water heaters, Sprinkler heads, Lighting, LVT	\$29,452.68	\$14,586.87	\$14,865.81	\$0.00	\$29,452.68	100.00%	\$0.00	\$0.00
TOTALS:		\$174,556.52	\$126,656.71	\$47,899.81	\$0.00	\$174,556.52	100.00%	\$0.00	\$0.00

Grand Totals

A ITEM NO.	B DESCRIPTION OF WORK	C SCHEDULED VALUE	D WORK COMPLETED		F MATERIALS PRESENTLY STORED (NOT IN D OR E)	G TOTAL COMPLETED AND STORED TO DATE (D + E + F)		H BALANCE TO FINISH (C - G)	I RETAINAGE
			FROM PREVIOUS APPLICATION (D + E)	THIS PERIOD		% (G / C)			
GRAND TOTALS:		\$1,992,270.03	\$1,921,261.49	\$59,318.06	\$11,690.48	\$1,992,270.03	100.00%	\$0.00	\$0.00

NOTICE:

This document waives rights unconditionally and states that you have been paid for giving up those rights. It is prohibited for a person to require you to sign this document if you have not been paid the payment amount set forth below. If you have not been paid, use a conditional release form; and below the notice, read:

UNCONDITIONAL WAIVER AND RELEASE ON PROGRESS PAYMENT

Project Addison Airport Office Center

Job No. 19007

The signer of this document has been paid and has received progress payments in the sum of \$1,742,156.65 for all labor, services, equipment, or materials furnished to the property or to Concourse Plaza II, Ltd. (person with whom signer contracted) on the property of Harkinson Investment Corporation (owner) located at 16051 Addison Road, Addison, Texas 75001 (location) to the following extent: Commercial Construction (job description). The signer therefore waives and releases any mechanic's lien right, any right arising from a payment bond that complies with a state or federal statute, any common law payment bond right, any claim for payment, and any rights under any similar ordinance, rule, or statute related to claim or payment rights for persons in the signer's position that the signer has on the above referenced project to the following extent:

This release covers a progress payment for all labor, services, equipment, or materials furnished to the property or to Concourse Plaza II, Ltd. (person with whom signer contracted) as indicated in the attached statement(s) or progress payment request(s), except for unpaid retention, pending modifications and changes, or other items furnished.

The signer warrants that the signer has already paid or will use the funds received from



this progress payment to promptly pay in full all of the signer's laborers, subcontractors, materialmen, and suppliers for all work, materials, equipment, or services provided for or to the above referenced project in regard to the attached statement(s) or progress payment request(s).

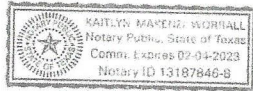
Date 3/2/2020

Drive Construction (Company name)

By [Signature] (Signature)

President (Title)

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED BEFORE ME by the said [Signature] on this the 2 day of MARCH, 2020 to certify which witness my hand and official seal of office.



[Signature]  
Notary Public, State of Texas

CONDITIONAL WAIVER AND RELEASE ON FINAL PAYMENT

Project Addison Airport Office Center

Job No. 19007

On receipt by the signer of this document of a check from Concourse Plaza II, Ltd. (maker of check) in the sum of \$250,113.38 payable to Drive Construction (payee or payees of check) and when the check has been properly endorsed and has been paid by the bank on which it is drawn, this document becomes effective to release any mechanic's lien right, any right arising from a payment bond that complies with a state or federal statute, any common law payment bond right, any claim for payment, and any rights under any similar ordinance, rule, or statute related to claim or payment rights for persons in the signer's position that the signer has on the property of Concourse Plaza II, Ltd. (owner) located at 16051 Addison Road, Addison, Texas 75001 (location) to the following extent: Commercial Construction (job description).

This release covers the final payment to the signer for all labor, services, equipment, or materials furnished to the property or to Concourse Plaza II, Ltd. (person with whom signer contracted).

Before any recipient of this document relies on this document, the recipient should verify evidence of payment to the signer.

The signer warrants that the signer has already paid or will use the funds received from this final payment to promptly pay in full all of the signer's laborers, subcontractors, materialmen, and suppliers for all work, materials, equipment, or services provided for or to the above referenced project up to the date of this waiver and release.

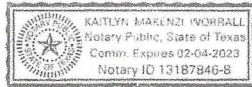
Date 3/2/2020

Drive Construction (Company name)

By [Signature] (Signature)

President (Title)

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED BEFORE ME by the said Steve Worrall on this the 2 day of MARCH, 2020 to certify which witness my hand and official seal of office.



[Signature]

Notary Public, State of Texas