

Proposed Ground Lease

Addison Hangars, LLC



Matter for Council Consideration

A proposed long-term Ground Lease between the Town of Addison and Addison Hangars, LLC

- A 40-year Ground Lease.
- Tenant redevelops the site as Executive/Corporate Jet Hangar Campus.
- Tenant responsible for any demolition at sole cost and expense.
 - City is responsible to remediate existing hazardous materials prior to demolition.
- Minimum Construction Value of New Building Improvements= \$10 million.
- Project is to be financed with proceeds from private activity bonds secured by Sky Harbour Group, parent of Addison Hangars, LLC.

Location



Location

ADDISON



- **March 2021 – Solicitation RFQ 21-75: 4505 Claire Chennault Dr.**
 - Desired Outcome: to identify qualified real estate developers, commercial aeronautical operators and corporate flight departments demonstrating the desire, interest and wherewithal to redevelop prime real estate at Addison Airport.
 - Four qualified respondents.
- **July 2021 – Sky Harbour Group Corporation Selected**
 - Development concept consistent with Airport objectives.
 - Established developer, proven business model and well capitalized.
- **August 2021 - Council briefed on staff's selection process and staff recommendation**

Subject Site Description



Prime Flightline Location Improved with:

- 11,000 SF two-story terminal building vacant since 2019 (pending redevelopment).
- 80,000 SF of 6" aircraft apron (fair condition).
- 100+/- concrete off-street vehicle parking spaces.
- Conventional utilities available to the site.
- 418 feet of frontage to Taxiway Alpha.
- 550 feet of frontage to Taxiway Victor.



About Sky Harbour Corporation (NYSE-SKYH)

A blue circular logo with the word "ADDISON" in white, uppercase letters.

- A New York-based aviation development company building “Home-Basing Solutions” for corporate and private executive flight departments.
- Became publicly held company earlier this year via a special purpose acquisition with Yellowstone Acquisition, valuing the company at \$777 million.
- Builds high-end private hangar campuses with a full suite of dedicated services for based aircraft.
- Has projects in Houston/Sugar Land, Nashville, Miami, Denver, Phoenix.
- Sky Harbour’s management team consists of seasoned professionals who combine aviation experience with a strong real estate development pedigree.

Development Plan

Presenter Notes
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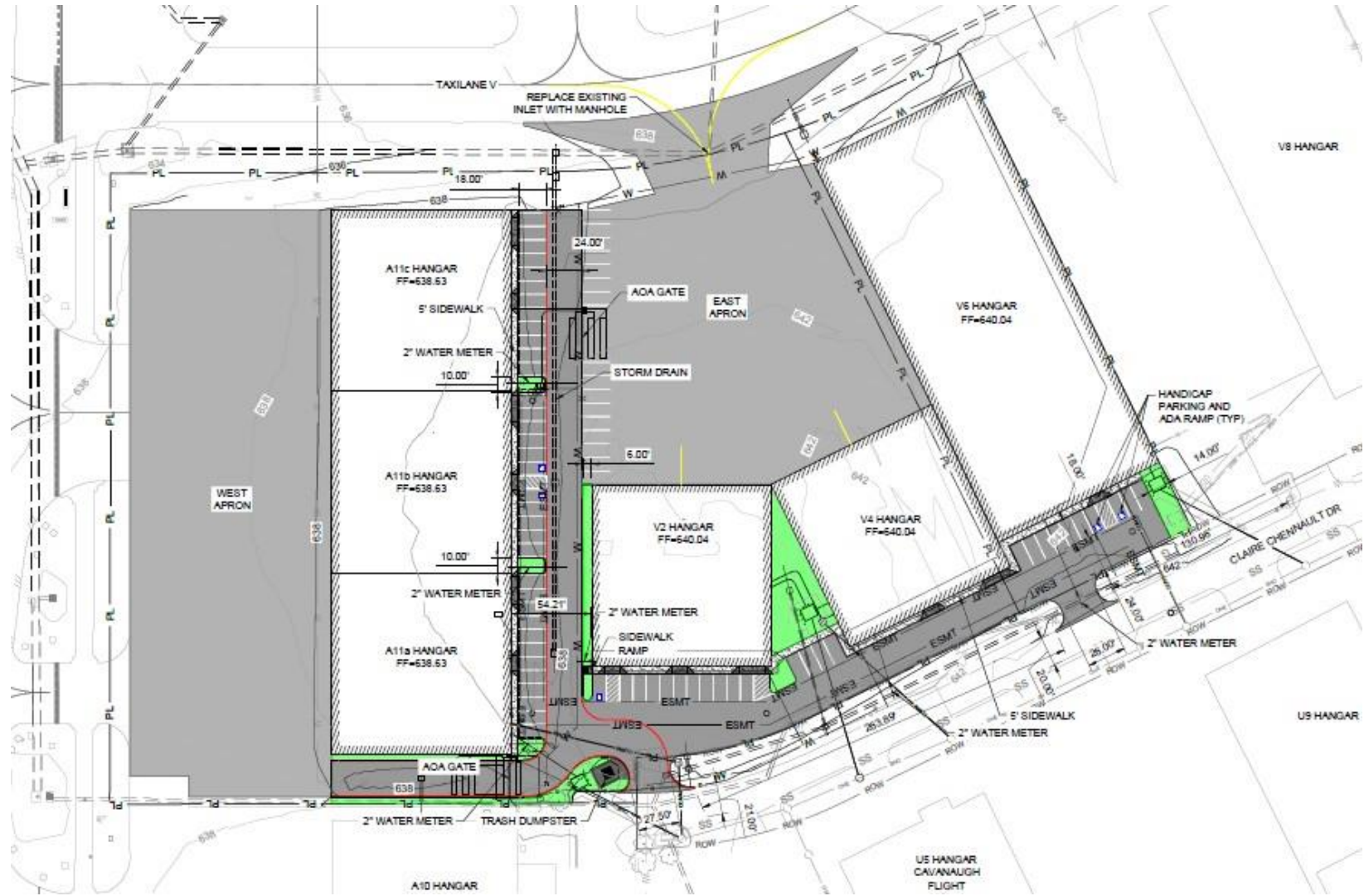
12,000 SF of hangar space / 2,200 SF of private office/lounge/storage space with restrooms (per hangar)
~26,500 SF of hangar space
~3,500 SF of private office/lounge/storage space with restrooms
Administration/Ground Support
Equipment storage

Sky Harbour proposes to build a 101,000 Square Foot Executive Hangar Campus as follows:

- **Five 14,200 square-foot hangars**
- **One 30,000 square-foot semi-private hangar**
- **140,000 SF dedicated heavy aircraft apron**
- **76 off-street vehicle parking spaces**
- **Native drought-tolerant airport friendly landscaping**
- **Airside gates with access control**



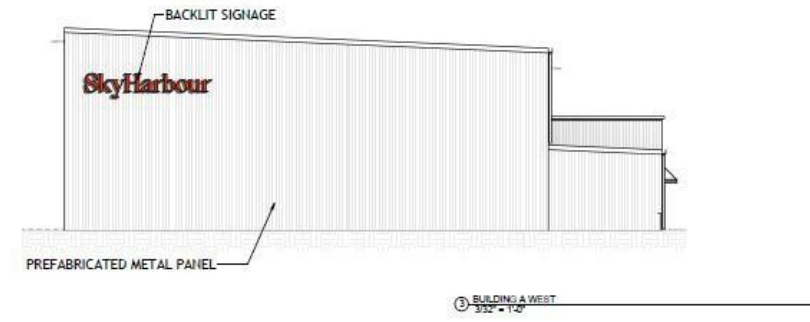
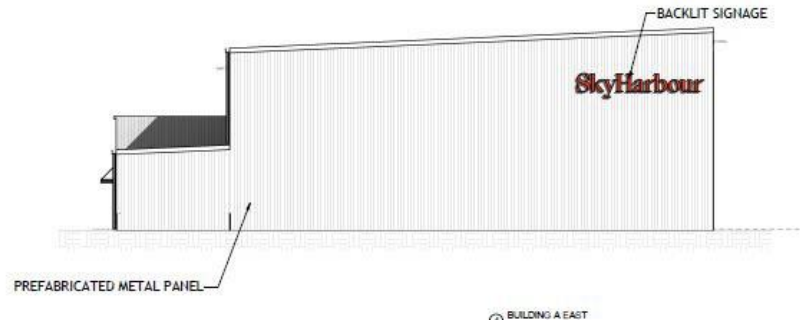
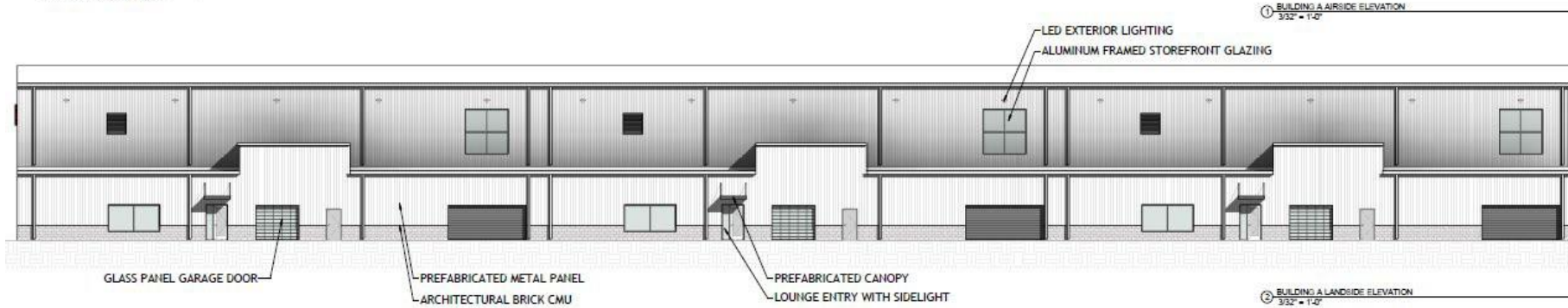
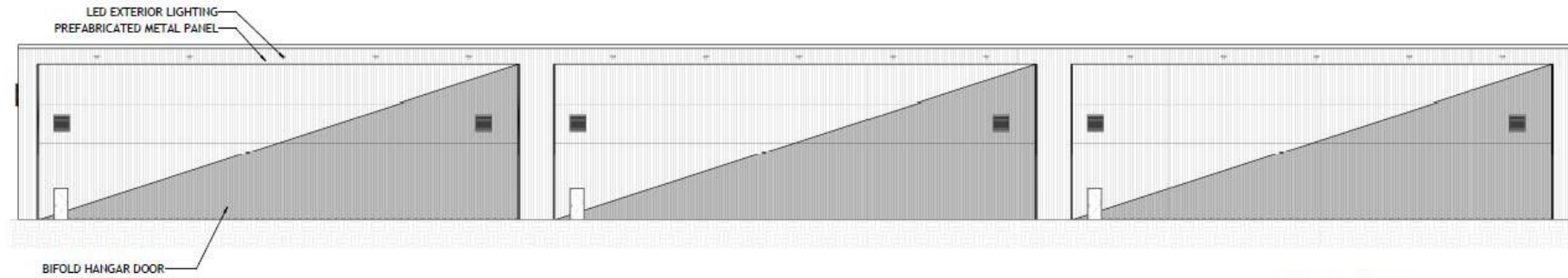
Site Plan



Private Hangar Elevations

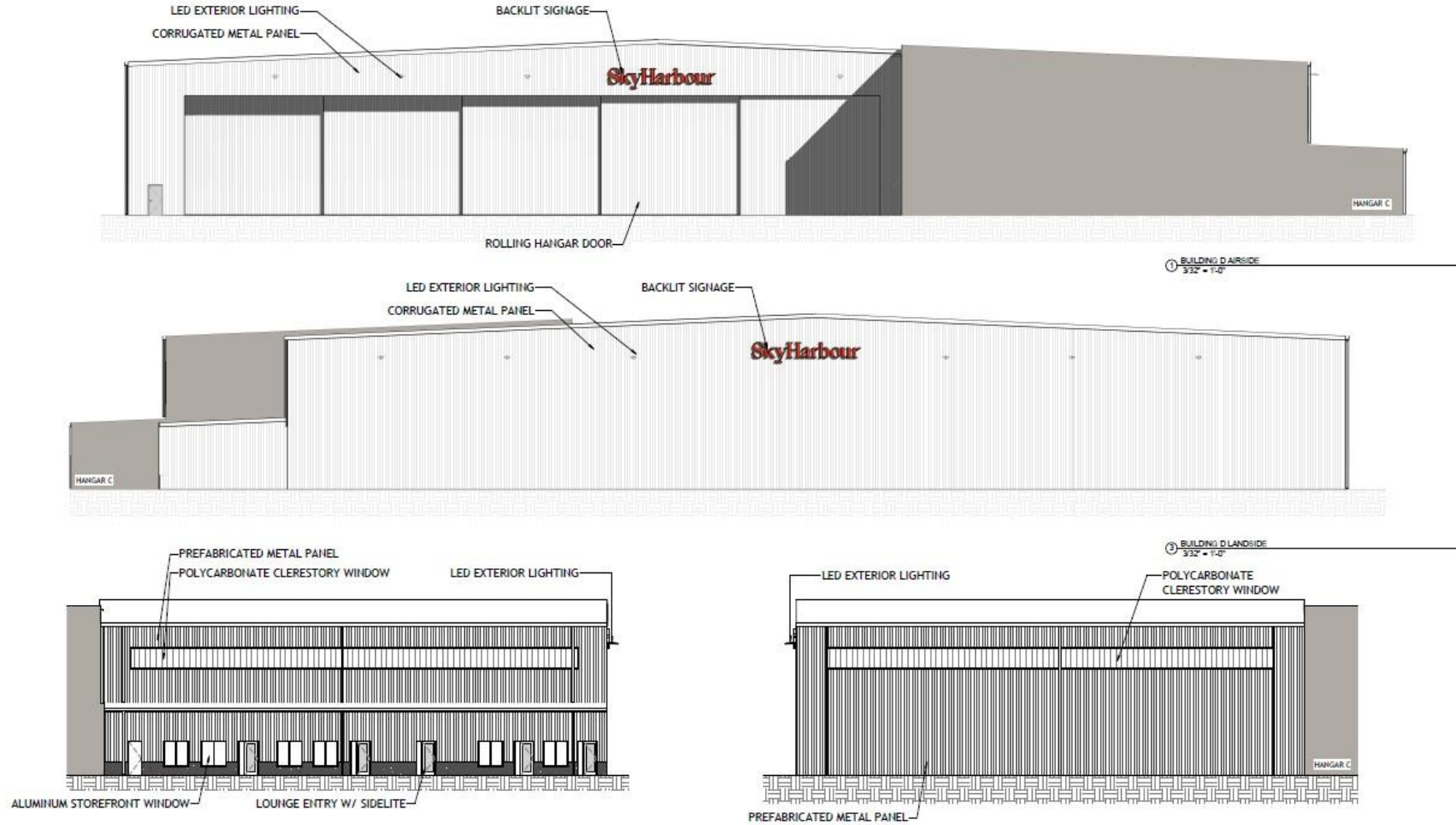


BUILDING A ELEVATIONS NEW HANGAR DEVELOPMENT - ADS



Semi-Private Hangar Elevation

BUILDING D ELEVATIONS NEW HANGAR DEVELOPMENT - ADS



Summary of Lease Terms

1. **Effective Date:** Date Ground Lease is executed by Town of Addison.
2. **Lease Term:** Term Commences when a Certificate of Occupancy is issued for any portion of the New Building Improvements and continues for 40-years (480 months).
3. **Rent:** Upon commencement the Base Rent will be \$189,872 annually / \$15,822 monthly (\$.72 / square foot of land).
4. **Adjustment of Rent:** Biennial adjustment beginning on the second anniversary of the Commencement Date based upon the percentage of change in the local Consumer Price Index (CPI) published by the U.S. Dept. of Labor.
5. **Permitted and Restricted Use of Premises:** Shall be used for the following purposes:
 - A. Constructing, owning, operating an executive aircraft hangar campus with office, parking, passenger lounge, administrative and shop space which may be sublet to aircraft owners and operators.
 - Minimum hangar door clearance 28 feet high
 - Accommodates Aircraft Design Group (ADG) III aircraft

5. Permitted and Restricted Use of Premises (cont.)

B. Standard airport restrictions provisions apply.

- No non-aeronautical uses
- No discrimination
- Services provided are to be fair and equitable

C. No third-party maintenance, flight schools, retail services

6. Building Improvements and Construction of New Improvements:

A. Existing Building Improvements – Lease Addendum #2

- Town responsible for disconnecting utilities.
- Under a Separate Letter Agreement – Tenant will remediate Hazardous Materials, Town to reimburse Tenant for actual expense. Estimated cost is \$37,500.
- Tenant responsible for demolition of all building improvements at its sole costs, expense and risk.

Summary of Lease Terms (cont.)

6. Building Improvements and Construction of New Improvements (cont.):

B. New Building Improvements – Lease Addendum #3

- Minimum Construction Value \$10M.; As planned estimated to exceed \$15 million
- Design Plan to be delivered w/in 6 mos. of Effective Date
- Construction to commence w/in 18 months of Effective Date
- Substantial Completion is to be w/in 24 months of Construction Start Date
 - Delay Penalty is \$400/day
- Tenant to provide Performance and Payment Bond at 100% Construction Value, with Town as beneficiary, during period of construction.

C. Future Building Improvements - must have Landlord's prior written consent, like New Building Improvements.

7. **Maintenance and Repair of Demised Premises:** Lease Addendum #1 - Tenant's Leasehold Minimum Maintenance and Repair Standards and Practices.

8. **Title to Building Improvements:** Tenant owns the building improvements made to the Leased Premises. At end of Lease Term, building title reverts to the Town.

Proposed Development Financing

Tenant to finance the design, construction and operation of the building improvements using proceeds from Private Activity Bonds.

- A. In August 2021, Sky Harbour Group secured \$166.34 million in financing through the sale of Series 2021 private activity tax-exempt bonds through municipal conduit issuer, Public Finance Authority (“PFA”).
- B. Qualifying Sky Harbour projects, including Addison Hangar, leasehold improvements serve as security (collateral) for the bonds, and the revenue from the properties are used to repay the bonds.
 - As part of the financing plan, Sky Harbour contributed \$68 million in equity to the Obligated Group.
- C. These Private Activity Bonds **do not** constitute a:
 - i. Debt, loan of credit, or a pledge of the full faith and credit or taxing power of the Town; or
 - ii. Monetary liability of the Town; or
 - iii. Contingent liability or obligation, charge directly or indirectly against the general credit of the Town.
- D. The bond issuer generally has the same rights and remedies as any other leasehold mortgagee at the Airport (e.g., right to cure tenant lease default, take possession of the leasehold in event of loan default).

Town's Obligation:

As the host jurisdiction, the Town is required to hold a public hearing and approve the issuance of the bonds to finance or refinance the project in satisfaction of Section 147(f) of the Internal Revenue Code and Section 66.0304(11)(a) of the Wisconsin Statutes, where the Public Finance Authority is authorized to issue the bonds.

- Notice of Public Hearing to be advertised.
- Public hearing and council approval of resolution to occur prior to approval of Ground Lease.

Overview of Economic Impact		
Ground Rent	\$189,000	\$.72 per SFL ; 6.054 acres (263,712 SFL)
Fuel Flowage (FFF)	\$75,000	\$.73/hangar square feet
Business Property Tax (Aircraft)	\$615,000	\$100 million @ \$.61466/mil (DCAD est. rate)
Ad valorem Leasehold Tax	\$105,000	\$15 million @ \$.61466/mil
Estimated Annual Economic Impact	\$984,000	
Net Cashflow Over Lease Term	\$12,500,000	Ground Rent & FFF only
Net Present Value (NPV) of Cashflow (disc. @ 6%)	\$4,470,000	
Tenant's Capital Investment (est.)	\$10,000,000 to \$15,000,000	

Conclusion & Recommendation

The Addison Hangars, Development and Lease Proposal Achieves:

Council's Strategic Pillars

Innovation in Entrepreneurship & Business

- Milestone #2: Leveraging the new Customs Facility to promote international travel use of the Airport
- Milestone #3: Leverage the use of the Airport to maximize business growth and expansion.

Town's objectives for the Airport

- Enhances overall value of the Airport with new development
- Increases revenue
- Enhances tax base
- Consistent with the 2013 Airport Strategic Plan and 2016 Airport Master Plan Update.

Recommendation: Administration recommends approval.

QUESTIONS?