

Proposed Ground Lease

Sky Squared, LLC

June 28, 2022

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

Proposal for Consideration and Consent

ADDISON

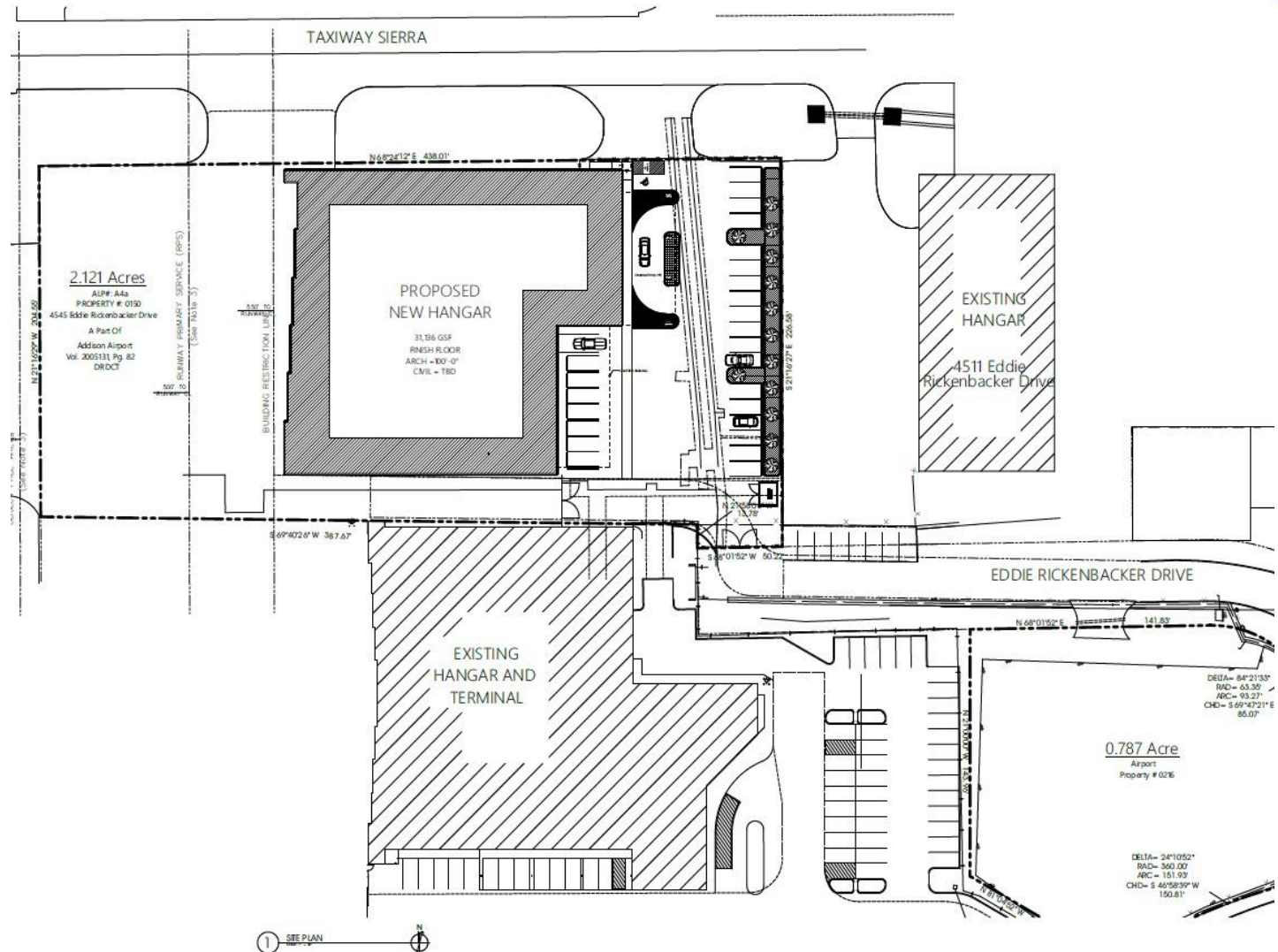
Sky Squared, LLC (Sly Squared) proposes a long-term Ground Lease with Town of Addison.



- Sky Squared proposes to construct a 31,000 square foot Executive/Corporate Jet Hangar.
- An expansion facility for Sky B&B and for limited sublease.
- Minimum Construction Value of New Building Improvements = \$4.5 million

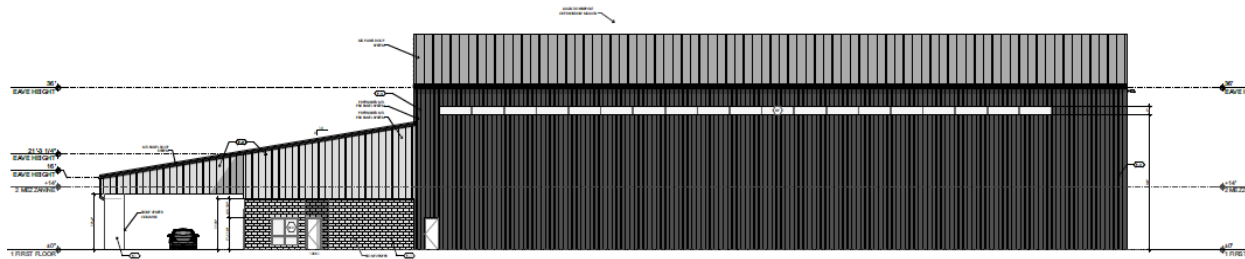
Proposed Development

- Construct ~ 31,000 square foot hangar with nominal office & shop.
- 28-foot-high hangar doors with 110-foot clear open span.
- Designed for Aircraft Design Group II (Gulfstream V-VII, Global Express) <100,000 lb. dual wheel take-off weight.
- Designed to complement Sky B&B facility.

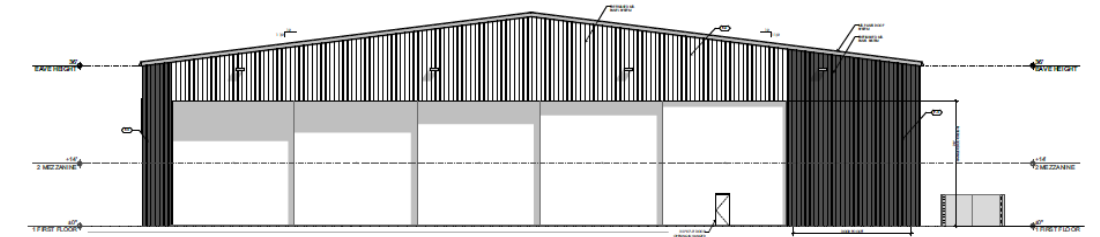


Proposed Development

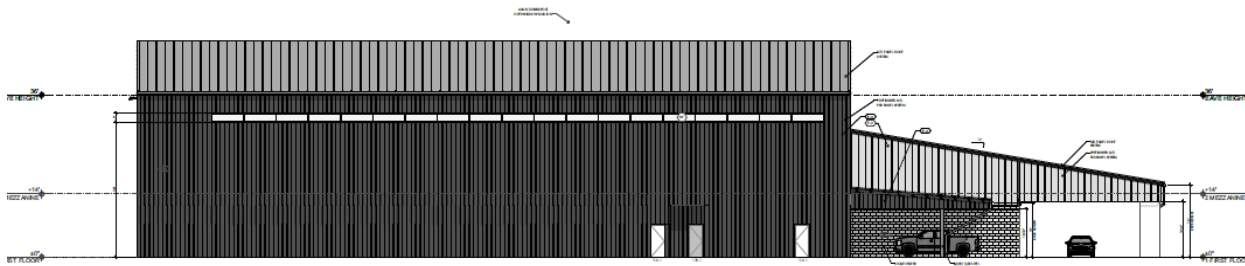
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① NORTH ELEVATION



① WEST ELEVATION



② SOUTH ELEVATION



② EAST ELEVATION

Summary of Lease Terms

1. **Lease Term:** Commences upon Substantial Completion.
2. **Rent:** Annual Rent \$66,521 payable monthly installments over the term, or \$5,543.46 per month.
3. **Adjustment of Rent:** Biennial adjustment indexed to local Consumer Price Index (CPI).
4. **Permitted and Restricted Use of Premises:** Same as Sky B&B, including FAA Part 135 aircraft charter management, corporate flight operations, aircraft storage, light-maintenance of owned-aircraft, office administration in support of aeronautical operations. Same permitted use as Sky B&B.
 - **Restricted Uses:** No third-party aircraft maintenance, brokerage, flight school and retail services.
5. **Building Improvements and Construction of New Improvements:**
 - A. **Existing Building Improvements** – Lease Addendum #2: Tenant responsible for demolition of existing conditions at its sole costs, expense and risk.
 - B. **New Building Improvements** – Lease Addendum #3:
 - Minimum Construction Value of Building Improvements \$4.5M.
 - Construction to commence w/in 120 following issuance of Building Permits. If construction does not commence within 24-months after the Effective Date, Town may terminate Lease.
 - Substantial Completion is to be w/in 24 months of Construction Start Date.
 - Final Completion Date is 90-days following Substantial Completion.

Summary of Lease Terms (cont.)

6. Building Improvements and Construction of New Improvements:

A. **Existing Building Improvements** – Lease Addendum #2: Tenant responsible for demolition of existing conditions at its sole costs, expense and risk.

B. **New Building Improvements** – Lease Addendum #3:

- Minimum Construction Value (separate from design costs) \$4.5M.
- Construction to commence w/in 120 following issuance of Building Permits.
- Substantial Completion to be w/in 24 months of Construction Start Date.
- Irrevocable Letter of Credit with Town named as beneficiary in amount of 100% of construction costs to serve as security during period of construction.

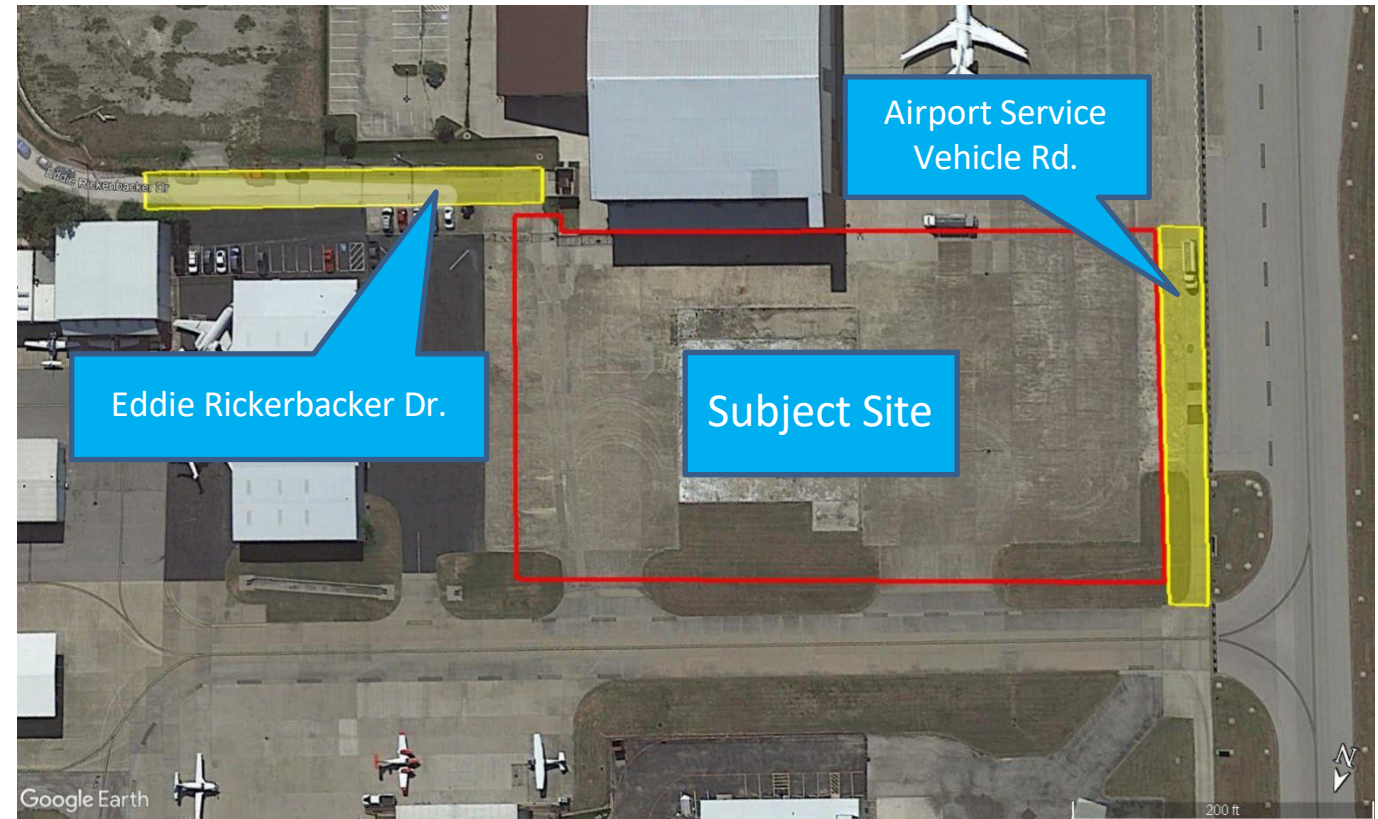
7. **Maintenance and Repair of Demised Premises**: Lease Addendum #1 - Tenant's Leasehold Minimum Maintenance and Repair Standards and Practices.

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.

Summary of Lease Terms (cont.)

Town Obligated to complete certain Airport Infrastructure Repairs or Replacement:

- Eddie Rickenbacker Dr.: Reconstruct approx. 270 feet of Eddie Rickenbacker Dr. To be completed within 1-year of Tenant's Final Completion Date.
- Airport Service Vehicle Road: Reconstruct approx. 214-feet of the Airport Vehicle Service Road along west boundary of Premises. To be completed within 18 months of Tenant's Construction Commencement Date.



Summary of Lease Terms (cont.)

Sky B&B Letter Agreement: Between Town and Sky B&B:

Upon Satisfactory Completion of the Sky Squared Building Improvements - amend [Sky B&B Ground Lease](#) as follows:

- A. Delete Section 54 – Notice of Proposal
- B. Add Lease Addendum #1 – Tenant’s Leasehold Minimum Maintenance and Repair Standards and Practices
- C. Should the actual total Construction Value of Sky Squared building improvements exceed \$4.5M, for every \$112,500 in excess of the stipulated Construction Value, the Sky B&B Ground Lease shall be amended to extend the remaining Term one additional year, not to exceed 480 full calendar months (eligible 8-years).

Overview of Economic Impact		
Ground Rent	\$66,500	\$.72 per SFL ; 2.12 acres (92,347 SFL)
Fuel Flowage Fees	\$23,000	Est. @ \$.73/hangar square feet
Projected Business Property Tax (Aircraft)	\$154,000	Assume \$25 million @ \$.61466/mil (DCAD est. TOA rate)
Projected Ad valorem Leasehold Tax	\$27,600	Assume \$4.5 million @ \$.61466/mil
Total Annual Economic Benefit	\$271,100	
Net Cashflow over Lease Term	\$4,220,000	Ground Rent and FFF Only
Net Present Value (NPV) of Cashflow (disc. @ 6%)	\$1,510,000	
Tenant's Minimum Capital Investment	\$4,500,000	

Conclusion & Recommendation

The Sky Squared, LLC 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?