

Proposed Ground Lease

AQRD Hangar Management, LLC

June 28, 2022

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.

Request for Consideration and Action

AQRD Hangar Management LLC (AQRD) proposes to acquire certain city-owned (or soon to be city-owned) properties located at 4582 and 4584 Claire Chennault Drive at Addison Airport subject to a long-term Ground Lease subject to the Town's consent.

- To facilitate company growth and expansion with campus-like setting.
- **Lease Premises** is 1.57 acres of airport land improved with two existing hangar structures.
- **Initial Lease Term** is five (5) years.
- **Option to Extend Term**: If AQRD completes \$1 million in building renovations and capital repairs within first five (5) years, AQRD is entitled to extended term to June 30, 2057 (30+ years).
- **Permitted Use**: Sale of aircraft and aircraft parts, aircraft maintenance and repair, aircraft storage, aircraft training, aircraft charter, and aircraft rentals.
- **Initial Rent**: \$635,000 upon acceptance of the Leased Premises; fully earned and non-refundable.
- **Annual Base Rent**: \$51,188 payable in twelve (12) monthly installments of \$4,265.63 subject to biennial adjustment over the Term.

Subject Location

ADDISON



Aerospace Quality Research and Development (AQRD), an aerospace engineering firm and PART 135 repair station, also owns ground leased facilities at 4600 Claire Chennault Drive and 4400 Westgrove Drive.



4582 Claire Chennault: "Hartman Hangar" Ground Lease" expired 2/27/2022; Hartman continues occupancy until 6/30/2022

4584 Claire Chennault: "Mills Hangar" Ground Lease expires 6/27/2022; AQRD currently sub-tenant.

Economic Impact

Overview of Economic Impact		
Annual Ground Rent	\$51,188	\$.75 per SFL; 1.57 acres (68,251 SFL)
Projected Annual Business Property Tax (Aircraft)	\$0.00	No based aircraft assumed
Projected Ad valorem Leasehold Tax	\$12,300	\$2 million @ \$.61466/mil (DCAD est. TOA rate)
Annual Fuel Flowage Fee		Not available
Total Annual Economic Benefit	\$63,488	
Net Cashflow over Lease Term	\$2,412,000	
Net Present Value (NPV) of Cashflow (disc. @ 6%)	\$864,000	
Initial Rent Installment	\$635,000	Reversion value for building improvements
Tenant's Capital Investment	\$1,000,000	Minimum capital investment

Conclusion & Recommendation

The AQRD Hangar Management, LLC Ground Lease Proposal Achieves:

Council's Strategic Pillars

Innovation in Entrepreneurship & Business

- Milestone #3: Leverage the use of the Airport to maximize business growth and expansion.
- In February 2022, the Town awarded a \$70,000 Section 380 Economic Incentive Grant for AQRD's 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.

No Action Required At This Time.

QUESTIONS?