Proposed Ground Lease
Scarborough I Airport, L.P.

ADDISON

Proposal for Consideration and Consent

Scarborough I Airport, LP is requesting a new 40-Year Ground Lease in consideration of reconstruct 22,131 Square Feet of 10" Thick Concrete Aircraft Apron at their sole cost and expense:

Subject Site

Tract A

Tract B

16645 Addison Rd.

Background

- Original Ground Lease first entered and made effective in 1982 with Texas Federal Savings & Loan as Tenant.

  - 480-month / 40-year Term.

  - Lease Tract A - Tenant constructed concrete ramp.

  - Lease Tract B – improved as parking lot.

  - Lease was assigned four times prior to Scarborough.

- Scarborough I Airport, L.P. acquired 16445 Addison Road (off-airport fee simple property) in 2006

  - Simultaneously acquired and took assignment of Ground Lease.

  - Ground Lease expired February 27, 2022.

  - Town took ownership of improvements.

  - Scarborough continues to use and occupy premises. subject to short–term commercial aircraft storage agreement with Town.
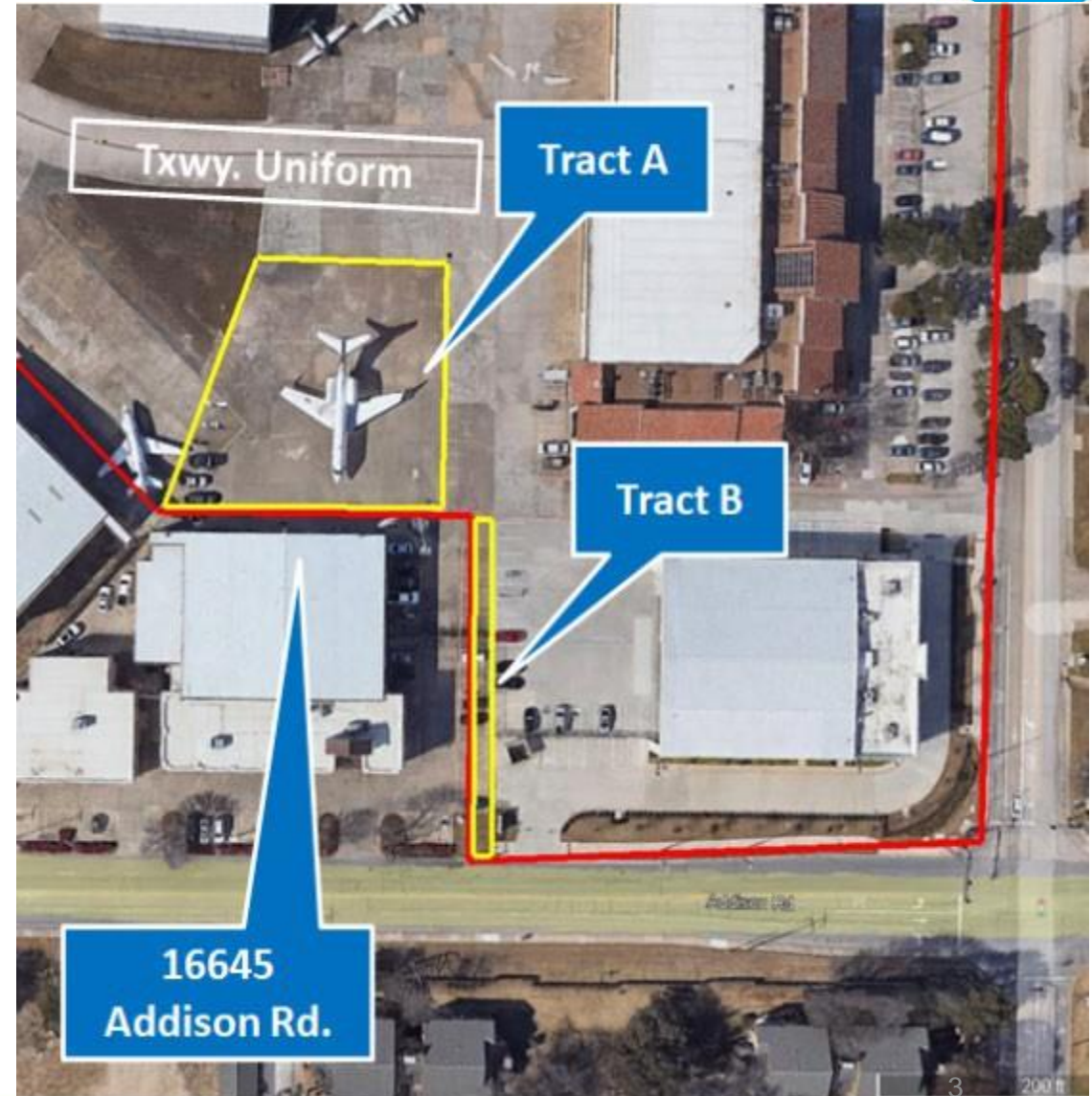
Proposed Ground Lease & Key Terms

ADDISON

In consideration of 40-Year Lease; Scarborough will reconstruct 22,131 Square Feet of 10" Thick Concrete Aircraft Apron at their sole cost and expense:

- Meets Airport's current design standard for 75,000 lbs. dual wheel aircraft.

- Engineer's estimated cost is $512,000.

Summary of Key Lease Terms:

- **Initial Term** is two (2) years.

- **Extended Term Option**: provided Scarborough satisfactorily completes construction of aircraft apron, Term is extended to forty (40) years.

- **Rent:** $13,165 annually; $1,097/month ($.55/square foot of land).

- **Adjustment of Rent**: To be adjusted every two years based upon change in Consumer Price Index.

- **Permitted use**: for the storage of <u>airworthy</u> aircraft only.

- **Maintenance**: – Tenant's duty to maintain aircraft apron in good condition:

  - Requirement to submit Pavement Inspection Reports every five (5) years over Term.

  - Landlord has right to perform its own Pavement Inspection.

- **Title to Improvements:** to be owned by Landlord upon completion of construction.

Economic Impact

Overview of Economic Impact		
Ground Rent	$13,165	$.55 per SFL; .55 acres (23,937 SFL)
Fuel Flowage Fee (FFF)	$0	Not available
Projected Business Property Tax (Aircraft)	$93,000	Assume $15 million @ $.61466/mil (DCAD est. TOA rate)
Projected Ad valorem Leasehold Tax	$0	Improvements will be city owned and held exempt.
Total Annual Economic Benefit	$106,165	
Net Cashflow over Lease Term	$620,000	Ground Rent & FFF Only
Net Present Value (NPV) of Cashflow (disc. @ 6%)	$222,000	
Tenant's Capital Investment	$555,000	

Conclusion & Recommendation

The Scarborough I Aviation, L.P. Proposed Ground Lease 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.

Recommended Action: Staff recommends approval

QUESTIONS?