

DRAFT

OFFICIAL ACTIONS OF THE ADDISON CITY COUNCIL

June 28, 2022

**5:30 p.m. Executive Session & Work Session
7:30 p.m. Regular Meeting**

**Addison TreeHouse
14681 Midway Rd., Addison, TX 75001**

The Addison City Council conducted its Regular Council Meeting on Tuesday, June 28, 2022, at the Addison TreeHouse with a quorum of the City Council physically present. Limited seating for members of the public was available. Interested parties were able to make public comments and address the Council via emailed comments submitted to the City Secretary at iparker@addisontx.gov by 3:00 pm on the meeting day. The meeting was live streamed on Addison's website at www.addisontexas.net

Present: Mayor Joe Chow; Mayor Pro Tempore Kathryn Wheeler; Deputy Mayor Pro Tempore Lori Ward; Council Member Tom Braun; Council Member Darren Gardner; Council Member Guillermo Quintanilla; Council Member Eileen Resnik

Call Meeting to Order: Mayor Chow called the meeting to order.

Pledge of Allegiance: Mayor Chow led the Pledge of Allegiance

EXECUTIVE SESSION

Closed (Executive) Session of the Addison City Council pursuant to:

- **Section 551.074, Texas Government Code, to deliberate the appointment, employment, evaluation, reassignment, duties, discipline or dismissal of a public officer or employee, pertaining to:**
 - Review and Consider for Action Submittals Made by Executive Search Firms for the Town's City Manager Selection Process; and
 - Interim City Manager

Mayor Chow closed the Open Session to convene the City Council into Closed Executive Session at 5:32 p.m.

Reconvene into Regular Session: In accordance with Texas Government Code, Chapter 551, the City Council will reconvene into Regular Session to consider action, if any, on matters discussed in Executive Session.

Mayor Chow reconvened the City Council into Open Session at 7:26 p.m. No action was taken at that time as a result of Executive Session. He advised the Executive Session would reconvene following conclusion of the Regular Agenda items.

WORK SESSION

1. **Present and Discuss Non-Profit Grant Funding Presentations for Fiscal Year 2023.**

Representatives from local non-profit organizations were given an opportunity to make presentations to the Council in support of their grant applications for funding from the Town of Addison. Each was given five (5) minutes to provide an overview of their services, projects and proposed uses of funding if so granted. The organizations and dollar amounts requested were provided as follows:

| Organization | Grant Request |
|---|---------------|
| Addison Arbor Foundation | \$65,000.00 |
| Dallas Cat Lady | \$7,500.00 |
| Metrocare Services - The Steven A. Cohen Military Family Clinic | \$5,000.00 * |
| Metrocrest Services | \$82,600.00 |
| Outcry Theatre | \$10,000.00 |
| Water Tower Theatre | \$425,000.00* |
| Woven Health Clinic | \$8,000.00* |

* Presenters did not provide a grant request amount during their presentation. The amount(s) shown were provided by Accounting Manager Ashley Wake from the paperwork provided by the Grant Requestor.

Discussion and possible action on these requests will occur at a future Council meeting.

REGULAR MEETING

Announcements and Acknowledgements regarding Town and Council Events and Activities

Discussion of Events/Meetings

Public Comment: *The City Council invites citizens to address the City Council on any matter, including items on the agenda, except public hearings that are included on the agenda. Comments related to public hearings will be heard when the specific hearing starts. Citizen comments are limited to **three (3) minutes**, unless otherwise required by law. To address the Council, please fill out a **City Council Appearance Card** and submit it to a staff member prior to the Public Comment item on the agenda. The Council is not permitted to take any action or discuss any item not listed on the agenda. The Council may choose to place the item on a future agenda.*

City Secretary Parker advised that no citizens had requested to address the City Council.

Consent Agenda: *All items listed under the Consent Agenda are considered routine by the City Council and will be enacted by one motion with no individual consideration. If individual consideration of an item is requested, it will be pulled from the Consent Agenda and discussed separately.*

2. **Consider Action on the Minutes from the June 7, 2022 Strategic Planning Retreat.**
3. **Consider Action on a Resolution Appointing Council Liaisons for Fiscal Year 2022-2023.**
4. **Consider Action on a Resolution Appointing Janet Depuy, City of Richardson Mayor Pro-Tem, as the Primary Representative and Guillermo Quintanilla, Town of Addison Council Member, as the Alternate to the Aggregated Position of Representative to the Regional Transportation Council (RTC) of the North Central Texas Council of Governments.**
5. **Consider Action on a Resolution Consenting to the Change of Control of Westgrove Air Plaza I and Westgrove Air Plaza II (“Tenant”) from MM Aviation Holdings, LLC to Westgrove Aviation Group, LLC, and Authorizing the City Manager to Execute the Consent of Landlord Confirming the Change of Control Agreement.**
6. **Consider Action on a Resolution Approving a Concessionaire Agreement with Java and Hopps for Concession Services to be Provided at Addison Circle Park Pavilion and Authorizing the City Manager to Execute the Agreement.**
7. **Consider Action on a Resolution Approving an Agreement Between the Town of Addison and McClung Roofing for Roofing Restoration at the Police and Municipal Courts Facility and Authorizing the City Manager to Execute the Agreement in an Amount Not to Exceed \$383,810.**
8. **Consider Action on a Resolution Approving Change Order #1 to the Contract Between the Town of Addison and TDIndustries, Inc. for Additional Electrical Work at the Police and Municipal Courts Upgrade Project and Increasing the Contract Amount by \$123,114; and, Authorizing the City Manager to Execute the Change Order in an Amount Not to Exceed \$779,774.51.**
9. **Consider Action on a Resolution Adopting the Fiscal Year 2023 Strategic Pillars and Milestones.**

Mayor Chow asked if there were any requests to remove an item from the Consent Agenda for separate discussion.

Council Member Eileen Resnik requested Item 9 be pulled to make a wording change.

MOTION: Council Member Braun moved to approve Consent Agenda Items 2, 3, 4, 5, 6, 7, and 8 as submitted. Mayor Pro Tempore Wheeler seconded the motion. Motion carried unanimously.

***** Consent Item 9 *****

MOTION: Council Member Resnik moved to approve Consent Agenda Item 9 with a wording change from “Innovative” to “Innovation” in Pillar One. Deputy Mayor Pro Tempore Ward seconded the motion. Motion carried unanimously.

Resolution No. R22-032: Appoint Council Liaisons for FY 2022-2023

Resolution No. R22-033: Appoint Janet Depuy as Representative and Guillermo Quintanilla as Alternate Representative to the Regional Transportation Council

Resolution No. R22-034: Consent to Change of Control of Westgrove Air Plaza I and Plaza II from MM Aviation Holdings, LLC to Westgrove Aviation Group, LLC

Resolution No. R22-035: Concessionaire Agreement with Java and Hopps for Addison Circle Park Pavillion

Resolution No. R22-036: Agreement with McClung Roofing for Police and Court Facility

Resolution No. R22-037: Approve Contract Change Order #1 with TDIndustries, Inc. for Electrical Work at Police and Court Facility

Resolution No. R22-038: Adopt FY 2023 Strategic Pillars and Milestones

Regular Items

10. **Present, Discuss and Consider Action on a Resolution Approving an Airport Ground Lease Agreement Between the Town of Addison and Addison Hangars, LLC for Commercial Aeronautical Use on Approximately 6.054 Acres of Improved Land Located at the Addison Airport, Authorizing the Remediation and Demolition of the Existing Building and Structures on the Foregoing Property, and Authorizing the City Manager to Execute the Ground Lease and Other Necessary Agreements.**

Bill Dyer, Assistant Airport Director, reviewed the proposed lease agreement. He stated in March 2021, Addison Airport advertised a Request for Qualifications (RFQ) #21-75 for the aeronautical redevelopment opportunity of a prime 6-acre site located at 4505 Claire Chennault Drive at Addison Airport. The Airport received four well qualified and attractive written responses. In July 2021, Sky Harbour Group Corporation was selected as the most qualified respondent with a concept and vision best in line with the Airport Master Plan. The City Council was briefed on the Airport’s selection process and recommendation on August 28, 2021.

Sky Harbour Group Corporation (NYSE-SKYH) (“Sky Harbour”) proposes designing, constructing and operating an exclusive executive jet hangar campus on the 6-acre site subject to a forty-year ground lease agreement between the Town of Addison and Addison Hangars LLC, a Delaware limited liability company (“Addison Hangars”), with Addison Hangars being a wholly owned subsidiary of Sky Harbour.

Consistent with Sky Harbour’s scalable business model, the proposed redevelopment will consist of five (5) 14,200 square foot private hangars and one (1) 30,000 square foot semi-private jet hangar. Each of the hangars will have 28-foot-high hangar doors designed to accommodate

Aircraft Design Group III aircraft, which include all the larger business jet aircraft capable of operating at Addison Airport. The hangar facilities will be supported with off-street parking and nearly 140,000 square feet of dedicated heavy aircraft apron. Upon completion, Addison Hangars, will sublease and operate the facility dedicated to serving high-end business aviation users including corporate and private flight departments operating large, late-model business aircraft. Estimated construction value of the building improvements as planned are estimated to exceed \$15 million.

The proposed development site is the former 6-acre Addison JetPort, located at 4505 Claire Chennault at the southeast corner of the Taxiway Alpha and Taxilane Victor intersection. The site was once subject to a ground lease, which expired in 2013 when the Town took ownership of the existing building improvements, including a two-story 11,000 square foot office/terminal building with 80,000 square feet of a concrete aircraft apron. The building has been vacant since 2019 and the apron used on a limited basis as aircraft overflow parking for nearby operators. Under the proposed lease, Addison Hangars is responsible for the demolition of the existing building improvements at their sole cost, expense and risk. Prior to demolition, the Town is responsible for remediation of some asbestos containing material, which Addison Hangars has agreed to perform on the Town's behalf pursuant to a separate reimbursement agreement, not to exceed \$30,000.

The Lease terms were reviewed. Pursuant to the proposed lease terms, the proposed development represents \$189,000 in additional annual real estate revenue and \$75,000 in annual fuel flowage fees to the Airport. Collectively, the additional real estate revenue and fuel flowage fees represent \$12,500,000 in Airport revenue over the 40-year lease term. When discounted at 6% annually the projected cashflow yields a net present value of \$4.470 million. It is estimated the local business property and ad valorem tax base will benefit by as much as \$690,000 per year once business operations stabilize. The Tenant's capital investment is estimated at \$10,000,000 to \$15,000,000.

Sky Harbour intends to finance the design, construction and operation of their new executive hangar campus with loan proceeds originating from the sale of Series 2021 tax-exempt private activity bonds through municipal conduit issuer, Public Finance Authority. These private activity bonds do not require the full faith and credit of the Town, are not Town issued debt, nor a monetary liability or obligation of the Town. The bonds are secured by Sky Harbour's qualifying project's, including Addison Hangars, leasehold interests and building improvements and are repaid from Addison Hanger's operating revenues generated by the properties.

The Addison Hangar, LLC redevelopment and lease arrangement supports the Town's objectives for the Airport by enhancing the overall value of the Airport with new development, increased revenue, and an enhanced tax base. The proposed use is consistent with the 2013 Airport Strategic Plan and 2016 Airport Master Plan Update.

A location map, site plan and visual depiction of the facility was provided.

Mr. Dyer advised the financing of this project requires a public hearing which was the next agenda item.

The City Attorney has reviewed the Ground Lease and other related documents, finding the same acceptable for the Town's purposes.

It was noted that this item was previously discussed during an Executive Session of the Council. There have been no changes to the documents and contracts since the Executive Session presentation.

Council Member Resnik advised that she has received concerns from residents regarding the potential noise issue that might result from larger planes landing and taking off. She suggested staff discuss this issue with the Federal Aviation Administration (FAA). Mr. Dyer responded that the technology of newer planes has greatly improved the noise impact. City Manager Pierson advised that staff could discuss this with the FAA and requested comments from Airport Director Joel Jenkinson. Mr. Jenkinson advised that safety is the primary concern and the pilot's routes in the Dallas/Fort-Worth area are complicated. He added that the FAA has addressed noise concerns and imposed regulations since 2015. Pilots do use noise abatement procedures and the new planes are quieter and environmentally friendly.

Deputy Mayor Pro Tempore Ward advised that she has received complaints, particularly from residents in the Addison Circle area, regarding maintenance noise from the Airport between 7 – 8 am on Saturday mornings. Mr. Jenkinson responded that the Addison noise ordinance would apply in this situation. City Manager Pierson added that residents can report those complaints to the Town.

MOTION: Council Member Quintanilla moved to approve. Deputy Mayor Pro Tempore Ward seconded the motion. Motion carried unanimously.

Resolution No. R22-039: Approve Airport Ground Lease Agreement with Addison Hangars, LLC

11. **Hold a Public Hearing, Present, Discuss, and Consider Action on a Resolution Approving the Financing and Refinancing of a Project for the Development of Airport Facilities at the Addison Airport Solely for Purpose of Section 147(f) of the Internal Revenue Code of 1986, as Amended and Section 66.0304(11)(A) of the Wisconsin Statutes, as Amended.**

Bill Dyer, Assistant Airport Director, reviewed the Town just approved a long-term ground lease arrangement at with Addison Hangars, LLC ("Addison Hangars"), a wholly owned subsidiary of Sky Harbour Capital ("Sky Harbour"). Addison Hangars intends to finance the design, construction and operation of their aeronautical facility (the "Project" as described below) with loan proceeds originating from private activity bonds ("PABs") issued by the Public Finance Authority ("PFA"). The PFA was created by local governments, for local governments, for the purpose of issuing tax-exempt conduit bonds nationwide for development projects regarded as "qualified private activities" which present no risk to the taxpayer or any state or local government. Qualified projects that may be financed by public activity bonds include airport development and redevelopment.

Addison Hangars is requesting the Town of Addison as the host jurisdiction, acting through its City Council, hold a public hearing to approve the issuance of the PABs to finance and refinance the Project, solely in order to satisfy the requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended (the “Code”) and Section 66.0304(11)(a) of the Wisconsin Statutes, as amended (the “PFA Act”).

In August 2021, Sky Harbour secured \$166.34 million in financing through the sale of Series 2021 PABs tax-exempt senior bonds through the Public Finance Authority to finance the acquisition and development of a portfolio of aircraft hangar projects nationwide. As part of the financing plan, Sky Harbour has obligated \$68 million in equity towards the program.

Sky Harbour and its subsidiaries including Addison Hangars, LLC; Sky Harbour Sugar Land Airport (Houston); LLC, Sky Harbour Opa-Locka Airport (Miami), LLC; Nashville Hangars, LLC, APA Hangars, LLC (Denver Centennial); and DVT Hangar, LLC (Phoenix Deer Valley) are qualifying projects under the financing plan and constitute an “obligated group”, whereby on a joint and several basis their leasehold interests and building improvements secure the bonds while their operating revenues repay the bonds.

Public/Private Activity Bonds do not constitute a:

- Debt, loan of credit or, a pledge of the full faith and credit or taxing power of PFA, the Town or, the State of Texas; or
- Monetary liability of PFA, the Town or, State of Texas; or
- Contingent liability or obligation, charge directly or indirectly against the general credit of PFA, the Town or, the State of Texas

In keeping with Section 147(f) of the Internal Revenue Code of 1986, as amended, and the other regulations:

- Description of Project: The design, construction and operation of an executive aeronautical hangar development consisting of five (5) 14,200 square foot private jet hangars, and one (1) 30,000 square foot semi-private jet hangar on a 6.5-acre site at Addison Airport, Town of Addison, TX.
- Project Location: Where commonly known as 4505 Claire Chennault Drive at Addison Airport, Addison, Dallas County, Texas.

Maximum Amount of Bonds to be Issued with Respect to the Project is \$20,300,000. This item has been discussed in Executive Session on June 14, 2022. The proposal has not changed in form or content since the Executive Session.

Mayor Chow opened and closed the public hearing with no one wishing to speak.

MOTION: Deputy Mayor Pro Tempore Ward moved to approve. Council Member Braun seconded the motion. Motion carried unanimously.

Resolution No. R22-040: Approve Financing and Refinancing of a Project for the Development of Airport Facilities at the Addison Airport

12. Present, Discuss, and Consider Action on a Resolution Approving the Ground Lease Agreement Between the Town of Addison and Sky Squared, LLC for Corporate and Commercial Aeronautical Use on Approximately 2.12 Acres of Improved Land at Addison Airport and Authorizing the City Manager to Execute the Ground Lease.

Bill Dyer, Assistant Airport Director, reviewed in March 2021, Addison Airport advertised a Request for Qualification (RFQ) #21-76 for the aeronautical redevelopment opportunity of three parcels of airport land, which opportunity included a 2.12-acre site. The Airport received one qualified response which triggered an existing contractual obligation under a ground lease agreement between the Town of Addison and Sky B&B, LLC (“Sky B&B”). Under that ground lease, the Town was required to provide Sky B&B written notice of the proposal it received for the subject 2.12-acre site. Upon receipt of the Town’s written notice, Sky B&B elected to exercise its right under the ground lease to submit its own proposal to redevelop the subject 2.12-acre site. After careful consideration, Town staff elected to terminate RFQ #21-76 to pursue negotiations with Sky B&B for this redevelopment opportunity.

The same ownership of Sky B&B also formed Sky Squared, LLC, a Texas limited liability company (“Sky Squared”), as a special-purpose entity to hold the leasehold interest and ownership of the proposed building improvements made to the 2.12-acre site, subject to a 40-year ground lease agreement. The 2.12-acre site is immediately north of Sky B&B’s hangar facility, southeast of the Taxiway Alpha and Taxilane Sierra intersection, with 214 linear feet of frontage along Taxiway Alpha.

Lease terms were reviewed. In consideration of the proposed ground lease, Sky Squared proposes to construct a 31,000 gross square-foot executive jet hangar to accommodate up Design Group III corporate aircraft (e.g., Gulfstream IV – VII, Global Express), with a 28-foot-high hangar door, and a clear span of no less than 110 feet. The proposed use is for the storage of corporate aircraft owned or under the operational control of Sky B&B or Sky Squared, and for the sub-leasing of aircraft storage space to similar aeronautical operators. Pursuant to the terms of the proposed ground lease, Sky Squared’s minimum capital investment will be \$4.5 million.

Pursuant to the terms of the Ground Lease, the Town agrees to reconstruct a 270-foot section of Eddie Rickenbacker Drive, an Airport common area ingress/egress easement, which is in fair to poor condition, and a section of the Airport Vehicle Service Drive, a common area service road within the Airport operating area for aircraft fuel trucks and other vehicles, also in fair to poor condition. The estimated costs for these improvements is \$500,000 and to be funded from the Airport’s Capital Improvement Program.

The proposed redevelopment represents an estimated \$66,500 in annual real-estate revenue (ground rent) and \$23,000 in fuel flowage fees to the Airport. This equates to approximately \$4.2 million over the 40-year lease term. The Tenant’s minimum capital investment is \$4,500,000.

The proposed redevelopment and lease arrangement supports the Town’s objectives for the Airport by enhancing the overall value of the Airport with new development, increased revenue, and an enhanced tax base. The proposed redevelopment and use of the facilities are consistent with the 2013 Airport Strategic Plan and 2016 Airport Master Plan Update.

A location map, site plan and visual depiction of the facility was provided.

The City Attorney has reviewed the Ground Lease and other related documents, finding the same acceptable for the Town's purposes. It was noted that this item was previously discussed during an Executive Session of the Council and the contract and associated documents have not changed in form or content since the Executive Session presentation.

Deputy Mayor Pro Tempore Ward commented that these items for Addison Airport have substantial economic impact for the Town of Addison.

MOTION: Council Member Braun moved to approve. Mayor Pro Tempore Wheeler seconded the motion. Motion carried unanimously.

Resolution No. R22-041: Approve Ground Lease Agreement Between the Town of Addison and Sky Squared, LLC

13. Present, Discuss and Consider Action to Approve a Resolution Approving a Ground Lease Between the Town of Addison and AQRD Hangar Management LLC for Commercial Aviation Use on Approximately 1.57 Acres of Improved Land Located at the Addison Airport and Authorizing the City Manager to Execute the Ground Lease.

Bill Dyer, Assistant Airport Director, reviewed the proposal from AQRD Hangar Management LLC, a Texas limited liability company, which desires 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 lease arrangement (Ground Lease) subject to the Town's consent.

AQRD Hangar Management LLC (Tenant) is an affiliate of Aerospace Quality Research and Development (AQRD), a special purpose entity created to hold the leasehold interests created by the proposed Ground Lease and title to the existing building improvements. AQRD, an aerospace engineering firm and PART 135 repair station, also owns the leasehold interests located at 4600 Claire Chennault Drive and at 4400 Westgrove Drive. The building improvements subject to the Ground Lease, will greatly facilitate AQRD's expected growth and expansion with their neighboring 4600 Claire Chennault facility.

Lease terms were reviewed. Pursuant to the terms of the Ground Lease, the Tenant will pay initial rent in the sum amount \$635,000 as a one-time single installment, fully earned and non-refundable, on or before taking possession of the existing building improvements. Additionally, the Tenant will pay on or before the Commencement Date, \$51,188 in annual rental payable in twelve (12) equal monthly installments subject to biennial adjustments over the lease term. The initial lease term is sixty (60) full-calendar months from the Commencement Date. The Tenant has the option to extend the lease term to June 30, 2057 (30+ additional years) provided the Tenant satisfactorily completes a minimum of \$1 million in building capital repairs and renovations before the expiration of the initial lease term.

The Tenant's permitted use of the lease premises includes sale of aircraft and aircraft parts, aircraft maintenance and repair, aircraft storage, aircraft training, aircraft charter, and aircraft rentals, which is the same for 4600 Claire Chennault.

The proposed redevelopment represents an estimated \$51,188 in annual real-estate revenue (ground rent) to the Airport. This equates to approximately \$2.4 million over the 34-year lease term. The Tenant's minimum required investment is \$1,000,000.

Mr. Dyer reviewed that in February 2022 the Town awarded a \$70,000 Section 380 Economic Incentive Grant for AQRD's expansion.

The proposed redevelopment and lease arrangement supports the Town's objectives for the Airport by enhancing the overall value of the Airport with new and improved aeronautical facilities, increased revenue, and an enhanced tax base. The proposed redevelopment and use of the facilities are consistent with the 2013 Airport Strategic Plan and 2016 Airport Master Plan Update.

The City Attorney has reviewed the Ground Lease and other related documents, finding the same acceptable for the Town's purposes. This item was previously discussed during Executive Session. Those contract documents have not changed in form or content since the Executive Session presentation.

A location map was provided.

MOTION: Mayor Pro Tempore Wheeler moved to approve. Council Member Gardner seconded the motion. Motion carried unanimously.

Resolution No. R22-042: Approve Ground Lease Between the Town of Addison and AQRD Hangar Management LLC

14. Present, Discuss and Consider Action to Approve a Resolution Approving the Ground Lease Between the Town of Addison and Scarborough I Airport, LP for Commercial Aviation Use on Approximately .55 Acres of Improved Land Located at the Addison Airport and Authorizing the City Manager to Execute the Ground Lease.

Bill Dyer, Assistant Airport Director, reviewed that Scarborough I Airport, L.P. ("Scarborough") is the owner of the fee-simple property at 16445 Addison Road ("Fee-Simple Property"), which it acquired in 2006. At the same time, Scarborough took assignment of an Airport ground lease that originally commenced in 1981. The Airport ground lease consisted of .55 acres adjacent to the Fee-Simple Property, along Taxiway Uniform. The ground-leased property was improved with concrete pavement (also referred to as aircraft apron) used for the storage and staging of aircraft operating from the Fee-Simple Property; no other improvements were made to the premises. The ground lease expired in February 2022, and the Town took ownership and control of the property and its improvements (the concrete pavement), which were generally regarded to be in fair to poor condition largely due to age (40+ years) and continued use over the years. Since the ground lease expired, Scarborough and its subtenants have continued to use and occupy the leased premises subject to a short-term, commercial aircraft storage lease agreement with the Town.

Scarborough proposes to enter into a new long-term ground lease agreement (“Ground Lease”) with the Town in consideration of Scarborough reconstructing the aircraft apron to the Airport’s current design standards, at Scarborough’s sole cost and expense. Accordingly, the Town is prepared to enter into a new ground lease including the following key terms and conditions:

- Commencement Date: Same as the Effective Date when the Ground Lease is fully executed.
- Term: The Initial Lease Term is two (2) years following the Commencement Date.
- Extended Term Option: Provided Tenant satisfactorily completes the construction of the New Land Improvements, as defined in Lease Addendum #1 of the Ground Lease, and in accordance with Landlord’s current design standards, the Term shall be extended so that the Ground Lease ends forty (40) years following the Commencement Date.
- Rent: Annual Rent is payable in 12 equal monthly installments over the Term starting at \$13,165 (\$.55/SFL), or \$1,097 per month.
- Adjustment of Rent: Beginning on the second anniversary of the Commencement Date and every two years thereafter over the Term, based upon the percentage of change in the local Consumer’s Price Index.
- Permitted Uses: Storage of airworthy aircraft and equipment used in connection with Tenant’s aeronautical operations only.
- Restricted Uses: Standard lease restrictions apply.
- Land Improvements and Construction of New Land Improvements:
 - Existing Building Improvements – Tenant is responsible for demolition of existing improvements as required by the approved Design Plan at its sole cost, expense, and risk.
 - New Land Improvements – Tenant is to reconstruct the entire premises with concrete pavement in accordance with Landlord’s current design standards.
- Maintenance and Repair of Demised Premises: Tenant obligated to deliver to Landlord third-party pavement assessments performed every five (5) years over the term.
- Title to Improvements: Upon successful completion of constructing the New Improvements, all improvements are to be owned by Landlord.

The proposed redevelopment represents an estimated \$13,165 in annual real-estate revenue (ground rent) to the Airport. Assuming the Term is extended to 40 years, the net cash flow is projected to be in excess of \$620,000 over the term of the lease. The Tenant’s capital investment is \$555,000.

The proposed ground lease is essential for the Scarborough fee simple property to continue to operate as an aeronautical facility. Without the use and access of the ground leased apron area, Scarborough would not have the room to actively operate aircraft as needed. Similarly, Scarborough’s use of the Airport land as an off-Airport property, leverages the use and benefit of the Airport’s infrastructure.

The proposed ground lease and reconstruction of the aircraft apron supports the Town’s objectives for the Airport by enhancing the overall value of the Airport with new development and increased

revenue. The proposed redevelopment and use of the facilities are consistent with the 2013 Airport Strategic Plan and 2016 Airport Master Plan Update.

The City Attorney has reviewed the proposed ground lease form and finds acceptable for the Town's purposes. This item was previously discussed in Executive Session. The contract documents have not changed in form or content since that Executive Session presentation.

A location map was provided.

MOTION: Council Member Resnik moved to approve. Council Member Braun seconded the motion. Motion carried unanimously.

Resolution No. R22-043: Approve Ground Lease Between the Town of Addison and Scarborough I Airport, LP

15. Present, Discuss and Consider Action on an Ordinance of the Town of Addison, Texas Approving a Developer Participation Agreement with Scarborough I Aviation, LP for the Construction of Certain Public Improvements Within Addison Airport to a Portion of the Taxiway Uniform Shoulder and Apron; Providing for the City's Participation in the Costs of the Improvements in Conformance with Chapter 212 of the Texas Local Government Code; and Authorizing the City Manager to Execute the Agreement in an Anticipated Amount Not To Exceed \$236,192.

Bill Dyer, Assistant Airport Director, reviewed the proposal for the Town enter into a Developer Participation Agreement ("Contract") provided for under Subchapter C, Chapter 212, Tex. Loc. Gov. Code ("Code") with Scarborough I Airport, LP, ("Scarborough") to reconstruct a portion of airport taxilane and aircraft apron at Addison Airport.

Scarborough is the owner of a fee simple aeronautical facility located at 16445 Addison Road ("Commercial Property"), which is adjacent to and abuts the Addison Airport. Scarborough also leases approximately 22,000 square feet of Airport land, which lies between Scarborough's Commercial Property and Taxiway Uniform, a nearby secondary taxilane connecting the northeast portion of the Airport to its primary runway system. The Airport land subject to the lease is improved with concrete pavement first constructed in the 1980's, and is in fair to poor conditions.

Scarborough desires a new long-term ground lease with the Town to continue its use for staging and storing aircraft in connection with its "off-airport" commercial aeronautical operations. In consideration of the ground lease, Scarborough proposes to, among other things, reconstruct, the aircraft apron, at its sole cost and expense and in accordance with the Airport's prevailing design standards. Airport management has determined it would serve the best interest of the Airport and the general aviation public to have approximately 7,200 square feet of the Taxiway Uniform shoulder that adjoins the aircraft apron to be reconstructed at the same time.

Without having to comply with the competitive sealed bidding procedures of Chapter 252 of the Code, the Town may contract with a developer within its city limits to construct public improvements, provided the Town's share does not exceed 30% of the total contract price

(excluding Town requested upgrades for which the Town is allowed to pay up to one hundred percent (100%) of the costs attributed to the upgrades). To qualify under Chapter 252, the work contracted must be for public improvements and not to include any vertical structures. The proposed reconstruction of the Taxilane Uniform and the aircraft apron qualify under the Code.

The proposed Developer Participation Agreement sets forth the terms and conditions, which Scarborough is responsible for performing under the prescribed scope of work pursuant to a design plan prepared by a licensed engineer and approved by the Town. Scarborough shall be responsible for contracting and overseeing their contractor or contractors necessary to complete the work. The engineer's estimate of probable cost ("EPC") is anticipated to be \$787,308 with the Town's share not to exceed \$236,192. Should the contract price exceed 110% of the total engineer's probable cost, Scarborough and the Town will cooperate to reduce the scope of the project as needed or terminate the Contract, as the case may be.

The benefits of approving the Developer Participation Contract include:

- Airport infrastructure and taxilanes are being improved
- There will likely be economies of scale recognized with the larger scope of work and unit volumes required.
- The aircraft apron and the taxilane reconstruction will provide a better project for both components with less disruption to aeronautical operations.

The Town's portion of the project costs will be paid from the Airport Enterprise Fund Capital Improvement Budget. The Developer Participation Agreement has been reviewed by the City Attorney and finds the form acceptable for the Town's purposes.

A location map was provided.

MOTION: Deputy Mayor Pro Tempore Ward moved to approve. Mayor Pro Tempore Wheeler seconded the motion. Motion carried unanimously.

Ordinance No. O22-19: Approving a Developer Participation Agreement with Scarborough I Aviation, LP for the Construction of Certain Public Improvements Within Addison Airport

16. Present, Discuss and Consider Action to Approve a Resolution Approving an Assignment of Ground Lease Between Scarborough I Airport, L.P. and Bel Air Communities, LLC for the Purpose of Assigning Leasehold Interest in Certain Airport Land Consisting of a Total of .55 Acres of Taxilane Uniform Located at the Addison Airport and Authorizing the City Manager to Execute the Consent of Landlord.

Bill Dyer, Assistant Airport Director, reviewed that Scarborough I Airport, L.P. ("Scarborough") and the Town of Addison intend to execute and enter into a ground lease agreement ("Ground Lease") affecting .55 acres of Airport land ("Leased Premises") abutting and adjacent to the off-Airport property located at 16445 Addison Road, subject to the Town's consent. Pursuant to the terms of the Ground Lease, Scarborough has the option to extend the lease term to forty (40) years provided they reconstruct all the aircraft apron improvements on the Leased Premises and a portion

of Taxiway Uniform common area adjacent to the Leased Premises (“Airport Improvements”) pursuant to a separate Developer Participation Agreement by and between the Town and Scarborough.

Upon Scarborough’s satisfactory completion and the Town’s full acceptance of the reconstructed Airport Improvements, Scarborough is requesting the Town to give its consent to Scarborough’s assignment of the Ground Lease and the improvements made to the Leased Premises to Bel Air Communities, LLC, a Delaware limited liability company (“Bel Air Communities”). It is a condition of the buy/sell agreement between Bel Air Communities and Scarborough for Scarborough to satisfactorily reconstruct the aircraft apron and formally secure from the Town the extend lease term. Section 9 of the Ground Lease requires the Landlord to give its prior written consent to any sale, assignment or any other form conveyance of the Ground Lease.

Bel Air Communities is a Plano, Texasbased national real estate developer and owner of multi-family and residential communities. Mr. Jerry Guerrero is the owner and manager of Bel Air Communities, LLC. Bel Air Communities is acquiring the off-airport fee simple property located at 16445 Addison Road together with the Leased Premises subject to the Ground Lease to use the existing aeronautical facilities in support of their corporate flight department operations and based aircraft.

The Assignment of Ground Lease, for which the Town will give its consents, obligates Bel Air Communities to all the terms and conditions of the Ground Lease Agreement. Furthermore, Scarborough remains liable and is not released of its covenants, obligations, duties, or responsibilities under the ground lease.

The City Attorney has reviewed the Assignment of Ground Lease Agreement and Consent of Landlord and finds both to be acceptable for the Town’s purposes. It is to be noted that the Consent of Landlord executed by the City Manager will be delivered at such time in trust to the escrow agent administering the transaction between the parties, which agreement shall be fully executed by the parties at the closing of the transaction. The escrow agent will be instructed to provide the Town of Addison with a publicly recorded copy of the document for its records.

Approval of the assignment is subject to Scarborough then not being in default of the Ground Lease and satisfactorily achieving Final Completion of the Airport Improvements as defined in the Developer Participation Agreement.

A location map was provided.

MOTION: Council Member Braun moved to approve. Deputy Mayor Pro Tempore Ward seconded the motion. Motion carried unanimously.

Resolution No. R22-044: Approve an Assignment of Ground Lease Between Scarborough I Airport, L.P. and Bel Air Communities, LLC.

EXECUTIVE SESSION

Continued

At 9:30 p.m. Mayor Chow advised the Executive Session would be reconvened. Open Session reconvened at 11:08 p.m.

Mayor Chow called for any action as a result of the Executive Session.

MOTION: Council Member Resnik moved to direct staff to enter into an agreement with Mosaic Public Partners for executive search services for the City Manager position. Mayor Pro Tempore Wheeler seconded the motion. Motion carried unanimously.

No action was taken on the Interim City Manager Executive Session item.

Adjourn Meeting

There being no further business to come before the Council, Mayor Chow adjourned the meeting.

TOWN OF ADDISON, TEXAS

Joe Chow, Mayor

ATTEST:

Irma G. Parker, City Secretary