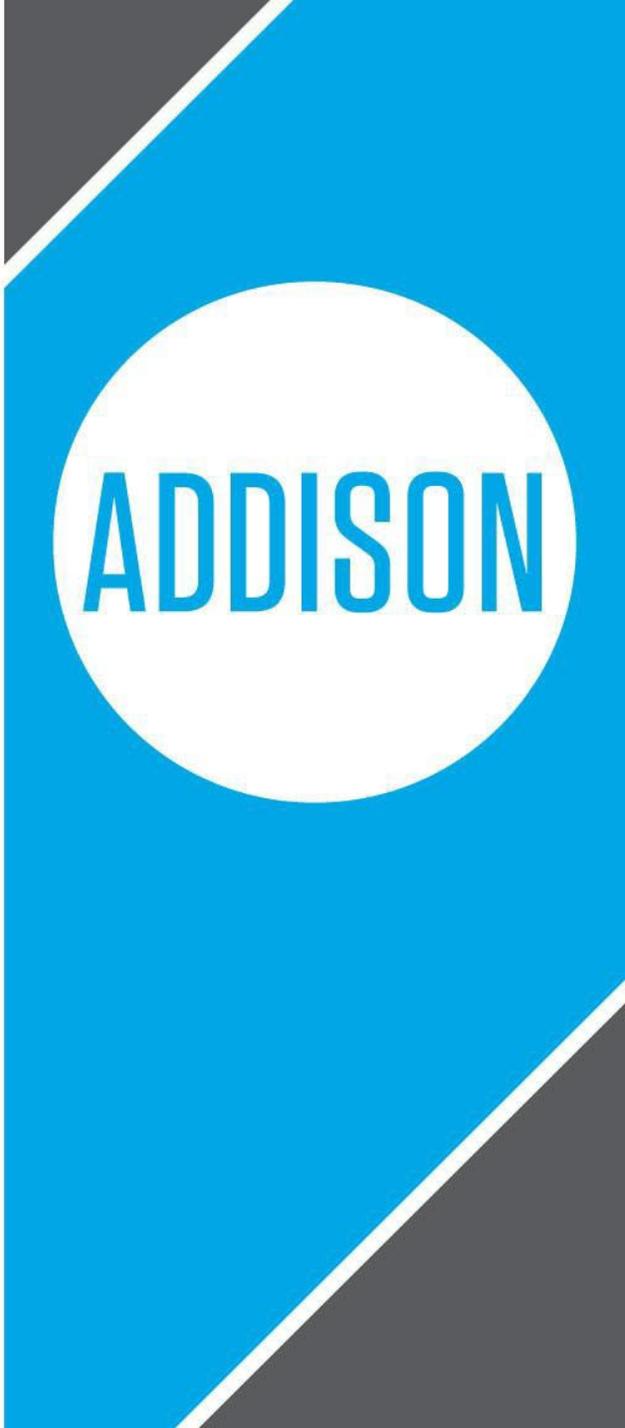


PROPOSED DEVELOPMENT OPPORTUNITY

ADDISON AIRPORT

Regular Session Council Meeting
January 10, 2023

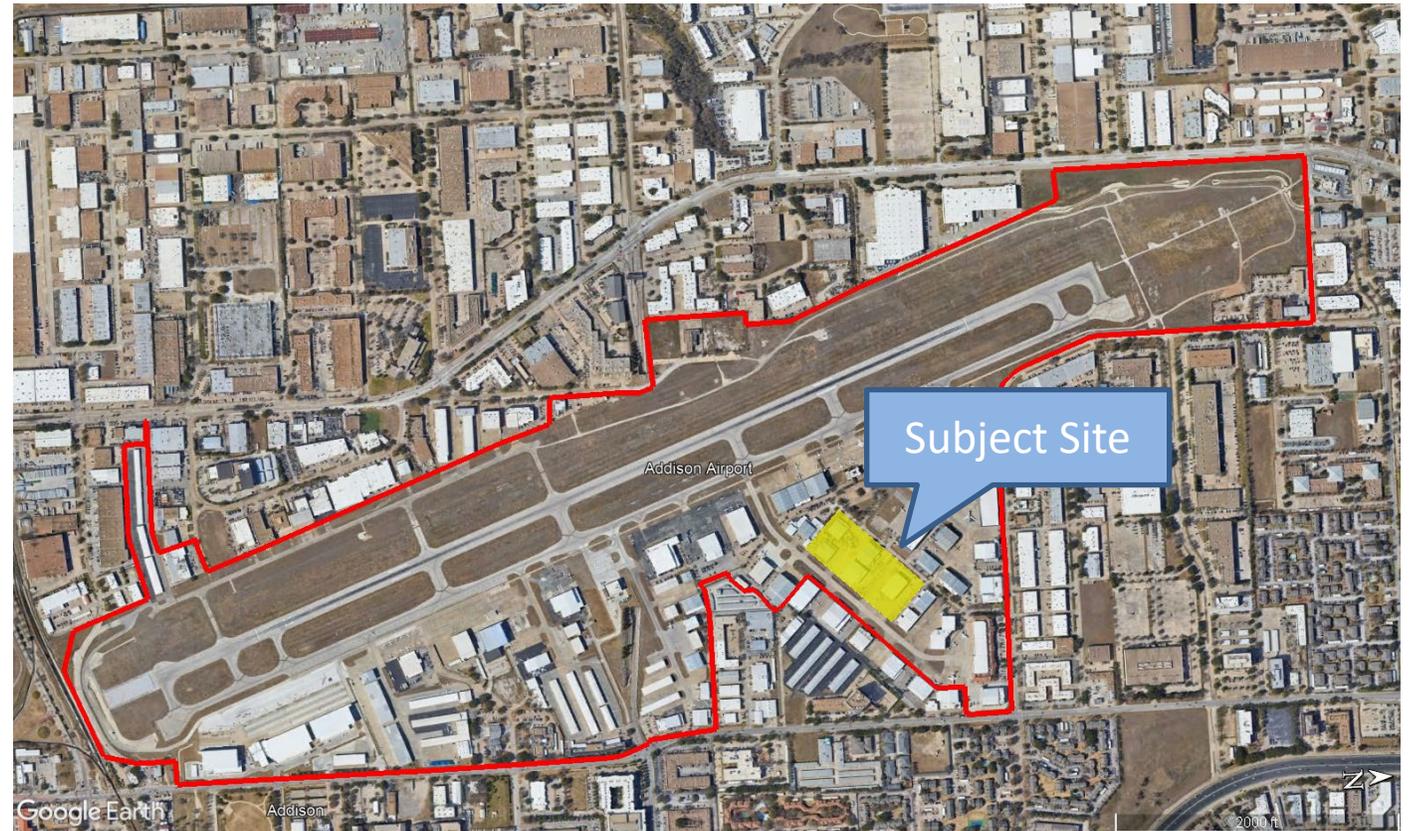


ADDISON

Matter for Council Consideration

✈ Proposed 6.06-Acre Expansion of Executive Jet Campus by Sky Harbour, LLC, d.b.a. Addison Hangars, LLC

- Proposal is to Amend the Addison Hangars, LLC Ground Lease approved by Council in June 2022
- Site of the Expiring Cavanaugh Flight Museum, Dallas Skies, and Monarch Aviation Leased Properties

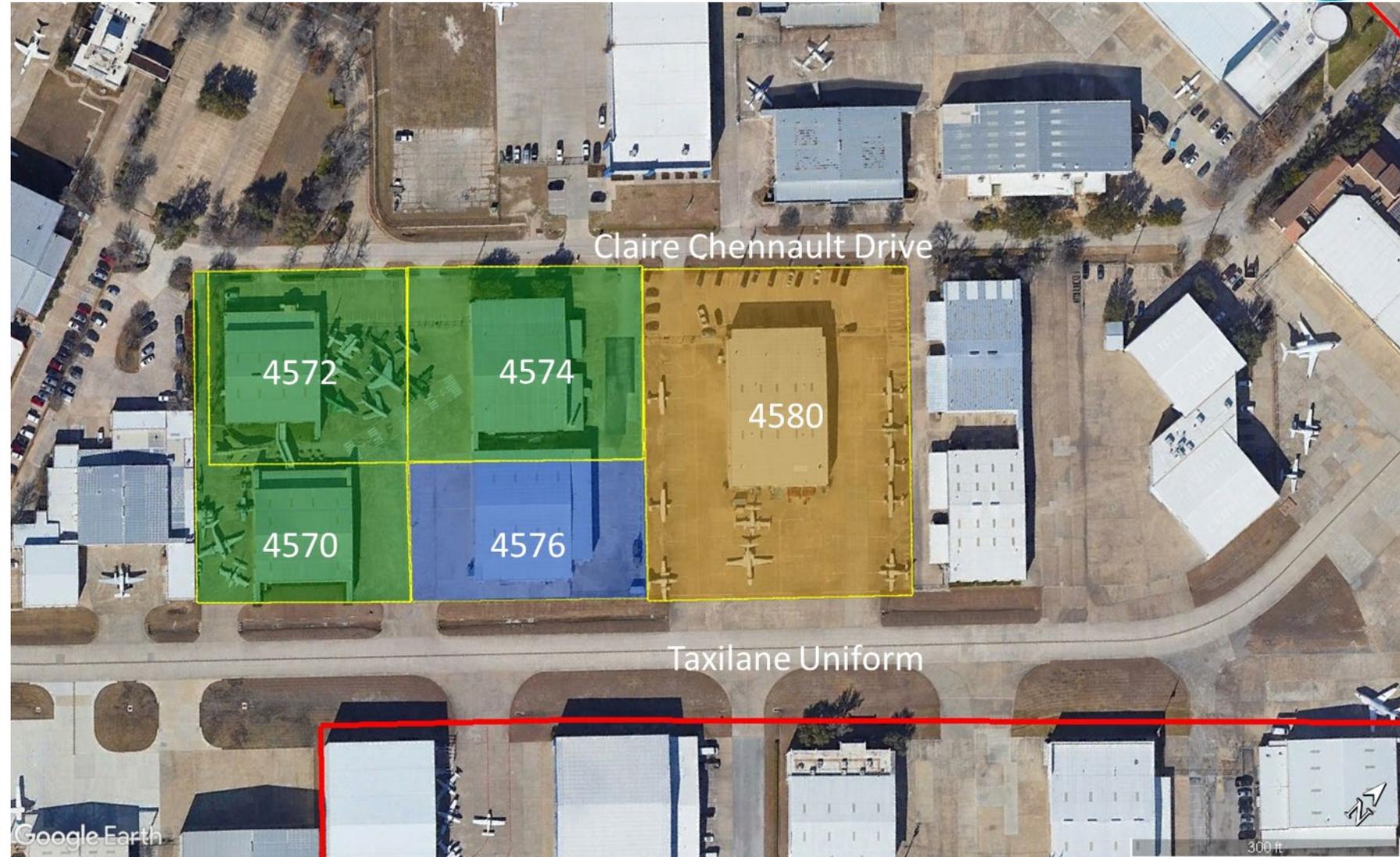


Current Property Status – Taxiway Uniform

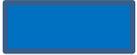
Monarch Aviation

Monarch Aviation – Ft. School, Aircraft Charter & Mgmt., Maintenance & Repair Services

- Acquired property in 1994
- 40-year Lease expires Feb. 2023
- 2007 & 2012 Explored Lease Extension
- Feb. 2020: Reversion Notice Sent - Ownership reverts to City upon Lease Expiration
- Continued current facility use and condition not in City's best interest to maintain



Current Property Status – Taxiway Uniform

-  Dallas Skies, Inc.
-  City Owned
Jani-King/Cavanaugh

Dallas Skies, Inc.-

- Ground Lease - Expires Sept. 2023, Ownership reverts to City
- Subleased to Cavanaugh Flight Museum/Jani-King, Intl.
- Upon Ground Lease Expiration, add property to City's Lease with Jani-King, Intl.
- Facility in fair condition, with shared apron & code issues

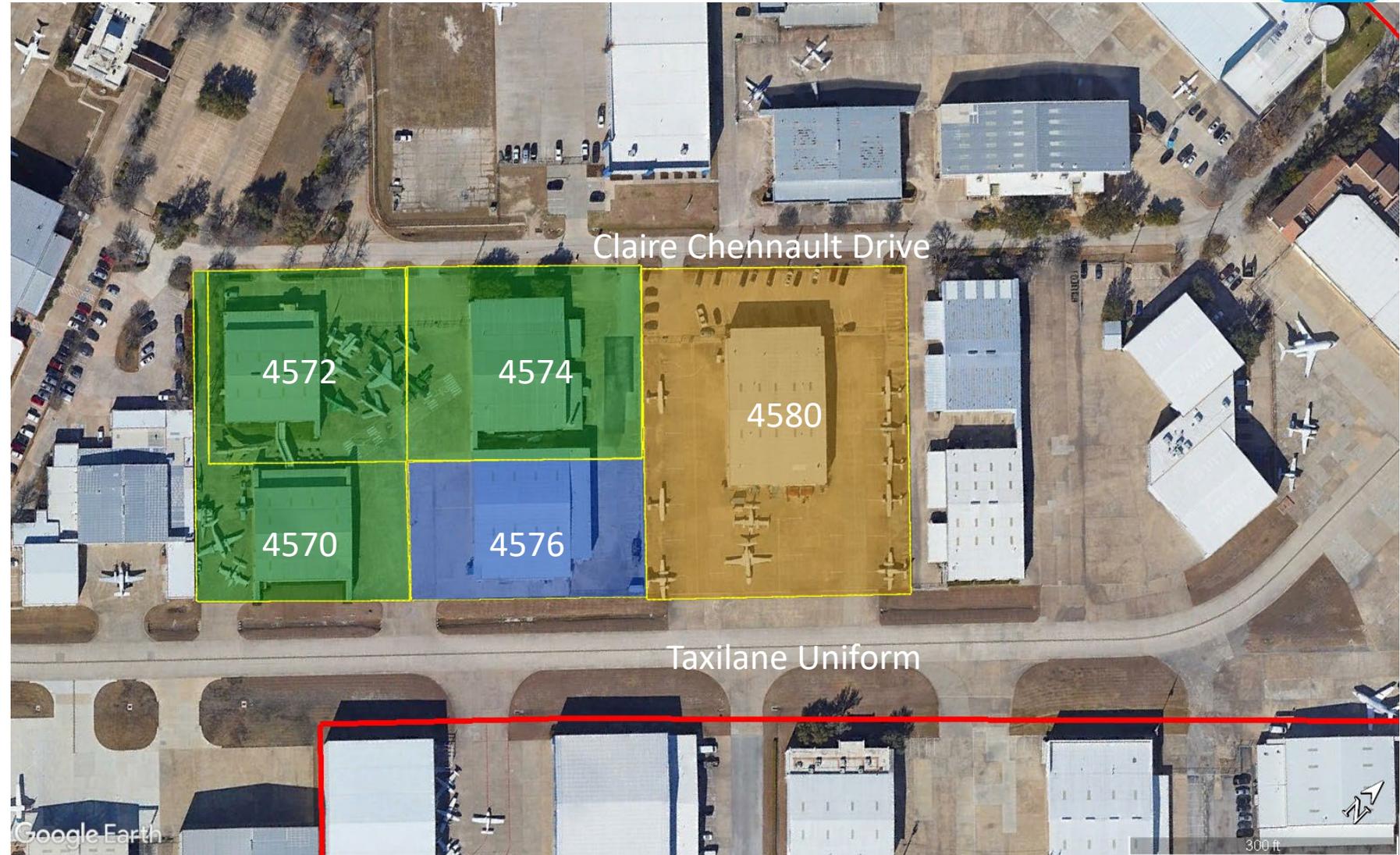


Current Property Status – Taxiway Uniform

-  Dallas Skies, Inc.
-  City Owned
Jani-King/Cavanaugh

Jani-King, Intl. / Cavanaugh Flight Museum

- 40-year Ground Leases Expired 2021/2022
- Commercially Leased to Jani-King Intl. / Cavanaugh Flight Museum until Dec. 2024 with Mutual 6-month Early Termination Privileges
- To add 4574 (Dallas Skies) to Lease beginning Oct. 2023
- Cavanaugh Flight Museum in Need of Purpose-built Facility on 10-15 Acres of Land



Review of Addison Hangars, LLC – Phase I

June 2022 Council Approved a New 40-Year Ground Lease with Sky Harbour, LLC d.b.a. Addison Hangars, LLC

Redevelopment of the former 6.5 Acre JetPort Terminal Site as a Managed Executive Jet / Flight Department Campus



- Five 14,200 Square Foot Private Executive/Jet Hangars with office
- One 30,000 Square Foot Semi-private Executive/Jet Hangar with office
- 140,000 Square Foot Dedicated Heavy Aircraft Apron
- 76 Off-street Parking Spaces

Site Location

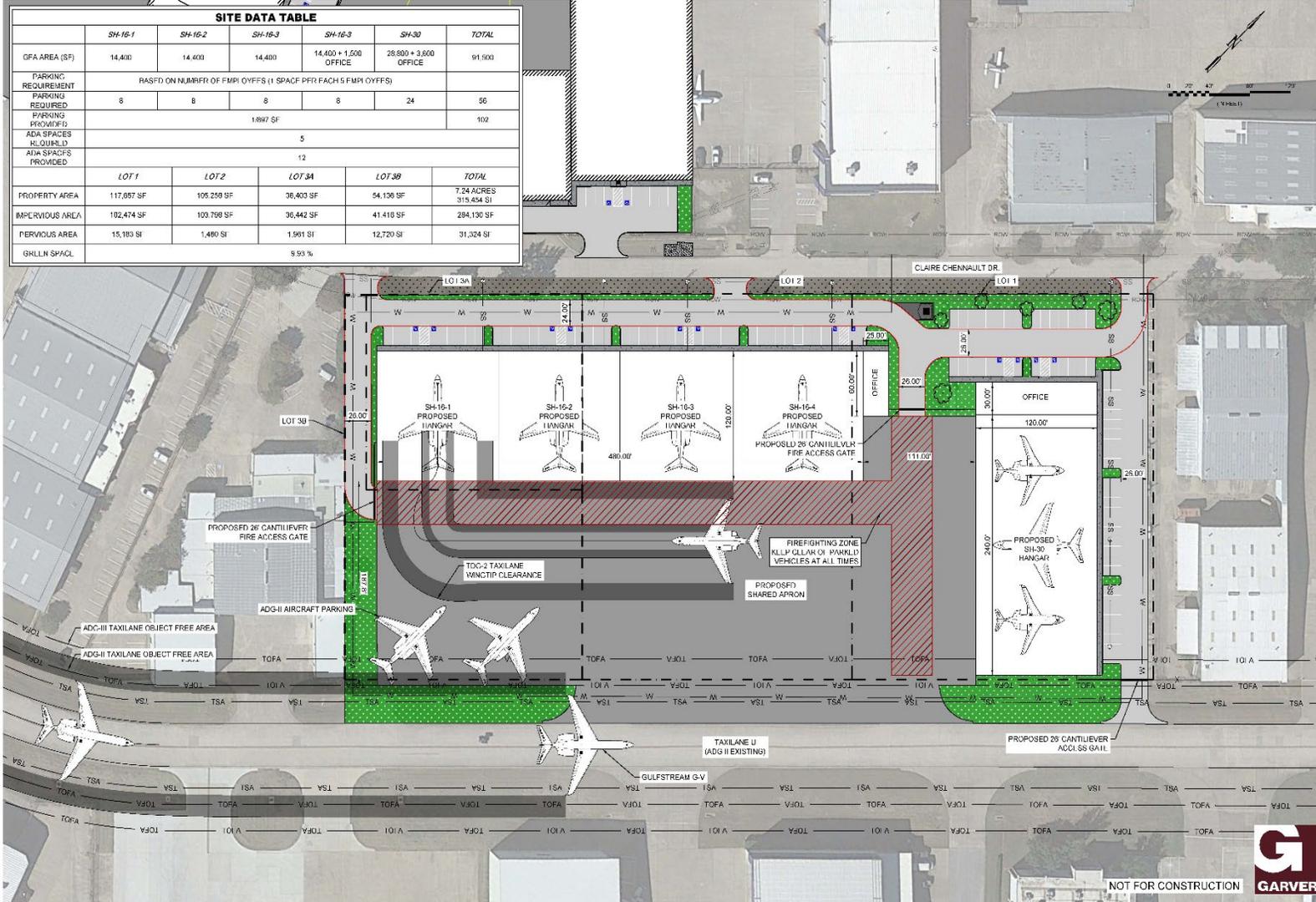
ADDISON



- Site is located across Claire Chennault Drive from the Phase I Site
- Has 800' lineal feet fronting Taxiway Uniform
- Large Rectangular Shape Parcel
- Taxiway Uniform is Rated for Aircraft Design Group II with limited access to Aircraft Design Group III
- Ultimate Taxiway Object Free Area is Aircraft Design Group III

Proposed Addison Hangars, LLC Phase II

ADDISON



- Four 14,400 Square Foot Private Executive Jet Hangars
- One 28,800 Square Foot Semi-Private Executive Jet Hangar
- 5,100 Square Feet of Office
- 102 Off-street Parking Spaces
- 88,500+ Square Feet of Dedicated Heavy Aircraft Apron
- Estimated Construction Value \$25-\$27 Million

Building Renderings

ADDISON



Image of Larger Semi-Private Hangar



Image of Larger 4-Bay Private Hangar Building

Summary of Amendment Terms

- To annex an addition 6.06-Acres (264,075 square feet) of Airport Land
- **90-Day Due Diligence Period:** From Date Landlord Gives Written Notice After Amendment Effective Date
 - Tenant Must Reject All or Limited Portions of the Property Before the Expiration of Due Diligence Period
 - Tenant Gives Written Notice to Landlord of Defects and/or Remediation Requirements
 - Parties are to Negotiate Remedy Plan
 - Landlord Expense to Remedy Hazardous Material Condition not to Exceed \$500,000 without Council's further Consent
 - Due Diligence Period May be Extended by Mutual Agreement, if Needed
- **Term:** Lease Term to be Increased to Statutory Limit (40-years) from Date of Substantial Completion of Phase II; to be affirmed by publicly recorded Memorandum of Lease
- **Base Rent:** Monthly Rental to be Increased Based the Same Per Square Foot Rate as the Phase I Prevailing Square Foot Rate.
- **Construction of Building Improvements:** Same Requirements as Phase I

- As Inducement for Town to Agree to Proposal:
 - Tenant offers to Pay \$250,000 Non-Refundable Security Deposit Upon Execution of Amendment
 - Upon Substantial Completion, Security Deposit to be Credited as Pre-paid Rent
 - If Town Approves Amendment by January 31, 2023, Tenant Agrees to Contribute ~1,000 Square Feet of Airport Service Road Improvements (Airport Common Area Improvements) at Tenant's Cost (est. value of \$250,00) Pursuant to Separate Developer's Participation Agreement with Town
 - If Town Approves Amendment after January 31, 2023, Tenant Will Increase Security Deposit to \$500,000, to be Credited as Pre-paid Rent
 - If Tenant defaults Phase I or Phase II, Tenant Surrenders Security Deposit
 - Security Deposit is in Addition to (over and above) Payment and Performance Bonds for Construction

Project Financing

- The Project will be Financed Using Private Activity Bonds
- In June, 2022, the City Council gave its Consent to the issuance of \$20,300,000 to Fund the Phase I Project
- Addison Hangars, LLC is Requesting the City Council to give its Consent to Increasing the issuance of bonds of the maximum amount of \$71,890,000
- The “Public Finance Authority” will Issue the Tax-Exempt Conduit Bonds Necessary to Fund the Project
- The Public Finance Authority was created by local governments, for local governments, for the purpose of issuing tax-exempt conduit bonds for private development benefiting the public.
- The Bonds will be Secured by the Leasehold Interests and Building Improvements held by Addison Hangars, LLC
- The Bonds will be Repaid from the Addison Hangars Operating Revenues

Private Activity Bond Financing

- These Private Activity Bonds **do not** Constitute a:
 - Debt, Loan of Credit, or a Pledge of the Full Faith and Credit or Taxing Power of the Town; or
 - Monetary Liability of the Town; or
 - Contingent Liability or Obligation, Charge Directly or Indirectly Against the General Credit of the Town.
- The Bond Issuer Generally Has the Same Rights and Remedies as any Other Leasehold Mortgagee at the Airport (e.g., Right to Cure Tenant 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 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 is to be Advertised at Least 7-Days In Advance of Hearing.
- Public Hearing and Council Approval of Resolution to Occur Prior to Approval of Ground Lease.

Overview of Economic Impact

Addison Hangars, LLC

	Phase I	Phase II	Combined	General Assump./Description
Airport Land Area (Acres)	6.05	6.43	12.48	543,629 Square Feet of Land
Annual Ground Rent	\$197,784	\$205,000	\$402,784	\$.75 Eff. Rate per SFL
Fuel Flowage Fees	\$75,000	\$66,500	\$141,500	\$.73 / Hangar Sq. Feet
Business Property Tax (Aircraft Only)	\$615,000	\$492,000	\$1,107,000	\$180 million @ \$.609822/mil
City Ad Valorem Leasehold Tax	\$125,500	\$120,000	\$245,500	80% of Construction Value @ \$.609822/mil
Estimated Annual Economic Impact	\$1,013,284	\$883,500	\$1,896,784	
Net Cashflow Over Lease Term	\$12,500,000	\$14,800,000	\$27,300,000	
Net Present Value (NPV) of Cashflow (disc @ 6%)	\$4,470,000	\$5,000,000	\$9,470,000	
Tenant Capital Investment (est.)	\$23,000,000- \$28,000,000	\$22,000,000- \$27,000,000		
Overall Project Value to Airport	\$43 +/- Million	\$44 +/- Million	\$87 +/- Million	NPV of Projected Cashflow plus Est. Construction Value

Benefits of the Addison Hangars- Phase II Proposed Expansion Benefits

Proposal Is Consistent with the Addison Hangars - Phase I Approved By Council In June

Achieves Council's Strategic Pillar: 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.

Achieves Town's Objectives for the Airport

- Enhances Overall Value of the Airport with New Development
- Increases Annual Revenue (Base Rent, Fuel Flowage)
- Enhances Tax Base (Higher Valued Based Aircraft)
- Consistent with the 2013 Airport Strategic Plan and 2016 Airport Master Plan Update.

Staff Recommendation: Staff Recommends In Favor of Proposal

Questions?

