

Addison Airport Proposed Ground Lease

RR Investments, Inc.



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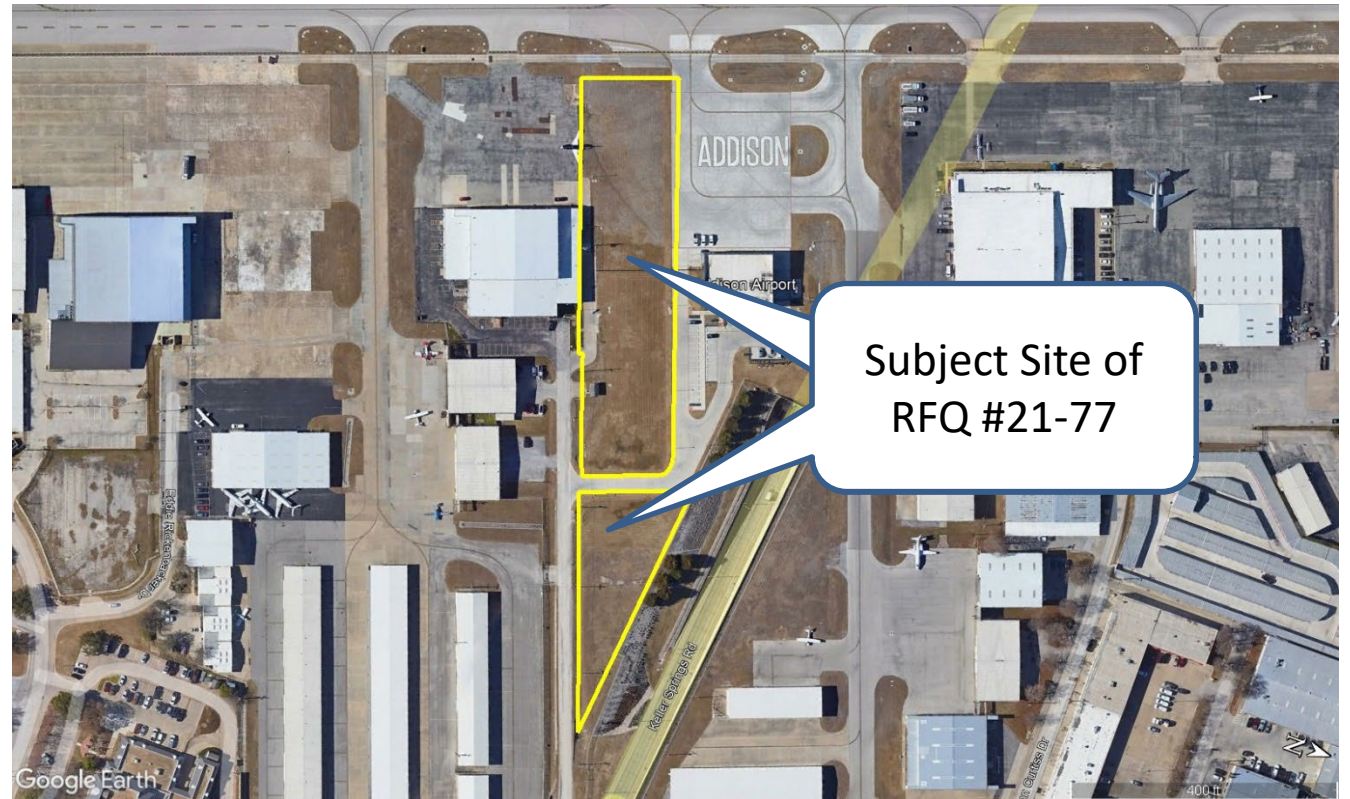
For the City Council's Consideration and Action

- ✈ Proposed ground lease with RR Investments, inc. (D.B.A. Million Air – Dallas) to include existing 2.25-acre executive jet hangar facility and adjacent 1.8-acre unimproved parcel.
- ✈ Subject to and on the condition the Town agrees to early terminate an existing ground lease affecting the 2.25-acre improved parcel.
- ✈ Authorize the city manager to execute on behalf of the Town:
 - Early Termination of Ground Lease Agreement
 - New Ground Lease Agreement

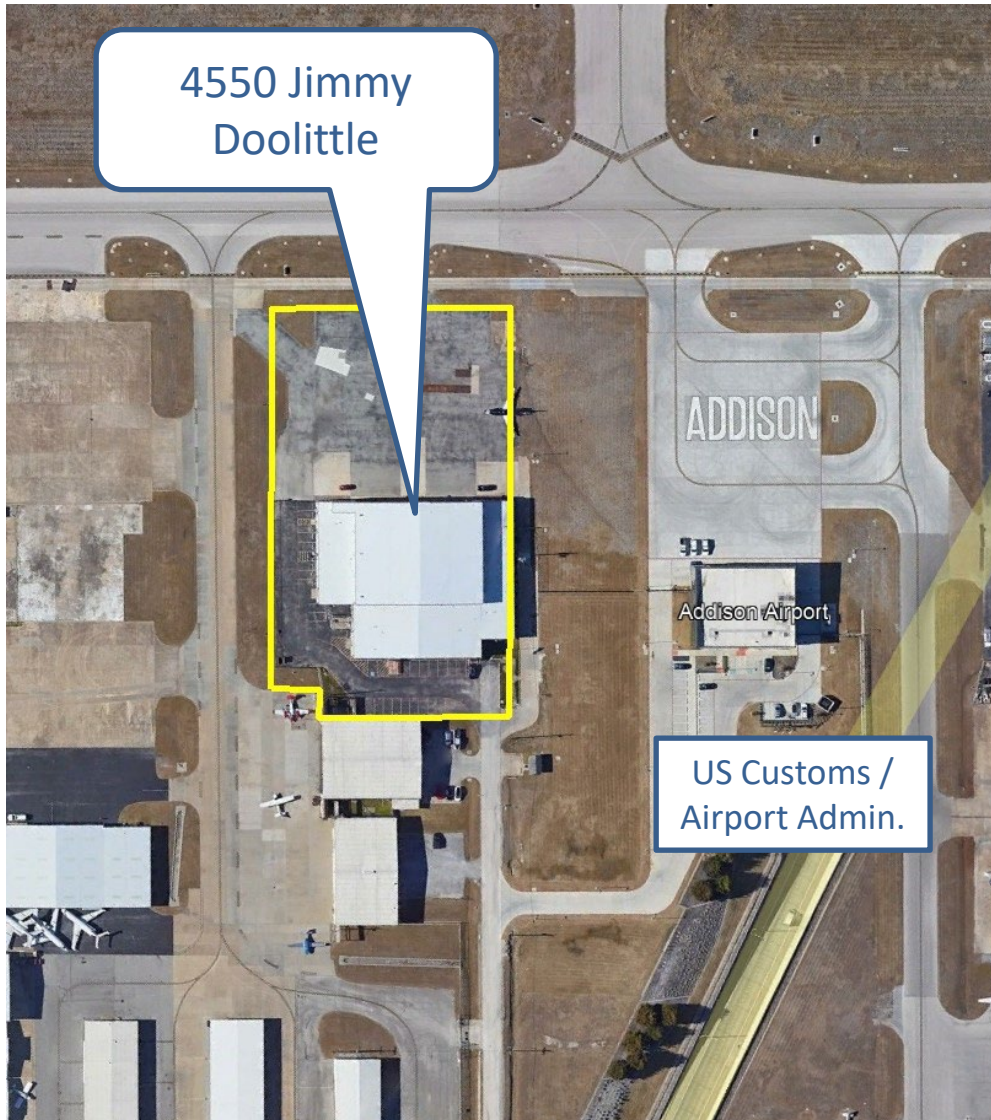


Background Information

- ✈ June 2021 - Airport advertised RFQ #21-77 promoting the redevelopment opportunity of two unimproved parcels located south of and adjacent to the US Customs / Airport Administration Offices.
- ✈ Received one conditional response, no action taken. RFQ terminated.
- ✈ Mid-2022 - Airport re-advertised the redevelopment opportunity.
- ✈ RR Investments, Inc. (“RRI”) was one of three proposals received.



Background Information (Cont.)



- ✈ August 2022 - ground leasehold at 4550 Jimmy Doolittle Dr. was placed on the open market for sale.
 - 2.25 acres airport land
 - 21,000 square-foot hangar
 - 7,000 square feet of office space
 - 56,000 square feet of dedicated aircraft apron
- ✈ September 2022 - RRI acquired the property with the Town's consent.

Background Information (Cont.)



- ✈ RRI became the preferred respondent for vacant site at 4553 Jimmy Doolittle Dr.
- ✈ RRI amended their proposal to include both parcels:
 - Use existing hangar and apron in support of FBO operations.
 - Construct new aircraft apron on vacant lot to stage international aircraft.
 - Optional international terminal building.
- ✈ October 2022 – the Town and RRI entered a Letter of Intent to negotiate a new ground lease.

Summary of Salient Terms of Ground Lease

- ✦ Execute Early Termination of Ground Lease Agreement in favor of a new ground lease.
- ✦ The leased premises is 4.05 acres (combined 4550 and 4553 Jimmy Doolittle Dr.).
- ✦ Base lease term is to expire June 30, 2048 (25 years), same term as existing lease.
- ✦ Annual ground rent to start at \$76,421 (\$6,368/mo.), same rent as existing lease.
- ✦ Within the first 18 months, RRI must complete construction of 112,000 square feet of heavy aircraft apron (rated for 100,000 lbs. Dual wheel tandem landing gear) with total minimum construction value of \$3 million.
- ✦ Upon completion of the aircraft apron construction the annual ground rent will increase to \$132,875 (\$11,073/mo. or \$.75/gsf).

Summary of Salient Terms of Ground Lease (Cont.)

- ✦ RRI has the option to extend the lease term to the statutory limit of 40-years (additional 15 years) if:
 - RRI constructs an international terminal building on 4553 Jimmy Doolittle Dr. within the first 5-years of the lease term, and;
 - A minimum construction value of \$2.5 million.
- ✦ RRI to deliver a letter of credit or payment & performance bond equal to construction costs benefiting the Town to mitigate construction risk to the Town.
- ✦ There are monetary penalties in the form of additional rent to be assessed in the event construction is delayed except for events of force majeure.
- ✦ Should RRI default during the construction of the aircraft apron or terminal building, the Town has the right to repossess 4553 Jimmy Doolittle Dr. and cause the leased premises to revert to the original 2.25 acres.

RR Investments, Inc.
4550 & 4553 Jimmy Doolittle Drive
(Assuming Term Option is Exercised)

Airport Land Area (Acres)	4.05
Annual Ground Rent (Stabilized @ \$.75 gsf)	\$132,875
Projected Cash Flow Over Term (Esc. 3% Biennially)	\$6,828,000
Net Present Value (NPV) of Cash Flow (Discounted @ 10%)	\$1,325,000
Tenant's Minimum Capital Investment	\$5,500,000
Overall Project Valuation (in Today's Dollars)	\$6,825,000

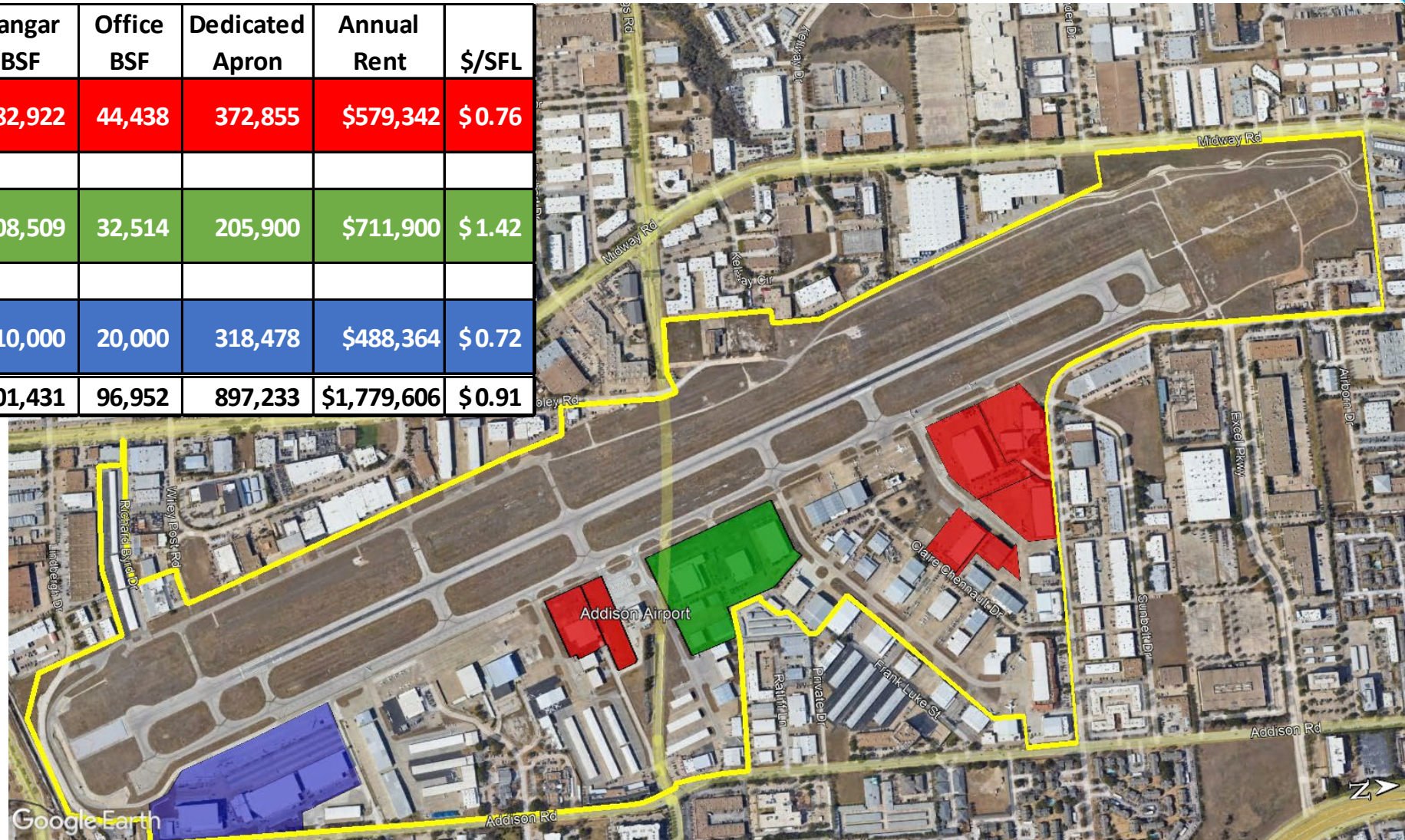
✈ Proposed ground lease

- Achieves the Town's following Strategic Pillar & Milestones:
 - Excellence in transportation systems
 - Leverages use of the US Customs facility
 - Leverages use of the airport to maximize business growth and expansion
- Is consistent with the 2013 Strategic Plan and 2014 Airport Master Plan
- Optimizes use of two airport properties
- Increases Airport Revenue
- Increase Overall Value of the Airport and Community

Administration Recommends Approval

Addison Airport FBO Overview

	Land AreaSF	Acres	Hangar BSF	Office BSF	Dedicated Apron	Annual Rent	\$/SFL
Million Air	763,325	17.5	182,922	44,438	372,855	\$579,342	\$0.76
Atlantic FBO	500,504	11.49	108,509	32,514	205,900	\$711,900	\$1.42
Galaxy FBO	682,789	15.67	110,000	20,000	318,478	\$488,364	\$0.72
Total	1,946,618	44.69	401,431	96,952	897,233	\$1,779,606	\$0.91



Questions?

