



Legislation Text

File #: 23-886, Version: 1

STRATEGIC PRIORITY: Economic Development
AGENDA DATE: April 12, 2023
COUNCIL DISTRICT(S): 2
DEPARTMENT: Department of Aviation
EXECUTIVE: Kimberly Bizer Tolbert

SUBJECT

Authorize the First Amendment to the Consolidated Lease of Land and Facilities with TWG Aviation, Ltd. ("TWG"), to (i) reduce the leased premises by approximately 500 square feet to accommodate the relocation of electrical equipment servicing Denton Drive, (ii) authorize monthly rent credits to TWG in a total amount not to exceed \$459,670.49 for the cost of relocating the electrical equipment, and (iii) to extend the time for completing new capital improvements by fifteen months - Estimated Revenue Foregone: Aviation Fund \$1,087,169.44 (over the approximately thirty-two years remaining in the primary term of the lease) (see Fiscal Information)

BACKGROUND

On December 9, 2020, the City Council authorized a new thirty-four year and five-month Consolidated Lease of Land and Facilities (the "Lease") with TWG Aviation, Ltd. ("TWG"), for approximately 619,065 square feet (14.21 acres) of land with existing facilities at Dallas Love Field (the "Airport") comprised of three contiguous tracts. As a key term of the Lease, TWG is required to expend no less than \$6,000,000.00 in the construction of a new aircraft hangar with office space, vehicular parking, and aircraft ramp area on the undeveloped Tract 3, which contains approximately 346,498 square feet (7.95 acres) of land, by December 21, 2023 as part of its Phase I improvements. The City also agreed to abate rent payments for Tract 3 during the thirty-six-month construction period.

During the design phase of the Phase I improvements, TWG discovered electrical equipment owned by Oncor Electric on the Tract 3 premises. This equipment services Denton Dr. and does not have any connections to TWG's leased premises. The City and TWG have been working with Oncor to relocate the equipment to the edge of the leased premises, in an effort to accommodate the Phase I improvements. The cost for relocating the equipment will be borne by the City, and in lieu of a one-time cash payment, the City proposes to reimburse the relocation costs to TWG in the form of monthly rent credits, in a total amount not to exceed \$459,670.49. The leased premises will also need to be reduced by approximately 500 square feet to exclude the area occupied by Oncor's equipment.

Due to delays associated with the Airport's airfield construction projects, TWG was only given possession of the Tract 3 property on April 1, 2022, fifteen months after the effective date of the Lease. The City desires to extend the deadline for completing the new Phase I improvements by an additional fifteen months to March 31, 2025 and extend the existing rent abatement for Tract 3 by an additional fifteen months to March 31, 2025 due to the fifteen-month delay in turning over the premises to TWG.

TWG has, with the consent of the City, subleased the entirety of the leased premises to Business Jet Center, Ltd. ("BJC"). BJC is prepared to enter into a sub-sublease with a third-party tenant that would result in a capital investment of no less than \$7,500,000.00 in the construction of the same Phase I improvements. In exchange for the additional \$1,500,000.00 capital investment into the Airport, the City would also like to amend the Lease to include an attornment provision that would allow any sub-subtenant who makes such a significant capital investment to maintain its operations and attorn to the City as its lessor in the event the City's lease with TWG is terminated prior to its expiration. TWG will still be required to complete its Phase II and Phase III improvements within one hundred and twenty months from the effective date of the Lease, in addition to making additional capital investments of no less than \$1,050,000.00 to the leased premises beginning in year eleven of the Lease through the end of the term.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On December 9, 2020, the City Council authorized the Consolidated Lease of Land and Facilities by Resolution No. 20-1876.

FISCAL INFORMATION

Estimated Revenue Foregone: Aviation Fund \$1,087,169.44 (over the approximately thirty-two years remaining in the primary term of the lease)

500 square foot reduction of the leased premises	\$ 627,498.95
Rent abatement due to relocation of electrical equipment	\$ <u>459,670.49</u>
Total Estimated Revenue Foregone	\$1,087,169.44

OWNER

TWG Aviation, Ltd.

TWG, Inc., its General Partner
Michael G. Wright, President

MAP

Attached