

Mayor and Council Communication

DATE: 06/13/23

M&C FILE NUMBER: M&C 23-0490

LOG NAME: 55FTW ZIA CAPITAL HANGAR AND GROUND LEASE, SITE 10S-A

SUBJECT

(CD 2) Authorize Execution of a New Hangar and Ground Lease Agreement for Approximately 18,319 Square Feet of Ground Space Including a 4,600 Square Foot Hangar Known as Lease Site 10S-A with Zia Capital, Inc. at Fort Worth Meacham International Airport

RECOMMENDATION:

It is recommended that the City Council authorize execution of a new hangar and ground lease agreement for approximately 18,319 square feet of ground space, including a 4,600 square foot hangar known as Lease Site 10S-A with Zia Capital, Inc. at Fort Worth Meacham International Airport.

DISCUSSION:

The City and Barrett-Conatser Hangar Joint Venture previously entered into City Secretary Contract (CSC) No. 13160, as first amended by CSC No. 19263 (CSC 13160 A-1) and assigned by CSC No. 25932. CSC Nos. 13160, 19263, 13360, 25932 are collectively referred to as the Previous Lease. The Previous Lease had a lease term of 30 years, with a termination date of June 30, 2013 with no options to renew. The Previous Lease was amended in 2009 through the execution of CSC No. 13160 A-2, which added two additional five-year options to renew to provide the Lessee a total potential lease term of forty (40) years, which will expire on June 30, 2023. CSC No. 13160 A-2 also decreased the square footage of the ground space under the lease from 23,689 square feet to 18,319 square feet. In 2018, there was a third amendment, which intended to memorialize the second renewal term under the lease; however, there was an error within the body of CSC No. 13160 A-3 and the renewal incorrectly stated that the parties were executing the first renewal. The error resulted in execution of CSC No. 13160 A-4, a fourth amendment to the lease, thereby correcting the renewal and correctly stating the final expiration date as June 30, 2023 with no additional options to renew.

The City and Zia Capital, Inc. now wish to enter into a new hangar and ground lease agreement that will commence on the effective date of the new lease, for a ten-year lease term with two (2) consecutive options to renew for five (5) years each.

Annual Revenue generated from the hangar is approximately \$28,750.00, paid in monthly installments of approximately \$2,395.83. Annual Revenue from the ground space is approximately \$8,609.93, paid in monthly installments of approximately \$717.49. Rates are in accordance with the Aviation Department's current Schedule of Rates and Charges and the Aviation Department's Leasing Policy. All terms and conditions of the lease agreement will be in accordance with City of Fort Worth and Aviation Department policies.

Rental rates shall be subject to an increase on October 1st of any given year, based on the upward percentage change in the Consumer Price Index for the Dallas-Fort Worth Metropolitan area. At no time will the adjusted rate exceed the rate that is current in the Schedule of Rates and Charges. Five-year rate adjustments will be applied to the ground rate starting on October 1, 2028, and every fifth year thereafter. If near the end of the ten (10) year Initial Term, a Renewal Term has been requested by the Lessee, City will have an appraisal performed by a qualified third-party appraiser to adjust the hangar rate to equal the then Fair Market Value, for this type of property at airports similar to the type or types of property that comprise the Premises.

Fort Worth Meacham International Airport is located in COUNCIL DISTRICT 2.

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that upon approval of the above recommendation and execution of the lease, funds will be deposited into the Municipal Airport Fund. The Aviation Department (and Financial Management Services) is responsible for the collection and deposit of funds due to the City.

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