

Mayor and Council Communication

DATE: 03/03/20

M&C FILE NUMBER: M&C 20-0135

LOG NAME: 55AFW ABPNO2 LEASE AMEND

SUBJECT

Authorize Execution of a Consent to Assignment of a Ground Lease Agreement for Parcels 2 and 5 at Fort Worth Alliance Airport by AT Industrial Owner 6 HOLDCO LP to ABP No. 2, LLC and Authorize Execution of a Consent to Leasehold Deed of Trust to Restore and Repair Improvements on Parcels 2 and 5 for the Benefit of Southside Bank (COUNCIL DISTRICT 7)

RECOMMENDATION:

It is recommended that the City Council:

1. Authorize the execution of a Consent to Assignment of Ground Lease Agreement for Tracts 2 and 5 at Fort Worth Alliance Airport by AT Industrial Owner 6 HOLDCO LP to ABP No. 2, LLC;
 2. Authorize the execution of a Consent to Leasehold Deed of Trust, in favor of Southside Bank, for the acquisition of the leasehold interest and/or to restore and repair improvements for lease tract 2 and 5 at Fort Worth Alliance Airport; and
 3. Authorize the execution of a Lessor Estoppel Certificate and Consent confirming the terms of the lease agreement and subsequent assignments of the leasehold interest regarding Tracts 2 and 5.
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DISCUSSION:

On December 27, 2018, the prior Lessee assigned all of its rights, title and interest in the Leased Premises, generally known as Tracts 2 and 5 located at Fort Worth Alliance Airport to AT Industrial Owner 6 HOLDUP LP (Lessee) (Ground Lease Agreement, City Secretary Contract (CSC) No. 23512 with Amendment No. 1, CSC No. 28548).

On or about January 3, 2020, Staff received notice that AT Industrial Owner 6 HOLDCO LP (Assignor), who is the current Lessee, would like to assign all of their right, title and interest in the Lease and the Leased Premises to ABP No. 2, LLC. (Assignee); Assignee wishes to accept such assignment; and Lessor is willing to consent to such assignment, all on the terms and conditions set forth in the Consent agreement.

At commencement of the original lease, the total annual revenue received from this lease was approximately \$79,003.04, payable in monthly installments of \$6,333.59. Revenue was based on a ground rate of approximately \$.19 per square foot for Tract 2 and \$.32 per square foot for Parcel 5 in accordance with the Aviation Department's Schedule of Rates and Charges and Lessor's market analysis. 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. After subsequent Consumer Price Index rate adjustments, the current rate is \$98,682.24 annually or \$8,223.52 per month. Current revenue is based on a ground rental rate of \$0.2744903952 per square foot for Tract 2 and a ground rental rate of \$0.3936660196 per square foot for Tract 5.

On or about January 3, 2020, ABP No.2, LLC's lender requested a deed of trust on its leasehold interest as a requirement for a loan to facilitate improvements to existing structures on the Leased Premises. ABP No. 2, LLC requests City Council approval for the City to execute a Consent to Leasehold Deed of Trust in favor of Southside Bank.

The Leasehold Deed of Trust will grant ABP No. 2, LLC's lender, Southside Bank, the right, subject to any previous lien, to operate as Lessee or secure another tenant in place of ABP No. 2, LLC, if previously approved by City Council, in the event ABP No. 2, LLC defaults on its loan or its lease with the City of Fort Worth. The Lease Agreement prohibits the Lessee from making any assignment of the lease or causing a lien to be made on improvements constructed on the leased premises without City Council approval. This type of transaction is routine for airport tenants and Staff has no objection to ABP No. 2, LLC's request.

Additionally, as part of the agreement with Southside Bank, the Lessee and Southside Bank request approval for the execution of a Lessor Estoppel Certificate and Consent. The Lessor Estoppel Certificate and Consent confirms the terms of the Lease Agreement and any amendments or assignments of the Leasehold Interests.

Fort Worth Alliance Airport is located in COUNCIL DISTRICT 7.

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that upon approval of the above recommendations and execution of the agreement, 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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