

Mayor and Council Communication

DATE: 12/13/22

M&C FILE NUMBER: M&C 22-1058

LOG NAME: 21MTU MAINTENANCE

SUBJECT

(CD 7) Authorize the Execution of a Lease Agreement with MTU Maintenance Dallas, Incorporated for the Turbine Engine Overhaul Building, the Test Cell and the Heat, Treat, Blast and Spray Shop, Located at 2112 Eagle Parkway, Fort Worth, Texas at the Alliance Fort Worth Maintenance Facility 76177; and Authorize Payment of Brokerage Commission to Reitz Realty Group, PLLC at a Rate of 4.50 Percent of the Base Rent of the MTU Lease

RECOMMENDATION:

It is recommended that the City Council:

1. Authorize the execution of a lease agreement with MTU Maintenance Dallas for the Turbine Engine Overhaul Building, the Test Cell and the Heat, Treat, Blast and Spray Shop, located at 2112 Eagle Parkway, Fort Worth, Texas at the Alliance Fort Worth Maintenance Facility 76177; and
 2. Authorize the City Manager or his designee to pay a brokerage commission to Reitz Realty Group, PLLC at a rate of 4.50 percent of the base rent.
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DISCUSSION:

On January 19, 2017, the City of Fort Worth (City) entered into a lease agreement with Rolls Royce North America, Incorporated (RR) to lease the Engine Test Cell Facility, Turbine Overhaul Building, and the Heat, Treat, Blast and Spray Building (Premises) consisting of approximately 444,000 square feet of space, located at the Alliance Fort Worth Maintenance Base (AFWMB) (City Secretary Contract No. 50094).

The lease was effective January 1, 2018 and provided for an early lease termination in year five (5) of the term with a six (6) month notice.

Due to a change in business, RR provided the City with notice of early termination on June 30, 2022 with the Premises to be vacated by December 31, 2022.

As a result of discussions and negotiations between the City Property Management Department (PMD), the City's property manager for the Premises, Hillwood Properties (Hillwood) and MTU Maintenance Dallas, Inc. (MTU), the parties have agreed to lease the Premises upon RR vacation of the Premises with the following terms:

- Primary Term of 10 years with an effective date of January 1, 2023.
- Two five-year renewal options at then current market rates
- Base Rent for Primary Term to be paid as follows:
 - Months 1 -18: No base rent as credit toward Tenant Improvements
 - Months 19-60: \$1.25 per square foot (\$529,800.00 per year)
 - Months 61-120: \$1.50 per square foot (\$635,760.00 per year)
- MTU assumes operating expenses for the premises during the term of the lease upon obtaining the Certificate of Occupancy.

Total rental revenues, fees and reimburseable expenses resulting from the ten (10) year primary term of this lease agreement are estimated to contribute approximately \$24,000,000 toward the Alliance Maintenance Facility Fund.

Additionally revenues from Jet Fuel Sales to MTU from the AMF Fuel Farm are yet to be determined.

MTU intends to make up to \$17M worth of improvements to the Test Cell and Premises to accommodate testing a variety of jet engines which will increase the value of the Test Cell and the improvements will be the property of the City upon expiration of the lease agreement.

As outlined in the Leasing Agreement between the Alliance Airport Authority and Hillwood Properties, which was assigned to the City via M&C L-15748 on January 15, 2015, Hillwood brokerage commission fees due will be 2.25 percent of the base rent. The Leasing Agreement also stipulates that cooperating brokers in the transaction would be paid a separate commission fee of 4.5 percent of the base rent. Reitz Realty Group, PLLC is the cooperating real estate broker assisting with the negotiations and upon approval of this M&C and the execution of the lease, the City will pay Reitz Realty Group, PLLC, for their commission fee as outlined in the MTU lease agreement.

This property 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 lease agreement, funds will be deposited

into the Alliance Maintenance Facility Fund. The Property Management Department (and Financial Management Services) is responsible for the collection and deposit of funds due to the City. Prior to any expense being incurred, the Property Management Department also has the responsibility to validate the availability of funds.

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