

Mayor and Council Communication

DATE: 10/20/20

M&C FILE NUMBER: M&C 20-0769

LOG NAME: 55FTW TEXAS JET 3C GROUND LEASE AGREEMENT

SUBJECT

(CD2) Authorize Execution of a New Ground Lease Agreement Including Mandatory Improvements with Texas Jet Inc. for Lease Site 3C at Fort Worth Meacham International Airport and a Consent to Leasehold Deed of Trust with Texas Jet Inc. and JPMorgan Chase Bank, N.A. for Lease Site 3C, to Facilitate the Construction of a New Hangar Facility

RECOMMENDATION:

It is recommended that the City Council:

1. Authorize the execution of a new ground lease agreement including mandatory improvements with Texas Jet Inc. for Lease Site 3C at Fort Worth Meacham International Airport; and
 2. Authorize the execution of a Consent to Leasehold Deed of Trust for Lease Site 3C with Texas Jet Inc. and JPMorgan Chase Bank, N.A. at Fort Worth Meacham International Airport to facilitate the construction of a new hangar facility.
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DISCUSSION:

On or about May 26, 2020, Aviation Staff received a request from Texas Jet, Inc. (Texas Jet) to lease ground space known as 3C as part of the Midfield Development project at Fort Worth Meacham International Airport. The total amount of ground space for Lease Site 3C is approximately 102,665.63 square feet. Texas Jet, Inc. will pay a ground rate of \$0.47 per square foot. Revenue generated from the Ground Lease is approximately \$48,252.85 annually, paid in monthly installments of approximately \$4,021.07. Rates are in accordance with the Aviation Department's current Schedule of Rates and Charges.

The mandatory improvements for Lease Site 3C include construction of a hangar approximately 34,250 SF. Texas Jet shall commence construction within six (6) months following the execution of the Ground Lease Agreement with completion of construction within eighteen (18) months of commencement of construction. Hangars, aprons, ramps and other auxiliary areas will be constructed in compliance with the Minimum Standards.

The term of the new Ground Lease will be thirty (30) years, effective upon execution of the Ground Lease Agreement, with one ten (10) year option to renew, bringing the lease term to a total of forty (40) years. 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, 2025, and every fifth year thereafter.

The Consent to Leasehold Deed of Trust will grant Texas Jet's lender, JPMorgan Chase Bank, N.A. the right, subject to the previous lien, to operate as Lessee or secure another tenant in place of Texas Jet, if previously approved by City Council, in the event Texas Jet defaults on the loan or the lease with the City of Fort Worth. The Lease Agreement prohibits Texas Jet 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 Texas Jet's request.

ADVISORY BOARD APPROVAL: On September 17, 2020, the Aviation Advisory Board voted to recommend that the City Council approve the Ground Lease Agreement.

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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