

# Mayor and Council Communication

DATE: 12/12/23

M&C FILE NUMBER: M&C 23-1062

LOG NAME: 21MAMMOTH FREIGHTERS

**SUBJECT**

(CD 10) Authorize the Execution of a Lease Agreement with Mammoth Freighters, LLC For Approximately 72,287 Square Feet of Industrial and Office Space Located in the Parts / Warehouse Building #11 Located at 2070 Eagle Parkway, Fort Worth, Texas, 76177, at the Alliance Fort Worth Maintenance Facility

**RECOMMENDATION:**

It is recommended that the City Council authorize the execution of a lease agreement with Mammoth Freighters, LLC for approximately 72,287 square feet of industrial and office space located in the Parts / Warehouse Building #11 located at 2070 Eagle Parkway, Fort Worth, Texas, 76177, at the Alliance Fort Worth Maintenance Facility.

**DISCUSSION:**

Mammoth Freighters, LLC, (Mammoth) founded in December 2020, develops, converts, and supports both models of the most productive and economical 777 long range freighters in the world. Mammoth is backed by private investment funds managed by Fortress Investment Group LLC and its affiliates (Fortress) and based in Orlando, Florida with an additional office in Escondido, California.

Mammoth has requested use of approximately 72,287 square feet of space in the Parts / Warehouse Building #11 (Premises) at the Alliance Fort Worth Maintenance Facility (AMF) to be used as warehousing of materials and office space for their local operations.

Mammoth is currently occupying the Premises under a month-to-month lease (City Secretary Number 58006) while we finalize this long term lease.

As a result of discussions and negotiations between the City's Property Management Department (PMD), Hillwood Properties (AMF property manager) and Mammoth, the parties have agreed to a long term lease under the following terms:

- Primary lease term of 10 years
- Two five-year lease renewal options at then current market rate.
- Base Rent and Rent Credits for Tenant Improvements are as follows:

Year	Months	Monthly Rent	Annual Rent	Rent Credits
1	1 - 8	\$10,000.00	\$128,191.33	\$16,382.67 plus All Expenses
1	9 - 12	\$12,047.83		\$0.00
2	13 - 24	\$12,047.83	\$144,574.00	\$0.00
3	25 - 36	\$12,047.83	\$144,574.00	\$0.00
4	37 - 48	\$12,047.83	\$144,574.00	\$0.00
5	49 - 60	\$13,553.81	\$162,645.75	\$0.00
6	61 - 72	\$13,553.81	\$162,645.75	\$0.00
7	73 - 84	\$13,553.81	\$162,645.75	\$0.00
8	85 - 96	\$0.00	\$0.00	\$180,717.50
9	97 - 108	\$15,059.79	\$180,717.50	\$0.00
10	109 - 120	\$15,059.79	\$180,717.50	\$0.00

- Mammoth assumes all operating expenses for the premises during the term of the lease.
- Tenant Improvements to the Premises being made by the Tenant at their sole expense are expected to be approximately \$514,000.00
- As consideration for the Tenant Improvements, the lease provides for the Tenant to pay a reduced base rent of \$10,000.00 per month (which includes no obligation to pay operating expenses) for months 1 through 8 in year one (1) and for twelve (12) months of rent abatement of base rent only in year eight (8) valued at \$180,717.50 as outlined in table above.
- Base rent, rent credits and operating expenses reflect Fair Market Value for comparable leases at the AMF.
- STC Early Termination Option:
  - Mammoth's operations of the passenger to freighter conversions of the 777-200LR and 777-300ER (777 Aircraft Conversion Program) is dependent upon approval and receipt of the Supplemental Type Certificates (STCs) issued by the FAA. The STC issued for the 777 Aircraft Conversion Program is expected to occur and the chances of FAA non-approval are slim, however without it,

Mammoth's operations are affected significantly, potentially jeopardizing their ability to meet the financial obligations of the Lease. Therefore, the parties have agreed to provide Mammoth with an STC early lease termination option during the primary term, starting the fifteenth (15) month in year two (2), by providing Landlord with two hundred seventy (270) days prior written notice in the event they do not receive the STC from the FAA.

Total base rent revenues, fees and reimbursable expenses resulting from the ten (10) primary term of this Lease Agreement are estimated to contribute a total of approximately \$3,500,000.00 toward the Alliance Maintenance Facility Fund.

This property is located in Council District 10.

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**FISCAL INFORMATION / CERTIFICATION:**

The Director of Finance certifies that upon approval of the above recommendation 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.

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