

# Mayor and Council Communication

**DATE:** 02/25/25

**M&C FILE NUMBER:** M&C 25-0166

**LOG NAME:** 55FWS GRND LSE AGREEMENT\_SITES E-23 E-24\_TEXAS SKY HARBOR, LLC

## **SUBJECT**

(CD 8) Authorize Execution of a New Ground Lease Agreement Including Mandatory Improvements for Approximately 97,585 Square Feet of Ground Space Known as Lease Sites E-23 and E-24 with Texas Sky Harbor, LLC at Fort Worth Spinks Airport and a Consent to Leasehold Deed of Trust with Texas Sky Harbor and American National Bank of Texas for Lease Site E-23 and E-24 to Facilitate the Construction of Two New Hangar Facilities

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## **RECOMMENDATION:**

It is recommended that the City Council:

1. Authorize execution of a new ground lease agreement including mandatory improvements for approximately 97,585 square feet of ground space known as Lease Sites E-23 and E-24 with Texas Sky Harbor, LLC at Fort Worth Spinks Airport; and
  2. Authorize execution of a Consent to Leasehold Deed of Trust for Lease Sites E-23 and E-24 with Texas Sky Harbor and American National Bank of Texas at Fort Worth Spinks Airport to facilitate the construction of two new hangar facilities.
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## **DISCUSSION:**

The purpose of this Mayor and Council Communication (M&C) is to recommend that the City Council authorize execution of a new ground lease agreement for approximately 97,585 square feet of ground space known as Lease Sites E-23 and E-24 with Texas Sky Harbor, LLC (TSH) at Fort Worth Spinks Airport.

On or about March 15, 2024, in response to a Request for Expressions of Interest (RFEI), staff received a request from TSH to lease ground space known as Lease Sites E-23 and E-24 to build box hangars and t-hangars for needed aircraft storage at Fort Worth Spinks Airport (Airport). The total amount of ground space for Lease Sites E-23 and E-24 collectively is approximately 97,585 square feet. TSH will pay the current published ground rate for the Airport of \$0.31 per square foot. Annual Revenue generated from the Lease is approximately \$30,251.35, paid in monthly installments of approximately \$2,520.95. Rates are in accordance with the Aviation Department's current Schedule of Rates and Charges and the Aviation Department's Leasing Policy.

The mandatory improvements for Lease Site E-23 will include no less than a six (6) bay box hangar unit containing six (6) approximately 50 feet wide by 50 feet deep box hangars and mandatory improvements for Lease Site E-24 will include no less than twelve (12) t-hangar units, both with approximately associated apron and vehicle parking space. Construction will be completed in two phases. Phase one will commence construction for the mandatory improvements on or before the first (1st) day of the ninth (9th) month after the month in which the Commencement Date of the Lease occurs and construction to be completed no later than twenty-one (21) months from the commencement of construction. Phase two will commence construction for the mandatory improvements on or before the first (1st) day of the sixth (6th) month after the completion of phase one and construction to be completed no later than twenty-four (24) months from the commencement of construction.

The term of the new ground lease will be thirty (30) years, effective upon execution of the ground lease agreement, with one (1) option to renew for a ten (10) year term, 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, 2030, and every fifth year thereafter.

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

**ADVISORY BOARD APPROVAL:** On July 18, 2024, the Aviation Advisory Board voted to recommend that the City Council approve the ground lease agreement.

Fort Worth Spinks Airport is located in Council District 8.

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## **FISCAL INFORMATION / CERTIFICATION:**

The Director of Finance certifies that upon approval of the above recommendations 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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