

Mayor and Council Communication

DATE: 08/23/22

M&C FILE NUMBER: M&C 22-0645

LOG NAME: 55FTW CONSENTASSIGNMENT GRND LEASE 40S, FORTY SOUTH

SUBJECT

(CD 2) Authorize Execution of a Consent to Assignment of City Secretary Contract 43601, a Ground Lease Agreement for Lease Site 40S, by the Current Tenant, Burnett Aviation Co., Inc., to Forty South, LLC, at Fort Worth Meacham International Airport

RECOMMENDATION:

It is recommended that the City Council authorize execution of a consent to assignment of City Secretary Contract 43601, a ground lease agreement for Lease Site 40S, by the current tenant, Burnett Aviation Co., Inc. to Forty South, LLC, at Fort Worth Meacham International Airport.

DISCUSSION:

On January 4, 1983, Burnett Aviation Co., Inc. (Burnett Aviation) entered into City Secretary (CSC) 12887, a Fixed Based Operator Lease for ground space known as Lease Sites 40S and 43S, consisting of a total of 236,778 square feet of ground space. The Lease contained a thirty (30) year lease term ending on January 3, 2013. On or about September, 2012, Lessor and Burnett Aviation agreed to divide Lease Sites 40S and 43S into three individual tracts to be known as Lease Sites 39S, 40S and 41S (formerly 43S) and enter into three different agreements for each lease site. Lease Site 40S had improvements including a 14,400 square foot hangar at the time Lease Site 40S was created. Burnett Aviation subsequently expanded the footprint of the hangar to 25,250 square feet.

On September 11, 2012 through Mayor and Council Communication (M&C) C-25812, City Council authorized Lessor to execute a ground lease agreement under City Secretary Contract (CSC) 43601 (Lease) with Burnett Aviation (Lessee), with an effective date of January 4, 2013 for lease and use of real property known as Lease Site 40S and any improvements and facilities thereon.

On June 15, 2022, staff received a request from Lessee to consent to an assignment of the Lease to Forty South, LLC (Forty South). Upon City Council approval, Forty South will assume the leasehold interest and obligations associated with the Lease. The Lease consists of 111,194 square feet of ground space. Existing improvements include a 25,250 square foot hangar. The lease expires on January 3, 2023 with three (3) options to renew for an additional ten (10) year term each.

Annual revenue from the lease is approximately \$49,805.94 payable in monthly installments of \$4,150.50. 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 then current rate published in the Aviation Department's Schedule of Rates and Charges. Five-year rate adjustments are applied to the ground rate with the next scheduled adjustment on January 4, 2023 and every fifth year thereafter. In addition to the annual rent adjustments, on January 4, 2023, for the renewal term, a hangar rate commensurate with the appraised fair market value shall be added based on similar type or types of property at the Airport similar to the type or types of property that comprise the hangar.

The Lease prohibits any assignment of the Lease or causing any lien to be made on improvements constructed on the leased premises without City Council approval. These types of transactions are routine for airport tenants and staff has no objection to this request.

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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