

**DALLAS FORT WORTH INTERNATIONAL AIRPORT BOARD  
OFFICIAL BOARD ACTION/RESOLUTION**

<b>Date</b> 02/05/2015	<b>Committee</b> Concessions/Commercial Development	<b>Subject</b> Lease Agreement with 2200 & 2222 South Service Road, LLC to Lease DFW North Tower, DFW South Tower and Parking Garage	<b>Resolution #</b> 2015-02-032
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**Action**

That the Chief Executive Officer or designee be authorized to execute a Lease Agreement with 2200 & 2222 South Service Road, LLC, ("Tenant"), referred to as the Business Center Lease for approximately 2.994 acres of land and all improvements thereon consisting of two office buildings and a parking garage and recommend approval of the above Lease to the Cities of Dallas and Fort Worth.

**Description**

- Enter into a ground Lease Agreement referred to as the Business Center Lease for approximately 2.994 acres of land and all improvements thereon consisting of two office buildings and a five story parking garage, North Tower with approximately 52,114 gross square feet and South Tower with approximately 72,691 gross square feet, on top of the Parking Garage for a total of approximately 124,805 gross square feet.
- DFW Airport will sublease several spaces on the Business Center Lease for continued occupancy and use referred to as the Airport Sublease Premises.
- 2200 & 2222 South Service Road, LLC intends to renovate existing Business Center's buildings and will be subleasing for the limited purpose of office space.
- It is not permissible under the Business Center lease agreement to demolish North Tower, South Tower and the Parking Garage.

**Justification**

- Business Center Lease will generate initial rent income of approximately \$330,000/yr.
- Parking Garage will generate income of approximately \$324,000/yr (422 spaces at \$64 per month).
- Business Center Lease is reserving revenues from Telecommunications of approximately \$1,623,228/yr.
- O&M cost avoidance is approximately \$703,528/yr (2015).
- Strategic Plan Benefits:
  - ◆ Encourages non-core business developments consistent with the Board's policies.
  - ◆ Increases non-airline revenues and supports trade within the Dallas/Fort Worth region.
  - ◆ Decreases costs.

**D/S/M/WBE Information**

- In accordance with the Board's MBE Program, the MBE goal for all building improvements under this lease agreement is 30%.
- Building improvements include but are not limited to demolition, renovations and new construction.

**Schedule/Term**

The ground lease term for the Business Center Lease will be for a sixty (60) year period contingent upon consent from the Cities of Dallas and Fort Worth. The term of the lease will commence on lease execution.

<b>Contract #</b>	<b>Agreement #</b>	<b>Purchase Order #</b>	<b>Action Amount</b>	<b>Revised Amount</b>
			\$0	\$0
<b>For Information contact</b>	<b>Fund</b>	<b>Project #</b>	<b>External Funding Source</b>	<b>Amount</b>
John Terrell 3-4655				\$0

**Additional Information**

- Tenant is responsible for all operations and maintenance costs for the Business Center Lease.
- A separate lease referred to as the Administration Building Lease is contingent upon approval of this OBA and is part of the overall transaction.
- The lease contains ground rent escalations throughout the sixty (60) year term. Ground rent escalations occur every five (5) years at a rate of 3% per year compounded annually for the first 30 years. After 30 years, the land will be appraised and ground rent re-established based upon the new appraised value. Regardless of the new appraised value, new rent will not be less than the preceding rent. Ground rent will increase with CPI (Consumer Price Index) after years 35, 40, 45, 50 and 55.
- Due Diligence Expenses: The Airport and Tenant agree that the Airport will reimburse up to \$50,000 to cover due diligence expenses if Tenant has executed the Business Center Lease and Administration Building Lease and Airport Board or Owner Cities Council do not approve leases.

Additional Attachments: Y

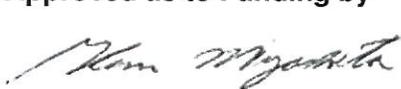
**BE IT RESOLVED BY THE DALLAS-FORT WORTH INTERNATIONAL AIRPORT BOARD**

That the Chief Executive Officer or designee be authorized to execute a Lease Agreement with 2200 & 2222 South Service Road, LLC, ("Tenant"), referred to as the Business Center Lease for approximately 2.994 acres of land and all improvements thereon consisting of two office buildings and a parking garage and recommend approval of the above Lease to the Cities of Dallas and Fort Worth.

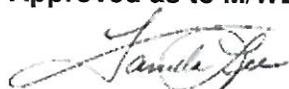
**Approved as to Form by**

  
 Rodriguez, Elaine  
 Legal Counsel  
 Jan 21, 2015 3:05 pm

**Approved as to Funding by**

  
 Miyashita, Glenn  
 AVP Capital Planning  
 Finance  
 Jan 22, 2015 7:31 am

**Approved as to M/WBE by**

  
 Lee, Tamela  
 VP Business Diversity & Dev  
 Business Diversity and  
 Development  
 Jan 21, 2015 5:14 pm

**SIGNATURE REQUIRED FOR APPROVAL**

**Approved by**

  
 Department Head  
 Commercial Development  
 Jan 15, 2015 4:50 pm

  
 Chief Executive Officer  
 Feb 5, 2015 2:02 pm  
 Date

**DETAIL INFORMATION SHEET(S) FOR:**

**Project Summary  
2200 & 2222 South Service Road, LLC**

2200 & 2222 South Service Road, LLC is a Texas limited liability company licensed to do business in the state of Texas and is majority owned by Menyon/TVO Capital Partners, a Dallas based real estate investment company specialized in repositioning value added Class A and Class B office buildings. Its founder and managing principal, Bobby Jefferson has nineteen years of experience in real estate transactions totaling approximately \$1 billion in value. Menyon Capital Partners, LLC is also interested in entering into a second lease to renovate the Administration Building at DFW International Airport.

2200 & 2222 South Service Road, LLC requests to lease the North Tower, South Tower and Parking Garage for office space occupancy and leasing.

A ground lease with 2200 & 2222 South Service Road, LLC supports the Strategic Imperatives by increasing non-airline revenues, lowering costs, and increasing the economic benefits that Dallas and Fort Worth receive from concurrent commercial development. This proposed development and use conforms to the Land Use Plan.

The estimated initial annual revenue is \$654,000 per year (\$330,000 of rent and \$324,000 of parking) and the rent is increased every 5 years at a rate of 3% compounded annually for the first 30 years. After 30 years, the land will be appraised and ground rent re-established based upon the new appraised value. Regardless of the new appraised value, new rent will not be less than the preceding rent. Ground rent will increase with CPI (Consumer Price Index) after years 35, 40, 45, 50 and 55.

The facilities will remain property of DFW Airport to be occupied by tenant under the leasehold estate created by the lease. Upon expiration or termination of this 60 year lease, the possession and control of the facility will belong to DFW. At that time, the facility can then be available for DFW to refurbish, if necessary, and then lease thereby generating revenue in addition to ground rent.