DALLAS FORT WORTH INTERNATIONAL AIRPORT BOARD
OFFICIAL BOARD ACTION/RESOLUTION

Date	Committee	Subject	Resolution #
02/05/2015	Concessions/Commercial Development	Lease Agreement with 3200 East Airfield Drive, LLC to Lease DFW Administration Building and surface parking	2015-02-033

Action

That the Chief Executive Officer or designee be authorized to execute a Lease Agreement with 3200 East Airfield Drive, LLC, ("Tenant"), referred to as the Administration Building Lease for approximately 15.205 acres of land and all improvements thereon consisting of an office building and related surface parking lots 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 Administration Building Lease at 3200 East Airfield Drive, LLC (DFW Administration office building) for approximately 15.205 acres of land and all improvements thereon consisting of an office building with approximately 80,965 gross square feet and related surface parking lots.
- DFW Airport will sublease several spaces on the Administration Building Lease for temporary occupancy and use referred to as the Airport Sublease Premises.
- 3200 East Airfield Drive, LLC intends to renovate the Administration Building and will be subleasing for the limited purpose of office space.
- It is permissible under the Administration Building lease agreement to demolish the existing building and construct new improvements to house general office use space.

Justification

- Administration Building Lease will generate initial rent income of $370,000/yr.
- O&M cost avoidance is approximately $465,547/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 Administration Building 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.

Contract #	Agreement #	Purchase Order #	Action Amount	Revised Amount
			$0	$0

For Information contact	Fund	Project #	External Funding Source	Amount
John Terrell 3-4655				$0

Additional Information

- Tenant is responsible for all operations and maintenance costs for the Administration Building Lease.
- A separate lease referred to as the Business Center 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 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

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Approved as to Form by

Rodriguez, Elaine
Legal Counsel
Jan 21, 2015 3:15 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 5:15 pm

SIGNATURE REQUIRED FOR APPROVAL

Approved by

Department Head
Commercial Development
Jan 15, 2015 4:51 pm

Feb 5, 2015 2:02 pm

Chief Executive Officer Date

DETAIL INFORMATION SHEET(S) FOR:

Project Summary
3200 East Airfield Drive, LLC

3200 East Airfield Drive, 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 Business Center North, South Towers and Parking Garage at DFW International Airport.

3200 East Airfield Drive, LLC requests to lease the Administration Building for office space occupancy and leasing.

A ground lease with 3200 East Airfield Drive, 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 $370,000 per year 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 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.