

Memorandum



CITY OF DALLAS

DATE September 6, 2019

TO Honorable Mayor and Members of the City Council

SUBJECT **September 11, 2019 City Council Agenda Item #3**

The September 11, 2019 City Council Agenda includes a recommendation to authorize a lease agreement with Dallas Jet Holdings, LLC (“Dallas Jet”).

Dallas Jet, LLC is a subsidiary of Aero Management Group, Inc. (“AMG”) which operates independent Fixed-Base Operator (“FBO”) facilities at multiple general aviation airports around the United States. AMG provides FBO services including fueling, aircraft tie-downs, parking, hangar services, flight instruction, aircraft rentals, and aircraft charter services and now desires, through Dallas Jet, to expand its operations to the Airport

The City desires to lease to Dallas Jet approximately 97,049 square feet of land and facilities at the Airport for its new FBO operation for an initial term of twenty years, with two ten-year renewal options. The lease consists of six Airport-owned hangars for aircraft storage and an additional Airport-owned hangar with an attached front lobby and supporting office space for the FBO’s business operations. As part of the agreement, Dallas Jet will renovate the lobby and office space at an investment of no less than \$250,000.00. With rent escalations occurring every three to five years, the lease of the hangars and office space will generate an estimated \$44,248.40 in Year One of the lease and approximately \$5,460,000.00 over the twenty-year term for Dallas Executive.

The City would also lease to Dallas Jet approximately 824 square feet of lobby and office space within the Airport terminal for an initial term of five years, with four five-year renewal options. The lobby and office space in the Airport terminal will be improved and used by Dallas Jet as its main operations area while renovations are being completed on the hangar lobby and office areas. Rent for terminal space will also escalate every five years and generate an estimated \$10,802.64 in Year One of the lease and approximately \$250,675.26 over twenty years for the Airport.

Dallas Jet will also pay the City additional rent in the form of a two percent share of its monthly gross receipts from all ancillary services provided by Dallas Jet, excluding hangar rents collected and fuel sales. This will generate an estimated \$116,485.89 over the initial twenty years.

In addition to the rent, Dallas Jet agrees to sell no less than 24,268,652 gallons of fuel during the twenty-year initial term of the lease. This volume of fuel sales will generate approximately \$2,900,000.00 of fuel revenue to the Airport by way of fuel flowage fees. Should Dallas Jet not sell the guaranteed minimum number of gallons, the City will be entitled to a payment for the difference in the number of guaranteed gallons and the actual gallons.

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Ultimately this lease will generate an estimated revenue of approximately \$8,700,000.00 to the City over the initial twenty-year term and will bring new amenities and business operations to Dallas Executive which will help spur continued future development at the Airport.

If you require additional information, please contact me or Mark Duebner, Director of Aviation.



Kimberly Bizer Tolbert
Chief of Staff to the City Manager

c: T.C. Broadnax, City Manager
Chris Caso, City Attorney (Interim)
Mark Swann, City Auditor
Billieae Johnson, City Secretary
Preston Robinson, Administrative Judge
Majed A. Al-Ghafry, Assistant City Manager
Jon Fortune, Assistant City Manager

Joey Zapata, Assistant City Manager
Nadia Chandler Hardy, Assistant City Manager and Chief Resilience Officer
Michael Mendoza, Chief of Economic Development and Neighborhood Services
M. Elizabeth Reich, Chief Financial Officer
Laila Aleqresh, Chief Innovation Officer
M. Elizabeth (Liz) Cedillo-Pereira, Chief of Equity and Inclusion