

Memorandum



CITY OF DALLAS

DATE October 4, 2019

TO Honorable Mayor and Members of the City Council

SUBJECT **Agenda Item #37, October 8, 2019 – Lease Agreement with Dallas Jet Holdings, LLC**

On September 11, 2019, City Council deferred this item for 30 days. On September 25, 2019, a motion to reconsider the item was approved. Pursuant to City Council Rules of Procedure actual reconsideration of the item is scheduled for the October 8, 2019 voting agenda meeting.

The October 8, 2019, City Council agenda includes a recommendation to authorize a lease agreement with Dallas Jet Holdings, LLC (“Dallas Jet”).

Dallas Jet 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 and would now like to establish a presence in north Texas by expanding its operations to Dallas Executive Airport (“Airport”). AMG will be providing various FBO services at the Airport including fueling, aircraft tie-downs, parking, hangar services, flight instruction, aircraft rentals, and aircraft charter services.

Should the City Council approve the lease, the City would lease 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. This consists of six City-owned hangars for aircraft storage and an additional City-owned hangar with an attached front lobby and supporting office space for the FBO’s business operations.

The City would also lease 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 lease of this specific terminal space may be terminated by either party for any reason upon 180 days’ written notice. Additionally, within three months of the effective date of the lease, Dallas Jet is required to improve the Airport terminal space and will use it as a main operations area while renovations and improvements (that are required by the lease) are being completed on the hangar lobby and office areas. Pursuant to the terms of the lease, Dallas Jet will be required to, no later than twenty-four months from the effective date of the lease, expend no less than \$250,000.00 on renovations and improvements to the hangar lobby and office areas. These renovations and improvements must be completed within forty-eight months. 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 and fuel sales (excluding collected hangar rent) provided by Dallas Jet. In addition to the rent and additional rent, Dallas Jet has agreed to a minimum fuel sale guarantee of no less than 24,268,652 gallons of fuel during the twenty-year initial term of the lease.

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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 the Airport which will foster and facilitate continued future development at the Airport.

On September 6, 2019, the Director of the Department of Aviation executed a temporary month-to-month lease with Dallas Jet in order to address certain logistical concerns prior to the proposed effective date of the long-term lease. This temporary month-to-month lease can be terminated at any time by the City and cannot extend beyond one year. It is the understanding of the parties that this short-term lease will be terminated upon the execution of the long-term lease.

For your information, on September 28, 2019, TxDOT Aviation received an inquiry from Brian Myler, General Manger, Ambassador Jet Center, regarding the potential unfair competitive advantage of leasing Airport terminal space to a new FBO and whether that lease would violate any grant assurances related to the 2004-2005 Terminal Building project at the Airport.

TxDOT responded, affirming the city is obligated under grant assurances to make space available to support aeronautical activity. Further, the airport has a duty to negotiate in good faith if space is available. As such, the Airport would not be in violation of original grant agreements for the construction of the building, or in violation of grant assurance obligations under economic non-discrimination.

The Department of Aviation has, in good faith, offered to negotiate equitable terms with Ambassador Jet Center for the lease of space in the Airport terminal. The Department of Aviation looks forward to continuing to work with this valued Airport tenant on any proposed use of Airport terminal space.

If you have any questions or require further information, please feel free to contact me or Mark Duebner, Director of Aviation.



Kimberly Bizzor Tolbert
Chief of Staff to the City Manager

C: T.C. Broadnax, City Manager
Chris Caso, City Attorney (Interim)
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