

# Memorandum



CITY OF DALLAS

**DATE** March 4, 2005

**TO** Members of the Business and Commerce Committee:  
Mitchell Rasansky, Chair; Leo V. Chaney, Vice-Chair; Lois Finkelman; John Loza; Bill Blaydes; and Gary Griffith

**SUBJECT** Briefing Memorandum; ExpressJet Airlines, Inc. – Request for New Lease of Airline Facilities at Love Field

The purpose of this memorandum is to provide the Business and Commerce Committee background information regarding a proposed new lease of airline facilities at Love Field. With the Committee's approval, this item will be considered on the March 9, 2004 Agenda. Per the recommendations of the Real Estate Task Force, this item is being brought to the Business and Commerce Committee because it is a departure from one of the material lease provisions presented by the Real Estate Task Force.

On July 1, 1994, the City of Dallas entered into a lease with Continental Airlines, Inc. ("Continental") for terminal building premises at Love Field. The leased premises consist of airline ticket counter space, queue area, East Concourse gates, baggage makeup, office, and aircraft ramp. Continental currently pays \$199,881 annually in rent for these facilities. Total square footage under the existing lease is 100,051. The existing lease expired of its own terms on June 30, 2004 and has been held over on a month-to-month basis by mutual agreement. ExpressJet Airlines, a subsidiary of Continental Airlines, currently utilizes the space to operate nine daily flights to Houston Intercontinental Airport.

This action, if approved, would authorize the City Manager to enter into a new approximate three-year and four month lease plus 4 three-year options and 1 one-year option to extend the lease with ExpressJet for approximately 96,356 square feet, including certain lease space currently leased to Continental under a separate month-to-month agreement. Proposed revenue to the City under the new terminal lease will be approximately \$185,320 annually.

The lease will contain rental rate escalations commencing on August 1, 2005 and every three years thereafter to coincide with rental rate increases currently scheduled for the two other airlines currently operating at the airport; Southwest Airlines and American Airlines.

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This item conforms to the Real Estate Task Force recommendations except the requirement for a minimum annual rental rate escalation. As an airline lease, the proposed ExpressJet agreement will be consistent with the other airline leases at Love Field which base the rental rate escalation on the Consumer Price Index, not to exceed 12% every three years. The other leases with Southwest and American airlines, which were approved in June 2001, do not have the provision for the minimum annual increase. Having different provisions for the CPI increases could subject the City to a charge of unjust economic discrimination.

I have included herein on Attachment I, the parameters of the proposed new lease with ExpressJet Airlines, Inc.

With your approval, this item will be considered on the March 9, 2005 City Council Agenda.

Please let me know if you should need additional information.

Ramon F. Miguez, P. E.  
Assistant City Manager

Attachment

c: Mary K. Suhm, Interim City Manager  
Ryan S. Evans, Assistant City Manager  
Ramiro Salazar, Interim Assistant City Manager  
Charles W. Daniels, Assistant City Manager  
Jill A. Jordan, P.E., Assistant City Manager  
Ramon F. Miguez, P.E., Assistant City Manager  
Shirley A. Acy, City Secretary  
Madeleine B. Johnson, City Attorney  
Thomas M. Taylor, City Auditor  
Judge Jay Robinson  
Dave Cook, Chief Financial Officer  
Theresa O'Donnell, Director, Development Services  
Kenneth H. Gwyn, Director of Aviation

## ATTACHMENT I

### Lease Space and Annual Rent to be paid to the City:

<u>Square Feet</u>	<u>Type of Space</u>	<u>Annual Rent Rate</u>	<u>Annual Rent</u>
8,003 sf	gates 26 and 27	@ \$14.17/sf/yr=	\$113,402.51
975 sf	office/support space	@ \$ 9.50/sf/yr=	\$ 9,262.50
1,280 sf	canopy space	@ \$ 5.00/sf/yr=	\$ 6,400.00
948 sf	office/support space	@ \$ 9.50/sf/yr=	\$ 9,006.00
308 sf	ticket counter space	@ \$15.83/sf/yr=	\$ 4,875.64
570 sf	queuing space	@ \$ 6.33/sf/yr=	\$ 3,608.10
<u>84,272 sf</u>	aircraft ramp	@ \$0.46/sf/yr =	<u>\$ 38,765.12</u>
96,356 sf	(total area)		
	TOTAL ANNUAL RENTAL		\$185,319.87
	PAID MONTHLY		\$ 15,443.32