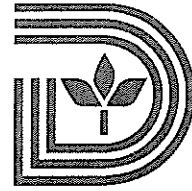


Memorandum



CITY OF DALLAS

DATE August 22, 2008

TO Transportation and Environment Committee:
Linda Koop (Chair), Sheffie Kadane (Vice Chair), Jerry R. Allen, Carolyn R. Davis, Vonciel Jones Hill, Angela Hunt, Pauline Medrano, Ron Natinsky

SUBJECT Proposed Ground Lease with Southwest Airlines Company at Love Field

Attached are the briefing materials for "LFMP Phase I: Southwest Airlines Co. Proposed Ground Lease" to be presented to the Transportation and Environment Committee on Tuesday, August 26, 2008.

Please let me know if you should need additional information.

A handwritten signature in black ink, appearing to read 'R. Miguez'.

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

Attachment

The Honorable Mayor & Members of the City Council
Mary K. Suhm, City Manager
Deborah Watkins, City Secretary
Tom Perkins, City Attorney
Craig D. Kinton, City Auditor
Judge C. Victor Lander, Judiciary
Ryan S. Evans, First Assistant City Manager
A.C. Gonzalez, Assistant City Manager
David O. Brown, Interim Assistant City Manager
Jill A. Jordan, P. E., Assistant City Manager
David K. Cook, Chief Financial Officer

LFMP – Phase I: Southwest Airlines Co. Proposed Ground Lease



Briefing to the City Council
Transportation and Environment Committee

Department of Aviation
August 26, 2008



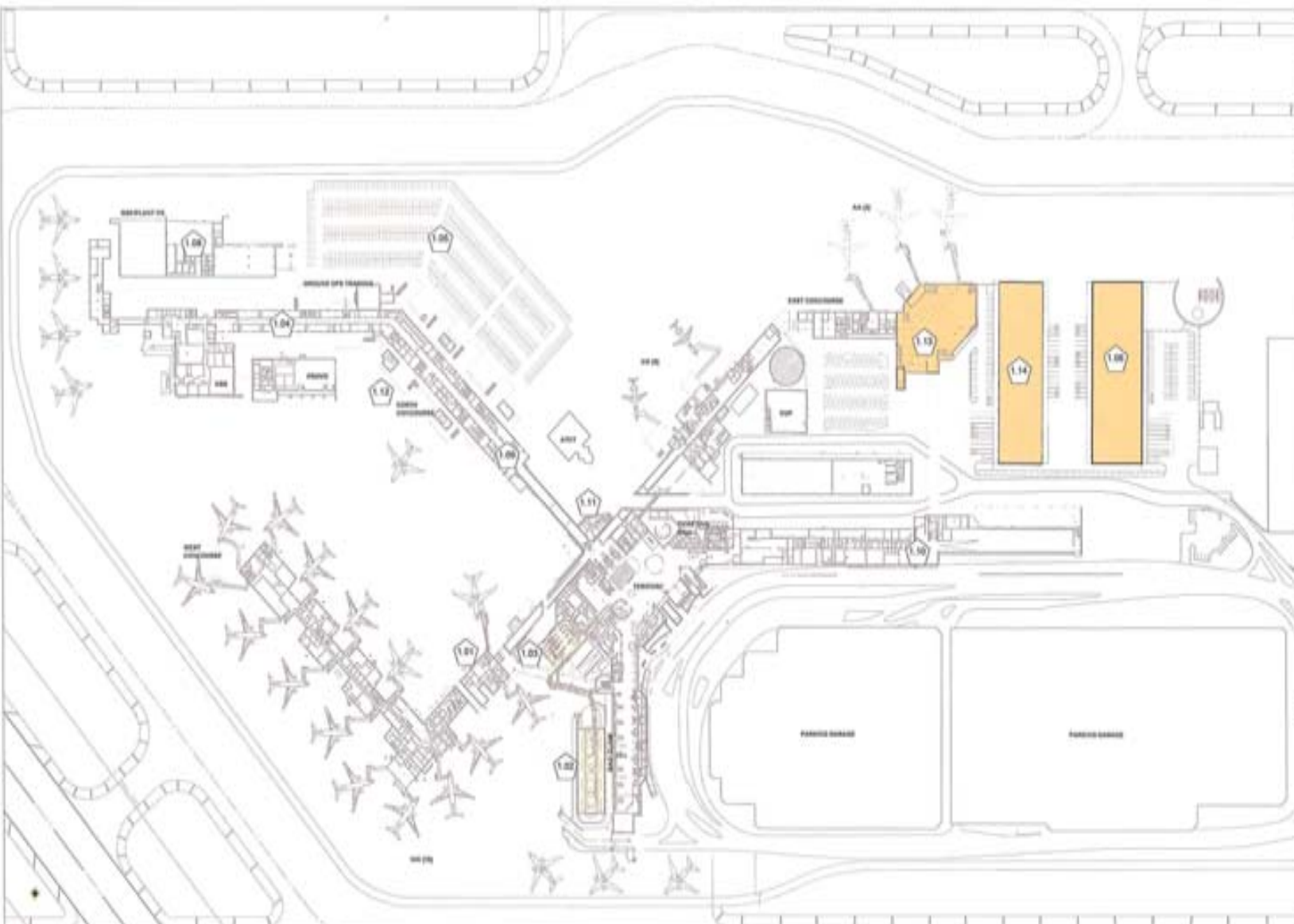
Purpose

- ❖ Review Current Activities of the LFMP
 - ❖ Phase I – Enabling Projects.

- ❖ Review Proposed New Ground Lease for relocated tenants, activities.

PHASE 1

- 1.01 SWA Gate 1A Activation
- 1.02 SWA Temporary Outbound Bag Shed
- 1.03 SWA In-Line EDS Matrix Conversion
- 1.04 SWA Ground Ops Training Relocation
- 1.05 SWA Employee Parking Relocation
- 1.06 General Use Building 1
- 1.07 Relocate CSC
- 1.08 Relocate Plant Maintenance
- 1.09 SOS Relocation (North Concourse)
- 1.10 Other Tenant Relocations (Ticketing Wing)
- 1.11 Relocate Public Safety Office
- 1.12 Relocate North Airfield Lighting Vault
- 1.13 New Public Safety Office
- 1.14 General Use Building 2



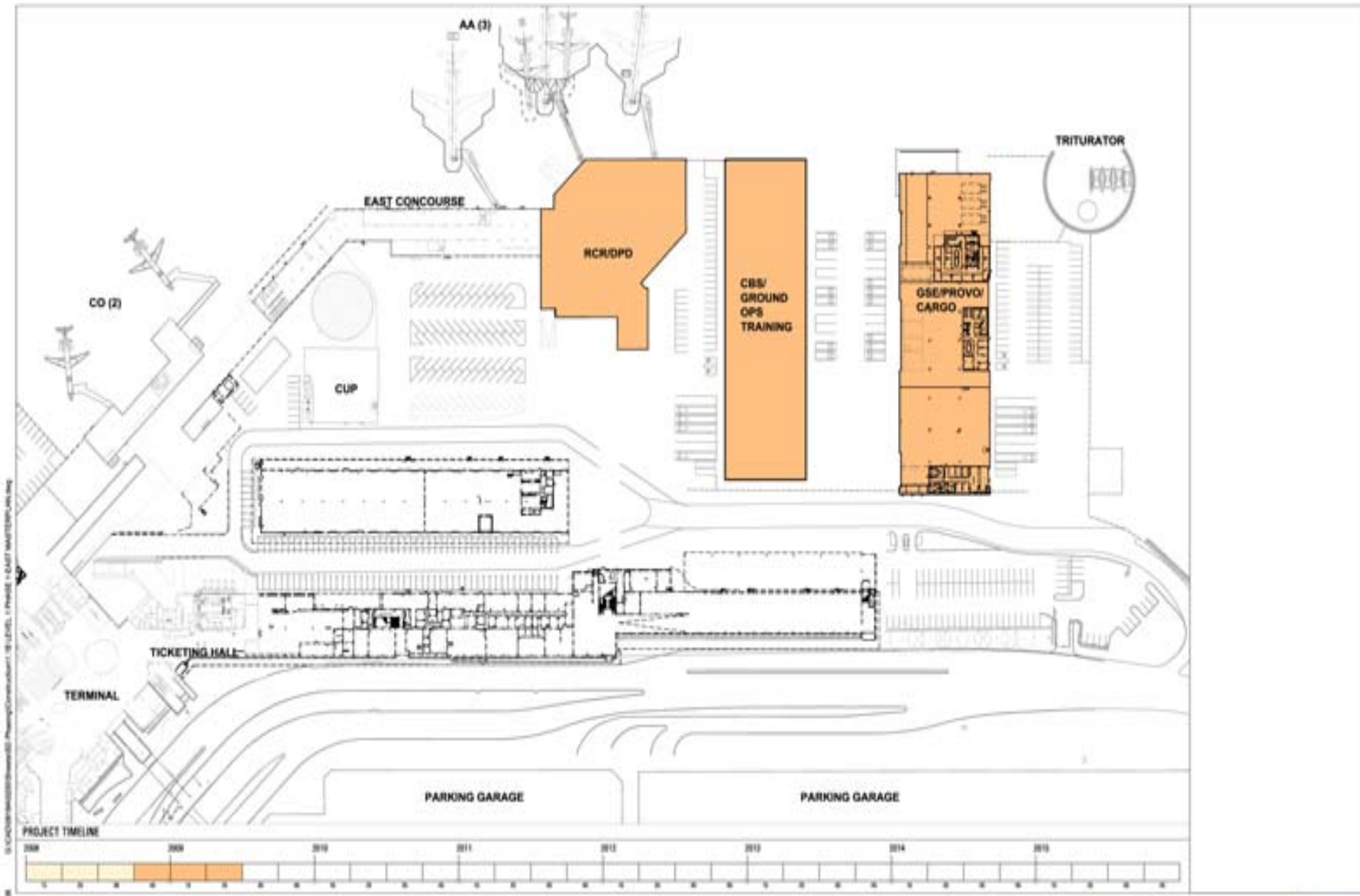
LEGEND

- DEMO
- NEW CONSTRUCTION
- RENOVATION
- COMPLETED CONSTRUCTION
- EXISTING CONTACT GATE
- NEW CONTACT GATE
- DEMO CONTACT GATE





SWA Proposed Lease Premises
256,693 SF or 5.89 acres



© 2008 HOK COMPANY. ALL RIGHTS RESERVED. PHASE 1 EAST MASTERPLAN

Current Activities (July – Nov 2008)

- ❖ City & SWA negotiating:
 - ❖ Program Development Agreement (PDA);
 - ❖ Ground Lease for Phase I Enabling Projects (Cargo/GUB facilities);
 - ❖ Airline Use & Lease Agreement.

- ❖ Schematic Design plans and documents completed by Nov 08:
 - ❖ Staff participating in planning meetings with SWA and all tenants and stakeholders to determine user needs and facility design requirements.
 - ❖ Staff developing concession plan and programming space requirements.
 - ❖ Staff initiating terminal roadway traffic study to validate/update curbside and roadway capacity requirements.

Current Activities (July – Nov 2008)

- ❖ SWA designing & constructing Phase I Enabling Projects
 - ❖ **For relocation of:**
 - ❖ SWA training and support functions, and air cargo service, currently housed in North Concourse, Air Cargo Facility;
 - ❖ City DPD Love Field Unit and related security systems, office space;
 - ❖ Concession support space.
 - ❖ **To enable June 2009 demolition of:**
 - ❖ North Concourse;
 - ❖ Current Cargo Facility;
 - ❖ Various internal spaces.

Proposed Lease

- ❖ Proposed Effective Date of Lease, October 1, 2008
 - ❖ 20 year lease term (through September 30, 2028)
 - ❖ Coincide with SWA terminal use and lease agreement
 - ❖ 256,693 square feet of land (5.89 acres)
 - ❖ \$0.40/SF/YR (new unimproved ground rental rate)
 - ❖ Proposed Annual Rent: \$102,677
 - ❖ Rent is subject to escalations every three years based on the greater of i) the prevailing rental rate at Love Field, ii) 3% of the existing rental rate, or iii) aggregate increase in the CPI over the previous three year period , provided, no escalation during any three year period shall exceed 12%
 - ❖ \$5 million capital improvement expenditure within 24 months

Recommendation

- ❖ Staff recommends approval of Southwest Airlines new lease
 - ❖ Enables Phase I of the Love Field Modernization Program to begin construction.
 - ❖ Upon completion of construction, will permit relocation from currently occupied facilities and commence demolition.

- ❖ **NEXT STEPS**
- ❖ August 27, 2008 – City Council approval