

Memorandum



CITY OF DALLAS

DATE February 13, 2015

TO Honorable Mayor and Members of the City Council

SUBJECT **Leases for Office Buildings at Dallas/Fort Worth International Airport**

On Wednesday February 18, 2015, you will receive a briefing on the leases for the current administration building and the north and south business centers at Dallas/Fort Worth International Airport. The briefing will be provided by John Terrell, the Vice President of Commercial Development at Dallas/Fort Worth International Airport.

Should you have any questions or require more information, please don't hesitate to contact me.

A handwritten signature in blue ink, appearing to read 'A.C. Gonzalez', written over a large, stylized blue scribble.

A.C. Gonzalez
City Manager

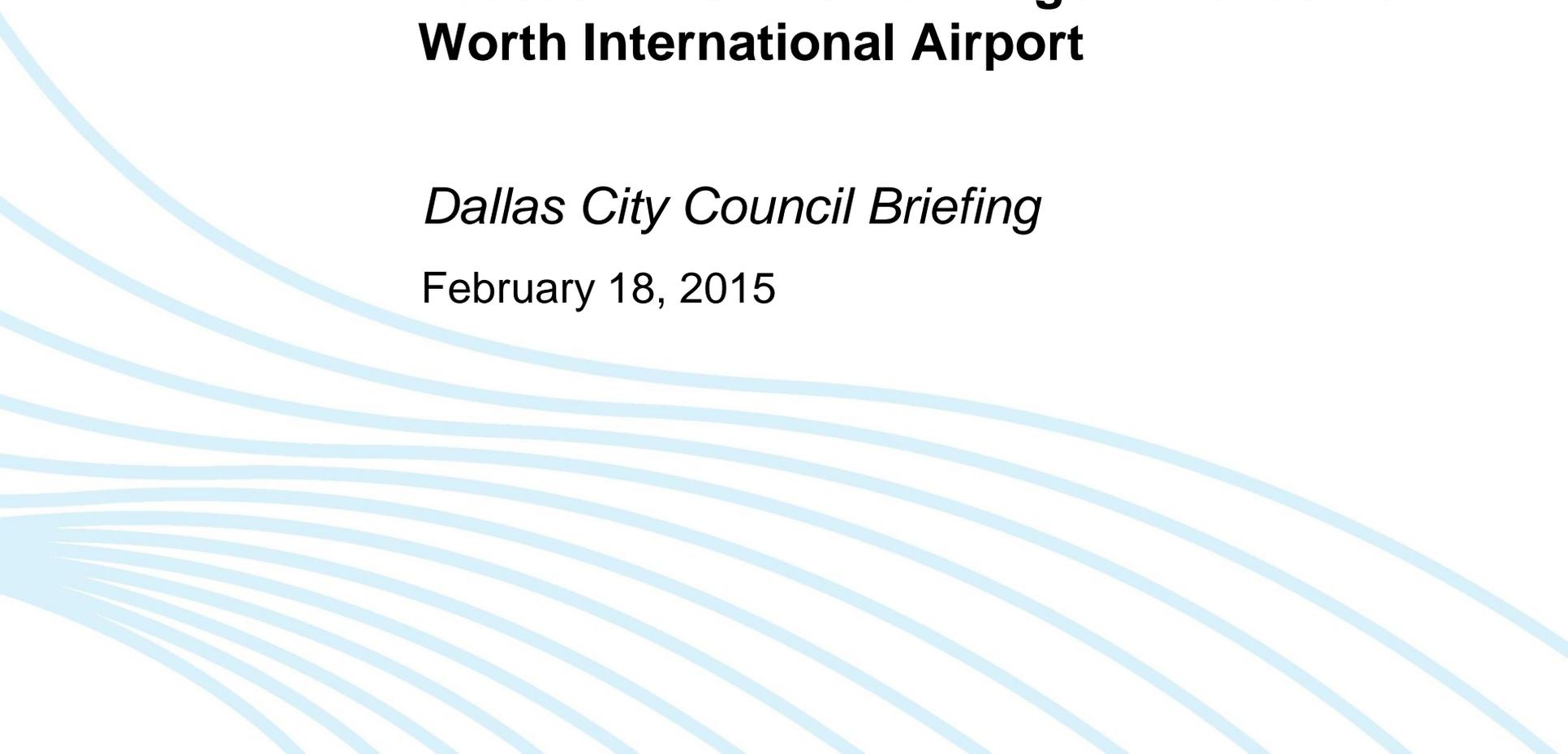
c: Warren M.S. Ernst, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Ryan S. Evans, First Assistant City Manager
Eric D. Campbell, Assistant City Manager

Jill A. Jordan, P.E., Assistant City Manager
Mark McDaniel, Assistant City Manager
Joey Zapata, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager – Mayor & Council

Leases for Office Buildings at Dallas/Fort Worth International Airport

Dallas City Council Briefing

February 18, 2015

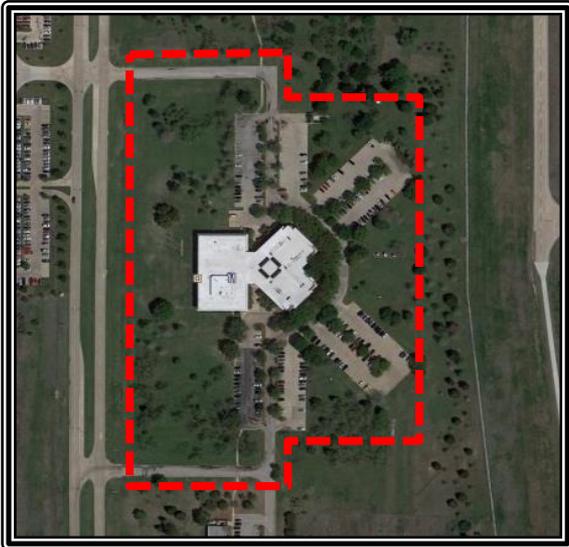


Leasing of Administration Building and Business Center North/South Towers

- Requesting approval of the below Leases by the Cities of Dallas and Fort Worth with: 3200 East Airfield Drive, LLC and 2200 & 2222 South Service Road, LLC (“Tenants”):
 1. 3200 East Airfield Drive, LLC
“Administration Building Lease” for approximately 15.205 acres of land and all improvements thereon consisting of an office building and related surface parking lots
 2. 2200 & 2222 South Service Road, LLC
“Business Center Lease” for approximately 2.994 acres of land and all improvements thereon consisting of two office buildings and a parking garage

Site Location

Administration Building Lease and Business Center Lease



ADMINISTRATION BUILDING LEASE:

Lease Term:	60 year
Initial Rent (year 1-5):	\$ 370,000
Parking spaces:	360
Building Area:	80,965 ±gsf
	73,155 ±rsf
Land Total:	15.205 ± acres



BUSINESS CENTER LEASE:

Lease Term:	60 year
Initial Rent (year 1-5):	\$ 330,000
Estimated Parking Garage per year (422 parking spaces at \$64/mo):	\$ 324,000
Total Revenue:	\$ 654,000
Building Area:	124,805 ±gsf
	115,440 ±rsf
Land Total:	2.994 ± acres

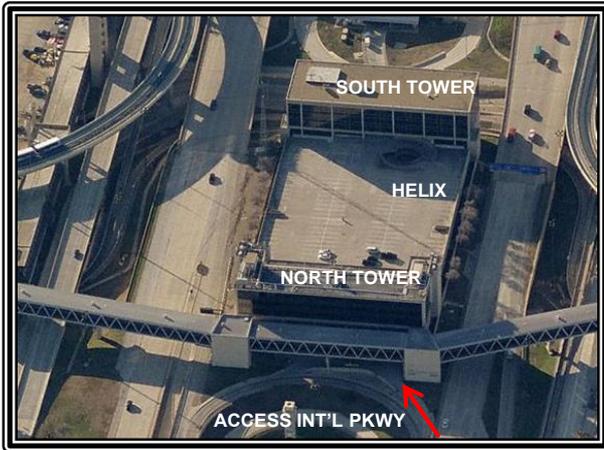
Administration Building



ADMINISTRATION BUILDING

Approximately 80,965 gsf
Constructed in 1973, addition 1988
360 ± parking spaces

Business Center



NORTH TOWER

Approximately 52,114 gsf
 Constructed in 1978
 Renovated in 2002
 Garage clearance: 6'-6"



SOUTH TOWER

Approximately 72,691 gsf
 Constructed in 1988
 Vehicular access from Service Rd
 Garage clearance: 6'-9"

Business Center



NORTH & SOUTH TOWERS

Share use of 800 ± vehicle garage through a helix

Appraisal of Real Property and New Lease

- Values established by appraisals in 2014

Administration Building:	\$3.7M
Business Center including Parking Garage:	\$5.0M

New Lease Cost Avoidance & Revenues

Cost Avoidance:

- DFW Estimated Capital Costs for South Tower: ± \$5,958,696 (one time)
- DFW Estimated Ongoing O&M Costs: ± \$1,169,076/yr
(Includes Business Center & Administration Building)

New Revenues:

		Rent /Yr
1.	Administration Building Lease	\$ 370,000
2.	Business Center Lease	\$ 330,000
3.	<u>Parking for Business Center (422 spaces @ \$64/m)</u>	<u>\$ 324,000</u>
Total Annual New Revenues		\$ 1,024,000

Retained Existing Revenues:

		Rent /Yr
1.	Rooftop Antennas	\$ 757,554
2.	Distributed Antenna System (P4 Parking Garage)	\$ 807,162
3.	<u>50 parking spaces – Air Marshalls</u>	<u>\$ 58,512</u>
Total Annual Retained Existing Revenues		\$ 1,623,228
Total Annual Revenues		\$ 2,647,228

Lease Agreements

TENANT:	<p>3200 East Airfield Drive, LLC and 2200 & 2222 South Service Road, LLC are majority owned by Menyon/TVO Capital Partners</p> <ul style="list-style-type: none"> • Dallas area based real estate investment company • Founded by its Managing Principal, Bobby Jefferson with 19 years of experience in real estate transactions totaling approximately \$1 billion in value
USE OF PREMISES:	<p>Limited to general office</p> <ul style="list-style-type: none"> • Administration Building Lease: provides right to demolish existing building and construct office building only • Business Center Lease: prohibits demolishing Business Center
TERM:	<p>60 year period contingent upon consent of Owner Cities</p>
LEASEBACK:	<p>Airport Sublease Premises:</p> <ul style="list-style-type: none"> • Temporary Space (Occupancy up to December 2015) <ul style="list-style-type: none"> • Prorated rent credit for Airport Occupancy • Long Term Office/Long Term Equipment Space (i.e. Communications, Concessions leases, 50 parking spaces for security agents) • Exclusive Parking Spaces to serve Airport Sublease Premises • Airport is not obligated to pay rent on sublease or to share revenues from reserved leases
MAINTENANCE RESPONSIBILITIES:	<ul style="list-style-type: none"> • Tenant is responsible for all operations and maintenance on all three facilities and parking garage (\$1.2 M/yr)
DUE DILIGENCE EXPENSES:	<p>DFW Airport to reimburse up to \$50,000 to cover due diligence expenses if Tenant has executed leases and Airport Board or Owner Cities' Councils do not approve leases</p>
PARKING:	<p>Tenant/Subtenants:</p> <ul style="list-style-type: none"> • Equivalent to Employee Transportation Charge (ETC) • Parking for Business Center: 422 spaces @ \$64/mo <ul style="list-style-type: none"> • Total \$324,000/yr

Menyon/TVO Capital Partners - Bobby Jefferson

- Established in 2010, Menyon Capital Partners, LLC (MCP) is a Dallas area based real investment firm that acquires Class B office buildings in the southwest (Austin, Dallas, Houston & San Antonio). MCP targets middle market office investments that range from \$5-\$40 million. Mr. Jefferson (Owner and Founder) is responsible for the acquisitions, equity capital, management and overall direction of the firm.
- Prior to forming MCP, Mr. Jefferson was Vice President of Investments for Parmenter Realty Partners. During his tenure with Parmenter, he was involved in the acquisition of two million square feet of class A office investments totaling \$200 million in value.
- MCP is a hands on operator with in-depth institutional acquisition and asset management experience in the repositioning of value added office buildings.
- Recently MCP partnered with TVO Capital (TVO) to acquire office assets (including these two leases). TVO is a real estate principal and property services organization that provides asset, property & facility management, construction, and development services.
- TVO, via its affiliates, has been operating since 1983 and through various investment vehicles has managed and owned real estate assets valued in excess of \$4.0 billion in both the US and Europe.

