



# City of Denton

City Hall  
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Denton, Texas  
[www.cityofdenton.com](http://www.cityofdenton.com)

## AGENDA INFORMATION SHEET

**DEPARTMENT:** Transportation

**CM/ DCM/ ACM:** Mario Canizares

**DATE:** May 1, 2018

### **SUBJECT**

Consider adoption of an ordinance terminating the August 15, 2017 Airport Lease Agreement between the City of Denton and GAhangars, LLC; and providing an effective date. Council Airport Committee recommends approval 2-0.

### **BACKGROUND**

On August 15, 2017, the City Council approved an Airport lease agreement with GAhangars, LLC for 3.214 acres of vacant property at \$0.27 per square foot per year for the development of approximately 20 hangars (Exhibit 2). The proposed development included hangars capable of accommodating midsized corporate jet aircraft, as well as smaller hangars for single and twin engine aircraft.

The lease agreement contains two sections with several requirements with specific deadlines (Exhibit 3). The first section relates to the construction period, which identifies a deadline of May 12, 2018. This section does not have any provisions to modify or adjust the deadline. The second deadline is associated with conditions generally related to financing which should be met by February 11, 2018. This section does include provisions to modify deadlines. Both of these deadlines have been included in the agreement to ensure the proposed development is timely as the monthly lease fees do not begin until after the receipt of a building permit and to avoid developers "holding" properties without developing.

During the past six months, Airport Staff has met numerous times with GAhangars, LLC representative, Tony Montgomery, to discuss the project. In November 2017, Mr. Montgomery informed Airport staff that he was modifying the proposed hangar layout to include approximately 40 small box hangars to address the needs based on their market analysis. He was informed that while it wasn't what was originally proposed, it was within the scope of use as provided in the lease agreement. Mr. Montgomery was encouraged to schedule a Preliminary Development Review Committee meeting to ensure there were no issues with his proposed project and to ensure he was able to meet the performance deadlines contained in the lease agreement.

Mr. Montgomery informed Staff on December 12, 2017, that he was unable to secure the financing he had been working on for several months. In coordination with Economic Development, Staff hosted a meeting with the North Texas Small Business Development Center (NTSBDC) on December 15, 2017, to assist with acquiring financing for the project. NTSBDC has been working with Mr. Montgomery in finding a financial institution.

On February 20, 2018, Staff met with Mr. Montgomery and representatives of Green Bank to answer questions about the Airport and tour the area. The bank representatives felt comfortable with the information and indicated that they would be taking the project to their Financing Committee on March 1, 2018. Staff

received several additional questions from the bank on March 1st regarding airport operational and based aircraft data, which the information was provided. They indicated that were expecting to take the project financing to their Board for approval on March 2, 2018.

Staff met with Mr. Montgomery on February 23, 2018, and discussed the project, financing, and lease requirements. Mr. Montgomery was informed that Staff would wait to see if the bank would approve his financing. If he was unable to secure financing, he was advised that the City would consider exercising the rights to terminate the lease agreement in accordance with the Conditions Precedent language.

On March 2nd, the bank informed Staff they were requiring Mr. Montgomery to conduct additional market analysis. In addition, the bank indicated they had several proposed lease language changes to assist in their decision to finance the project. They were informed that it was not likely the changes would be made to the lease, however, they should forward any proposed changes so that the City's Legal Department for review.

On March 12, 2018, Staff provided a letter (Exhibit 4) requesting details from both Mr. Montgomery and the Green Bank regarding the proposed solution to meeting the deadlines or requesting a change to the lease agreement. On March 16, 2018, both Mr. Montgomery and Green Bank provided responses (Exhibits 5 & 6) to the March 12<sup>th</sup> letter. Green Bank indicated they anticipated funding in approximately 45 days. The tenant requested a 120 day extension to both deadlines.

If an extension is approved, this would also delay Airport revenues as lease fees do not begin until the issuance of a building permit. Any extension should also include a lease amendment adjusting the lease rate (\$0.27/sf/yr) based on the recently completed appraisal (Exhibit 7) which indicated the Fair Market Value (FMV) for Site #7 is \$0.31/sf/yr. This would increase lease revenue by \$5,600/yr. or \$224,000 in unadjusted revenue over the 40-year lease term.

Termination of the lease agreement via ordinance (Exhibit 8) provides the City with an opportunity to address FMV, enter into an updated lease agreement to ensure FAA compliance. Additionally, this allows Staff to continue to market this parcel for the highest and best use as identified in the recently completed appraisal report. If the existing tenant has continued interest, this would provide ample time to further investigate the market and address financing issues and submit under the new development review process.

### **OPTIONS**

1. Approve the proposed ordinance terminating of the existing lease agreement in accordance with the Conditions Precedent language.
2. Direct staff to amend the existing lease agreement revising the compliance deadlines and lease rate to FMV, and modifying the standard lease agreement as necessary.
3. Direct staff to develop a new standard lease agreement for the development of the revised concept plan of approximately 40 hangars at FMV.
4. Take no action at this time.

### **RECOMMENDATION**

Council Airport Committee recommends 2-0 approval of Options 1, terminating the existing lease agreement in accordance with the Conditions Precedent language.

### **PRIOR ACTION/REVIEW (Council, Boards, Commissions)**

Council approved the lease agreement on August 15, 2017, Ordinance 2017-225

Council Airport Committee recommended Option 1, terminating the existing lease agreement in accordance with the Conditions Precedent language on April 13, 2018

## **STRATEGIC PLAN RELATIONSHIP**

The City of Denton's Strategic Plan is an action-oriented road map that will help the City achieve its vision. The foundation for the plan is the five long-term Key Focus Areas (KFA): Organizational Excellence; Public Infrastructure; Economic Development; Safe, Livable, and Family-Friendly Community; and Sustainability and Environmental Stewardship. While individual items may support multiple KFAs, this specific City Council agenda item contributes most directly to the following KFA and goal:

**Related Key Focus Area: Economic Development**

**Related Goal: 1.1 Manage financial resources in a responsible manner**

## **EXHIBITS**

1. Agenda Information Sheet
2. Site Maps
3. Lease excerpts
4. Letter dated March 12, 2018
5. Email from Mr. Montgomery dated March 16, 2018
6. Email from Green Bank dated March 16, 2018
7. Airport Appraisal Report excerpt
8. Ordinance

Respectfully submitted:  
Scott Gray  
Airport Manager