



07 March 2012

Mark Duebner
Interim Director of Aviation
City of Dallas, Love Field Airport
8008 Cedar Springs Road, LB16
Dallas, TX 75235-2852

RE: UNSOLICITED OFFER – DALFORT AEROSPACE AND ADJACENT SITE DEVELOPMENT PLAN FOR
AVIATION BUILDING REUSE PROJECT BENEFITING THE COMMUNITY

Dear Mr. Duebner:

Flying Crown Land Group (FCLG) is a Texas non-profit organization dedicated to relieving the burdens of government through creation of public/private partnerships in aviation projects. On September 15, 2011 our team met with you to outline our plans to redevelop the Dalfort Aerospace/Braniff Maintenance and Operations Center. Our goal is to avoid the impending demolition of the historically significant structure that was designed by William Pereira of Transamerica Tower fame and has served as a landmark in Dallas since its construction in 1958. The plan would convert the structure into a LEED Platinum certified building and provide much needed Class A aviation office space to tenants on the field.

In a second meeting on October 28, 2011 with the Flying Crown Land Group and Corgan Architect team, we outlined a more detailed proposed use of the space. Our concept is to create a club type atmosphere for tenants and visitors with a large portion of the space dedicated for direct public access. We will not offer traditional fixed based operator services for fueling or handling of transient aircraft. Our plan to convert the existing structure includes:

- Renovation of the entire 350,000 square feet of building space into a mixed use office area featuring a two story atrium spanning from the second to third floor with showroom style offices on each side for the many aviation retailers already on the field.
- Executive conference rooms in the front of the building

- Second floor ballroom capable of seating 1,200 for a sit-down dinner and appropriate kitchen facilities to support the catering activity for the space
- The third floor will be dedicated to non-profit aviation and a club style restaurant overlooking the runway and new terminal building
- The first floor will be aviation support facilities including offices for Fortune 50 corporate flight departments, catering kitchens, and underground parking for fifty-eight cars. In addition, there will be locker rooms, a health club, and reception area with ramp access.
- Appropriate areas will be secure and cater to the privacy and security needs of corporate executives and high net worth individuals
- Creation of a new home within the main building for US Customs and Border Protection personnel at no additional cost to taxpayers
- Building security will be designed by current and former agents from the US Secret Service Dallas field office and designed to accommodate government VIP visits to Dallas.

FCLG has provided a list of engagement of partners in the retail project, and the structure of a possible joint venture between our two organizations for proposed retail development in the space now occupied by the parallel access road along Lemmon and additional adjacent 6.6 acre site. Without the inclusion of the southern adjacent parcel, the project would not support an “anchor store” and any attempt at retail development would be doomed from the start. Success of a retail project depends on a single cohesive master plan for the entire 35 acres to garner the highest lease rates possible for the area. Our belief is this new development could command similar rates to Inwood Village and provide a natural extension of this retail corridor down Lovers Lane. Preliminary estimates show the potential for 417,000 square feet of retail space supported on the two converted sites. Full financial impact of this project would be presented once plans were finalized.

In subsequent emails, we included a projection of job growth for the project. It included:

- A projected 225 full-time positions in the main building with an average salary of \$88,700
- The proposed retail development would generate another 220 jobs for the community.
- Significant economic impact during the nearly four year construction period and would employ an additional 300 workers in the first eighteen months, with a sustained payroll of 150 through the remaining four year initial development plan.
- Incremental impact in skilled jobs to our architectural site plan partners of Good, Fulton & Farrell, main building designers Corgan Associates, retail development partners Jones Lang LaSalle, club management partners ClubCorp, and construction manager partners Andres Construction
- Project has a total economic impact on the City of Dallas of over \$560MM

Due to the unique circumstances of the site, a twelve year absence of a tenant in the building contemplated, the level of disrepair, and the fact that a certificate of occupancy is impossible to obtain,

we are asking for an opportunity to save the city from the expense of demolition and allowing us to utilize the historic façade and hangar structure in an epic reuse project worthy of national attention.

FCLG is proposing a land lease with the following negotiable terms:

- Twenty (20) year land lease for the 26.8 acres that encompasses the Braniff/Dalfort Aerospace and southern adjacent 6 acre site of empty buildings formerly the Aviation Institute of Maintenance school and Building B
- All hangar space within the Dalfort Aerospace building, comprising of an estimated 140,000 square feet at the storage hangar ordinance rate of \$3.50 a square foot
- An ordinance established lease rate of \$8.00/sqft for the ground floor footprint of the main building at an estimated 90,000 square feet with an improved land rate of \$0.65/sqft for the remaining 180,000 square feet.
- Due to the proposed removal of the southern east-west oriented storage building and former Legends Airways annex, an improved land rate of \$0.65/sqft for the footprint of the structures
- All improved land, defined as concreted ramp usable for aviation purposes on the 26.8 acres at the ordinance set rate of \$0.65/sqft
- Treatment of the parking garage as improved land at its total usable square footage at \$0.65/sqft
- Two buildings residing on the land adjacent to the Dalfort Aerospace parcel will be at the full \$0.65 improved land rate and FCLG will consider entering into a joint venture to share in any anchor retail development subleases
- All other unimproved land at \$0.40/sqft including all surface parking lots and green space
OR
- In the alternative, FCLG could simplify the process and offer \$1.00/sqft blended rate for all surface land across both parcels

From the renovation project at the current Dalfort Aerospace site alone, the result is an annual city revenue contribution to the general fund of \$865,251, incremental airport fuel tax revenue of \$92,805, and land lease revenue generating approximately \$2.1MM from activities in the redeveloped FCLG building in funds not currently available to the city (see Exhibit A, City of Dallas Revenue Impact).

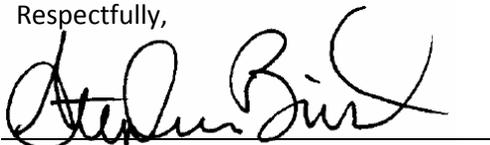
As a non-profit created to assist in easing the burdens of government, Flying Crown Land Group is not seeking any financial assistance from the City of Dallas and will assume the project costs for the development through a series of charitable bonds, federal grants, and traditional financing. Due to another bond initiative that did not commence, FCLG has excess investor demand for aviation development projects. Our estimates are for a charitable bond issuance of \$32MM and federal grant application requests for an additional \$10MM. These grants have been identified as the Brownfield Economic Development Initiative for \$2MM and an Economic Development Initiative grant of \$8MM to

help offset construction costs of the facility. Until such time as the charitable conduit bond can be issued, FCLG will obtain traditional bridge financing for design and initial construction costs.

We do however request the assistance of the city in two critical areas. The financial burdens of initial bond debt service and construction costs warrant a waiver of land lease payments during construction until the main building can become occupied. It is also our desire to work with city officials in the creation of the additional retail space by removal of the Lemmon parallel access road. To that end, we are requesting involvement from the City of Dallas in demolition of the parallel access road, and relocation of possible municipal utility lines. At that point, FCLG will enter into an additional land lease agreement at the agreed upon improved land lease rate. In support of the project, it is also requested that a feasibility study commence to propose redevelopment of the Bluffview/Midway and Lemmon intersection into a hard corner in preparation of retail development.

This letter is to reinforce our commitment to commence this transformative project so that it can serve as the basis for a redevelopment effort in both directions on Lemmon Avenue. It is our desire to move forward with this project in cooperation with our expert development partners. We are requesting the formal initiation of land lease negotiations to begin as soon as possible due to the impending demolition of the building we wish to save. In the interim, we would request any contemplated demolition work to cease and desist.

Respectfully,

A handwritten signature in black ink, appearing to read "Stephen Birch", written over a horizontal line.

Stephen Birch
Chairman
Flying Crown Land Group

Cc: Mr. Tommy Poole, Department of Aviation
Ms. Kim Moore, Office of Economic Development
Mr. Wade Andres, Andres Construction
Mr. Matt Mooney, Corgan Associates
Mr. Duncan Fulton, Good, Fulton & Farrell
Mr. Donn Fuller, Jones Lang LaSalle
Mr. Dave Woodyard, ClubCorp
Mr. Ben Brooks, Bracewell & Guiliani
Mr. Todd Greenwalt, Bracewell & Guiliani
Ms. Elizabeth Solender, Solender/Hall

EXHIBIT A

City of Dallas Revenue Impact

Flying Crown Land Group - Dalfort Aerospace Parcel Only

Airport Revenue

Fuel Tax Revenue Generation

Incremental Fuel Sales (new) \$92,805.00

Land Lease Revenue

26.8 Acres (estimated) \$1,167,408.00

General Revenue Fund

Sales Tax Revenue

Retail Sales \$36,713,600.00

Tax Revenue **\$367,136.00**

Ad Valorem Tax

Build-out Assessed Value \$8,637,500.00

City Revenue **\$68,840.88**

Business Personal Property \$1,382,000.00

City Revenue **\$11,014.54**

Aircraft Taxable Value (incremental) \$52,140,000.00

City Revenue **\$415,555.80**

Security Alarm Fee

Business Permits 27

Permit Revenue **\$2,703.57**

Total Impact to General Fund \$865,250.79

Total Impact to Airport Fund \$1,260,213.00

Total Incremental City Revenue **\$2,125,463.79**