



**CITY OF FORT LAUDERDALE
City Commission Agenda Memo
REGULAR MEETING**

#17-0682

TO: Honorable Mayor & Members of the
Fort Lauderdale City Commission

FROM: Lee R. Feldman, ICMA-CM, City Manager

DATE: June 6, 2017

TITLE: Motion to Terminate Lease Agreement with World Jet, Inc. – Parcel 8 CE
at Fort Lauderdale Executive Airport

Recommendation

It is recommended that the City Commission authorize the City Manager to terminate the Lease Agreement for Parcel 8 CE with World Jet, Inc., in accordance with paragraph 15C of the lease and authorize initiation of legal action to recover all unpaid amounts due under the Lease Agreement.

Background

World Jet, Inc. (World Jet) leases Parcel 8 CE at the Fort Lauderdale Executive Airport (FXE). The Parcel 8C Lease commenced on August 1, 1982 with a 40-year term expiring on July 31, 2022. By virtue of an Assignment of Lease Agreement dated March 20, 1984 the leasehold was assigned from Cav-Air Inc. to Whittington Brothers, Inc. On April 16, 1996, the Lease Agreement was amended to authorize an assignment to World Jet, Inc. and on July 21, 1998 the Lease Agreement was amended to include Parcel 8E. An additional six year term was added to the lease, extending the expiration date to August 31, 2028.

Parcel 8 CE consists of approximately 955,140 square feet (21.93 acres) of General Aviation Airport (GAA) zoned property located in the northwest quadrant of the Airport (Exhibit 1). The property has been improved with aircraft hangars, office space and associated parking. The current annual rent is \$164,761.57 and is adjusted annually using the Consumer Price Index (CPI) adjustment method. The next adjustment is scheduled for September 1, 2017.

On December 3, 2012, World Jet was advised of several issues regarding hangars in a state of disrepair needing to be addressed and corrected (Exhibit 2). World Jet responded on December 4, 2012 indicating that they were preparing to correct the issues (Exhibit 3). In February 2013, the City's Code Compliance Division cited World Jet on several issues related to damaged hangars and those needing paint on Parcel 8 CE.

Upon inspection by code compliance staff, hangar painting was brought into compliance in January 2015 but not without fines accruing due to the extended period of time to address the violations. The accrued fines still remain unpaid. The damaged hangars consisted of missing doors, unsafe structures, and damaged skin panels which were mainly due to Hurricane Wilma in October 2005. The fines for the damaged hangars continue to accrue since World Jet has not completely complied with the code violations.

After observing no progress being made on the damaged hangars, Airport staff followed up with World Jet in October 2015 requesting a formal written update on the status of the outstanding code cases. Staff met with World Jet in November 2015 and they provided responses for each violation with a set date for completion before April 2016. The repairs were not completed in accordance with the timeline provided by World Jet; however, demolition on a row of damaged hangars commenced without a demolition permit. The City's Building Division issued a cease work order on the demolition of the damaged hangars.

World Jet did not comply with the outstanding violations so a notice of default letter was issued in May of 2016. As a result of the letter, World Jet responded indicating plans to complete the repairs and the demolition of hangars (Exhibit 4). Airport staff met with World Jet in September 2016 for an update and during this meeting they advised that the demolition permit was approved and the row of hangars would be demolished within 14 days. Additionally, World Jet also advised that a permit was being submitted to the Building Division for the missing hangar doors.

World Jet's efforts to resolve the outstanding code violations demonstrated a lack of interest in performing the repairs in a timely manner. In addition, liens were filed with Broward County from October 2014 on the Parcel 8 CE leasehold along with accrued fines reaching in excess of \$516,000. A notice of default letter was issued to World Jet in January 2017 followed by a default letter in February 2017 and subsequently a notice of termination letter in March 2017.

World Jet is currently in default of the Lease Agreement for the property being in disrepair, liens being placed on the property, and outstanding unpaid code compliance fines totaling in excess of \$556,000 as of April 12, 2017. Staff believes that World Jet has been afforded more than ample opportunity to bring the code violations in compliance with the lease terms but has failed to correct these issues in a timely manner. In accordance with paragraph 15(C) 'Default In Other Provisions' we are invoking this section to initiate termination of the Parcel 8 CE Lease with World Jet, Inc.

At its meeting of April 27, 2017, the Aviation Advisory Board (Board) voted to delay termination of World Jet's lease on Parcel 8 CE for 90 days with the provision that World Jet updates the Board every 30 days on their code compliance violations and other items.

At the request of World Jet, a meeting was held with the City Manager on May 15, 2017 to discuss the proposed lease termination and outstanding fines. At the meeting, it was agreed that World Jet would return within two weeks with a proposal to settle the outstanding code fines.

On May 30, 2017 World Jet proposed to pay 20% (\$52,890.00) (see Exhibit 5) of the fines associated with the damaged hangars. Additionally, World Jet also requested to have all the painting fines and fines for the missing hangar doors fully abated due to a disagreement with code enforcement findings on the remaining damage.

Resource Impact

There will be an estimated fiscal impact in the amount of \$41,190.39 which represents loss of rent revenue (July-September), \$1,495.57 in outstanding fire inspection fees, and \$556,000 in building code fines. An additional loss of revenue could occur for Fiscal Year 2018 through Fiscal Year 2028 unless a new lease is executed with a new tenant.

<i>Funds available as of May 18, 2017</i>					
ACCOUNT NUMBER	INDEX NAME (Program)	CHARACTER CODE/ SUB-OBJECT NAME	AMENDED BUDGET (Character)	AMOUNT RECEIVED (Character)	AMOUNT
<i>468-TAM070101-J619</i>	Executive Airport	Charges for Service/Par 8 C FBO-World Jet	\$3,520,160	\$1,976,668	\$41,190.39
<i>001-FIR010402-J101</i>	Fire Safety Inspections	Charges for Service/Fire Inspection Fees	\$830,000	\$487,970	\$1,495.57
<i>001-DSD040101-M103</i>	Community Inspections	Fines and Forfeits/Code Enforcement Board Fines	\$906,000	\$199,875	\$556,000
				TOTAL ►	\$598,685.96

Strategic Connections

This item is a *Press Play Fort Lauderdale Strategic Plan 2018* initiative, included within the Business Development Cylinder of Excellence, specifically advancing:

- Goal 7: Be a well-positioned City within the global economic and tourism markets of the South Florida region, leveraging our airports, port, and rail connections.
- Objective 4: Deliver best-in-class regional general aviation airport amenities and services to domestic and international.
- Initiative 1: Examine the highest and best use of airport property to stimulate economic development and create jobs.

This item advances the *Fast Forward Fort Lauderdale 2035 Vision Plan: We Are Prosperous*.

Attachments

Exhibit 1 – Parcel Map

Exhibit 2 – Letter to World Jet

Exhibit 3 – World Jet’s Response Letter

Exhibit 4 – World Jet’s Compliance Plan

Exhibit 5 – Settlement Proposal

Prepared by: Rufus A. James, Transportation and Mobility

Department Director: Diana Alarcon, Transportation and Mobility