



CITY OF FORT LAUDERDALE
City Commission Agenda Memo

File #12-2408

TO: Honorable Mayor & Members
Fort Lauderdale City Commission

FROM: Lee Feldman, City Manager

DATE: November 20, 2012

TITLE: Public Hearing - Airport Lease Rates and Real Estate Brokerage
Commission

Recommendation

It is recommended that the City Commission approve a resolution authorizing the City Manager to establish the following lease rates and real estate brokerage commissions for property at Fort Lauderdale Executive Airport:

1. A minimum aviation lease rate of \$0.35 per square foot with escalations and a maximum term of 30 years.
2. A minimum lease rate for non-aviation property consistent with Federal Aviation Administration guidelines with escalations and a maximum term of 50 years, based on appraisal established within six months of the effective date of the lease agreement.
3. No change to the brokerage commission policy for leases of Airport property.

Background

According to the City Charter, the City Commission holds a Public Hearing every three years, within two months of the start of the fiscal year, to review real estate rates and brokerage commissions for Executive Airport property. The City Commission established the current rates by adopting Resolution 10-69 on March 16, 2010 (**Exhibit 1**). In addition, Airport staff reviews rates for aviation property annually with the help of an MAI Appraiser and, if necessary, recommends updates to the Resolution in advance of the three-year cycle.

Aviation Property

The minimum annual lease rate for aviation property is currently \$0.30 per square foot for new leases. Slack, Johnston & Magenheimer, real estate appraisers and consultants, have prepared a current analysis of the fair market annual rental for aeronautical property at the Airport.

The analysis included market research of general aviation rates and charges on a regional basis as well as surveys of airport rates and charges at a local and national level. Over 50 general aviation airports within the State of Florida were surveyed. Airports were compared based on activity levels relating to geographic locations, physical size, number and lengths of runways, based aircraft, annual operations, and fuel flowage.

Based on the overall analysis, the current aeronautical land rental information at area airports, and the current land rents at FXE, Slack, Johnston & Magenheimer formed the opinion that the minimum initial aeronautical land rate should be set at \$0.35 per square foot. New leases will be negotiated or offered for bid, with this rate per square foot as the minimum initial lease rate, including annual Consumer Price Index Adjustments, periodic fair market adjustments, and a maximum term of 30 years.

Non-Aviation Property

Four non-aviation parcels are currently available for lease on Executive Airport property. Minimum annual lease rates for non-aviation property are currently set at 10% of appraised value of the fee title determined within 90 days of the effective date of the lease. The maximum term is 50 years with up to two ten year options.

Current FAA guidelines limit non-aviation leases to 50 years with no options. FAA guidelines also state that annual lease rates should be set at 8% to 12% of appraised value.

Staff recommends that City policy be updated to reflect that minimum annual lease rates will be established based on appraisal, consistent with FAA guidelines, with periodic adjustments and a maximum lease term of 50 years. This will provide the City maximum flexibility to negotiate the best terms for individual leases within the range established by current FAA guidelines. Additionally, staff recommends that the policy be updated to allow for an appraisal within six months of the effective date of the lease in order to allow sufficient time to negotiate agreements and obtain FAA and City approval.

Real Estate Brokerage Commissions

Real estate brokerage commissions are paid only on non-aviation property. The commission is currently 4% of the appraised value of the property and is paid on the basis of one half of all amounts received by the City until the commission is paid in full.

Airport staff is currently working with the City's Economic Development staff to develop a strategy to market and develop the four remaining unimproved parcels. This plan may include procuring the services of a real estate services firm to develop a marketing plan for the properties to attract development at a national or international level.

As a result, staff recommends no changes to the City's brokerage commission policy for leases of Airport property.

A draft of the revised City Commission Resolution is attached (**Exhibit 2**).

Resource Impact

It is anticipated that Airport revenues will increase as a result of an increase in lease rates for Airport property as new leases are negotiated. This item was reviewed and approved by the Aviation Advisory Board at its October 25, 2012 meeting.

Attachment(s)

Exhibit 1 – Resolution #10-69

Exhibit 2 – Resolution

Prepared By: Clara Bennett, Acting Deputy Director Transportation & Mobility

Department Director: Diana Alarcon, Director Transportation & Mobility