



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

**FROM:** Lee Feldman, ICMA-CM, City Manager

**DATE:** December 18, 2013

**TITLE:** Consent Resolution - Executive Airport Parcel 8G – Assignment of Lease Agreement from K.S.R. LLC to D.H.S Investments LLC, a Florida Limited Liability Corporation and Amendment of Lease

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**Recommendation**

It is recommended that the City Commission approve a resolution authorizing the City Manager to execute an assignment of Lease Agreement for Executive Airport Parcel 8G from K.S.R. LLC to D.H.S Investments LLC, a Florida Limited Liability Corporation and an a Resolution authorizing an Amendment to the Lease to provide for an extension of the lease term from November 8, 2034 to November 7, 2043; CPI adjustments every five years commencing on November 1, 2014; an adjustment to 8% of the appraised value of the property excluding improvements on November 1, 2029; and an adjustment to the rent to include 5% of gross earnings before interest and taxes on the improvements on November 8, 2034.

**Background**

K.S.R., LLC (K.S.R.) leases Parcel 8G by virtue of a lease agreement dated September 25, 1984, commencing on November 8, 1984 and terminating on November 7, 2034. The leasehold consists of 1.092 acres of GAA zoned property with a current annual rent of \$38,381.67, or \$0.80 per square foot. The rent is adjusted every three years with the next adjustment scheduled for November 2014. The property has been improved with the construction of a 20,000 sq. ft. office building and associated parking.

K.S.R. has requested to assign the lease to D.H.S Investments LLC, a Florida Limited Liability Corporation (D.H.S.). D.H.S holds assets in California, Toronto, and Florida and its portfolio includes commercial, retail, and multi-family residential real estate. The latest acquisition in 2012 is a 35,000 square foot office building in Boca Raton, Florida. At time of purchase, the property was distressed and approximately 60% occupied with under-market rental rates. D.H.S was able to improve the property through a series of capital improvements and a strong onsite management team, achieving 89% occupancy at market rates in less than six months.

The company believes that the building on Parcel 8G will require approximately \$300,000 in capital improvements in order to change the image of the asset and attract higher quality tenants with a professional office use. The planned improvements include landscaping, interior flooring and painting, interior lighting upgrades, exterior painting, restriping of the parking lot, renovations to the reception area, and build to suit office spaces. The company believes that the improvements and repositioning of the property can be achieved within 6-12 months.

D.H.S. has requested a lease amendment that would allow them to make these improvements to the leasehold and to stabilize the property. The proposed amendment would result in a nine-year extension for a total 30-year term, CPI adjustments every five years, and an adjustment to 8% of appraised value in 15 years. Further, the rent would be adjusted to include 5% of gross earnings before interest and taxes on the improvements at the end of the current lease on November 8, 2034.

This item was reviewed and approved by the Aviation Advisory Board at its December 6, 2012 meeting.

**Resource Impact**

No Resource impact in FY 13/14.

Attachment(s)

Exhibit 1 Assignment of Lease Agreement

Exhibit 2 Assignment of Lease Resolution

Exhibit 3 Amendment of Lease

Exhibit 4 Amendment of Lease Resolution

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

Department Director: Diana Alarcon, Director Transportation & Mobility