



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

FROM: Lee Feldman, ICMA-CM, City Manager

DATE: March 19, 2013

TITLE: Consent Resolution – Executive Airport Parcel 2 – Second Amendment to
Lease Agreement with Zeley Aviation, Inc.

Recommendation

It is recommended that the City Commission approve a resolution authorizing the City Manager to execute a Second Amendment to Lease Agreement for Executive Airport Parcel 2 with Zeley Aviation, Inc. to provide for an increase in the rent to \$172,275.44 per year effective April 1, 2014; termination of the Amended and Restated Lease on April 1, 2015 if the Lessee fails to construct 20,000 square feet of new hangar facilities, ramp and drainage improvements; and an Amendment to Paragraph 8.2 of the Amended and Restated Lease to reflect an increase in the rent to include five percent (5%) of potential gross rental receipts of the leasehold Improvements constructed prior to Commencement Date of the Second Amendment, effective July 31, 2023.

Background

Zeley Aviation, Inc. (Zeley Aviation) leases Parcel 2 consisting of 13.18 acres at Executive Airport under terms of a lease expiring on October 1, 2041. The annual lease payments for this Parcel are \$110,463.83 (\$0.19 per square foot) and are adjusted annually in accordance with the Consumer Price Index (CPI).

Improvements on the property total 121,620 square feet and are comprised of two conventional hangars and 22 T-hangars totaling approximately 49,242 square feet built in 1975, two conventional hangars built in 1980 totaling 34,999, and two additional hangars totaling approximately 37,379 square feet built in 1999. Sublessees on the Parcel are Banyan Air Services, Inc. (Banyan) and Sheltair Aviation Facilities, Inc. (Sheltair).

The Amended and Restated Lease required Zeley Aviation, and its development partners, Banyan and Sheltair, to demolish the older section of the Parcel including the two conventional hangars and T-hangars and construct three new aircraft storage hangars totaling 52,800 square feet with 7,440 square feet of office space. The new construction would net an additional 3,558 square feet of hangar space and required a minimum capital investment of \$7.5 million by October 1, 2014.

The Lease was amended effective April 17, 2012 to modify the redevelopment plan with a conventional storage hangar replacing the proposed paint shop, resulting in approximately 55,000 square feet of new facilities and reducing the construction costs to approximately \$5 million.

Additionally, the effective date of the rent increase to \$172,275.44 and the construction completion deadline were extended by six months, amending the dates from April 1, 2013 to October 1, 2013 and from October 1, 2014 to April 1, 2015 respectively. In accordance with the terms of the Lease, the rent would be adjusted commencing on July 31, 2023 to include ten percent (10%) of the appraised value or an assessment of five percent (5%) of the gross rental receipts of improvements constructed prior to the Commencement Date.

Zeley Aviation and the Sublessees have experienced issues with the redevelopment plan and have presented a revised site plan for City approval. The new plan includes the demolition of the T-hangars and construction of one additional hangar totaling a minimum of 20,000 square feet, construction of a new ramp, and completion of significant drainage improvements totaling approximately \$2.3 million. Zeley Aviation has also requested a six month extension to the effective date of the rent increase, amending the date from October 1, 2013 to April 1, 2014. The construction completion deadline would remain the same.

Zeley Aviation has agreed to modify the Amended and Restated Lease to amend the rent adjustment scheduled for July 31, 2023 to include five percent (5%) of potential gross rental receipts of the leasehold Improvements constructed prior to Commencement Date. The gross rental rate will be based on the prevailing market rate for similar facilities on the Airport to ensure that the Airport is receiving a fair return on the improvements when the current lease would have terminated and the improvements would revert to the Airport. In addition, the sketch and legal will be revised to correct a scrivener's error in the exhibit attached to the Amendment and Restated Lease.

This item was reviewed and approved by the Aviation Advisory Board at its January 24, 2013 meeting.

Resource Impact

There will be a positive impact to FY 13/14 revenues of approximately \$61,811.61.

Attachment(s)

Exhibit 1 Second Amendment to Lease Agreement

Exhibit 2 Resolution

Prepared by: Clara Bennett, Deputy Director Transportation & Mobility

Department Director: Diana Alarcon, Director Transportation & Mobility

March 19, 2013

(ID #13-0257)

Page 2 of 2