



CITY OF FORT LAUDERDALE
City Commission Agenda Memo
REGULAR MEETING

#14-0022

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

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

DATE: January 7, 2014

TITLE: Consent Resolution – Fifth Amendment of Lease Agreement with Airport
Executive Center Partners, LLC – Parcel 21A – Executive Airport

Recommendation

It is recommended that the City Commission approve a resolution authorizing the City Manager to execute a Fifth Amendment to Lease Agreement for Executive Airport Parcel 21A with Airport Executive Center Partners, LLC to reinstate the 5% cap on annual CPI rent adjustments scheduled to expire on August 1, 2014 and correct a scrivener's error in the Fourth Lease Amendment.

Background

Airport Executive Center Partners, LLC, leases Parcel 21A consisting of 6.09 acres of AIP-zoned property at Executive Airport by virtue of a Lease Assignment from E & C Development, Inc. dated May 10, 2004. The property has been improved with the construction of a 72,000 square foot office building. Current annual lease payments are \$184,148.40 and are adjusted every five years with the next adjustment scheduled to occur on August 1, 2016.

The lease commenced on January 15, 1985 and had an initial 50-year term expiring on January 14, 2035 and a ten-year option extending the term to January 14, 2045. A Fourth Amendment to Lease dated May 10, 2004 allowed the lessee to exercise the option and provided for an additional nine-year option extending the term to January 14, 2054.

In addition, the Fourth Amendment required a one-time payment of \$100,000 by E & C at the time of the lease assignment, elimination of a 5% cap on the CPI rent adjustments effective August 1, 2014, and a re-indexing of the annual lease rate by the lesser of ten percent or the percentage of appraised value determined by City of Fort Lauderdale policy for annual lease rates in the year 2044.

In recent months, Airport Executive Center Partners, LLC has attempted to refinance the property but has been unsuccessful because lenders are concerned with the uncertainty the removal of the 5% cap creates on future rent. As a result, Airport Executive Center Partners, LLC has requested that the lease be amended to remove the language that terminates the 5% cap in 2014.

A review of CPI rates over the past 20 years indicates that the CPI has never exceeded 3.8% and has averaged an increase of 2.65% per year. In fact, the annual CPI has only gone up more than 5% twice (6.2% in 1982 and 5.4% in 1990) over the past 30 years. Due to the past track record of the annual CPI movement, we believe that allowing the 5% cap on the annual rent adjustments for Parcel 21A to continue beyond 2014 should not pose a significant threat to the Airport's revenues and will allow an existing tenant to remain solvent and continue to invest in the property. The FAA has reviewed this request and has no objections to the proposed amendment.

Additionally, upon review of the Fourth Amendment, it was noted that a scrivener's error was made regarding the term's rent escalation should the lessee exercise the nine-year option, that should be corrected to more clearly state that a re-indexing of the annual lease rate will occur by the lesser of a ten percent increase or the percentage of appraised value determined by City of Fort Lauderdale policy, effective for the period beginning 2045.

Airport Executive Center Partners, LLC has invested over \$750,000 in improvements to the property including new roofing, air conditioner replacements, overhead door replacements, upgraded landscaping and interior space improvements. The tenant intends to use the funds from the refinance to continue their investment in the property with improvements including additional roof upgrades, upgraded landscaping, additional air conditioner replacements, resurfacing of the parking lot, upgrading exterior lighting, exterior painting and completing interior build out upgrades.

This item was reviewed and approved by the Aviation Advisory Board at its December 5, 2013 meeting.

Resource Impact

There may be a loss of revenue for FY 2016 through FY 2054 if the CPI is over 5% when the adjustments are calculated.

Strategic Connections

This item is a *Press Play Fort Lauderdale 8 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 – Lease Amendment

Exhibit 2 – Resolution

Prepared by: Clara Bennett, Deputy Director Transportation & Mobility

Department Director: Diana Alarcon, Director Transportation & Mobility