



CITY OF FORT LAUDERDALE
City Commission Agenda Memo
REGULAR MEETING

#23-0091

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

FROM: Greg Chavarria, City Manager

DATE: April 18, 2023

TITLE: Resolution Terminating the Lease Agreement with Southeast Toyota Distributors, LLC for Parcel 8H at the Fort Lauderdale Executive Airport and Authorizing the City Manager to Execute a Lease Agreement with JM Family Enterprises, Inc. – **(Commission District 1)**

Recommendation

Staff recommends the City Commission adopt a resolution terminating the Lease Agreement with Southeast Toyota Distributors, LLC for Parcel 8H and authorizing the City Manager to execute a lease agreement with JM Family Enterprises, Inc. for Parcel 8H, in substantially the form attached, at the Fort Lauderdale Executive Airport (FXE).

Background

Southeast Toyota Distributors, LLC (Southeast Toyota) leases Parcel 8H at FXE which consists of 5.13 acres (223,561 square foot) of General Aviation Airport zoned property located on the northwest portion of the Airport (Exhibit 1). The Lease originally commenced on April 1, 1985, for a 40-year term, which will expire on March 31, 2025. The property has been improved with the construction of two large hangars, totaling approximately 27,600 square foot, approximately 7,800 square foot of office space, a fuel farm, and associated aircraft and automobile parking. The current annual rent for the property is \$57,356.64 (\$0.26) and is subject to annual Consumer Price Index (CPI) Adjustments each April.

Southeast Toyota utilizes the property to house their corporate flight department including four business jets. Realizing the balance of years remaining on the Lease, Southeast Toyota has requested that the City consent to the termination of the Lease and the execution of a new lease agreement with its member JM Family Enterprises, Inc. ("JM Family"), which would allow JM Family to continue operating their corporate flight department at FXE. Airport staff contracted with the appraisal firm Slack, Johnston & Magenheimer (SJM) to prepare an appraisal report of the fair market improvement rental analysis of the improved Parcel.

The analysis provides a basis for establishing the fair market annual rent for the existing hangar facility, the aircraft ramp area and vehicular paved parking areas, excluding the underlying land. Andrew Magenheimer, MAI, who has more than 30 years of experience

in the field of real estate, appraisals, economic research, and market analysis, performed the analysis. Mr. Magenheimer specializes in aviation real estate and provides services to numerous airports across Florida, including Dade County Aviation Department, Broward County Aviation Department, and Palm Beach County Department of Airports. SJM conducted a survey of aeronautical pavement and building rental rates at similar general aviation airports nationwide. The information is considered to be of good quality and indicative of fair market annual rental rates for the pavement and building on the subject property. The airports and rental rates were compared based on use and activity characteristics. Based on the overall analysis, SJM estimated the fair market rent for the hangar building to be \$12.50 per square foot (psf), and the improved pavement to be \$0.05 psf (Exhibit 2). The underlying land is \$0.55 psf, which is determined through an appraisal method and is set for a three (3) year term.

JM Family is requesting a long-term Lease Agreement for an initial term to commence on May 1, 2023. The anticipated annual ground rent is \$122,904.10 (\$0.55 psf), which will include a Lease term consisting of twelve (12) years to continue through December 31, 2035. The terms also include two (2) ten (10) year options to extend beyond 2035. In addition, JM Family has agreed with the appraisal analysis resulting in an annual Improvement Rent payment of \$512,537.50, Paved Improvement Rent of approximately \$9,127.90, and annual CPI adjustments not to exceed 3%. Improvement Rent payments will commence on January 1, 2024 and an appraisal of land and improvements will be performed at each ten (10) year option anniversary to ensure market adjustments are consistent.

We have negotiated terms of a Lease that will provide JM Family with the opportunity to continue as an FXE tenant without interruption to their day-to-day operations. This is an incentive that will not require further capital investment but will fulfill the long-term public service goals inherent to the operation of the Airport and will generate additional revenues.

At its meeting of August 25, 2022, the Aviation Advisory Board recommended that the City Commission approve an Amended and Restated Lease Agreement with Southeast Toyota for Parcel 8H with terms substantially similar to those offered under the proposed lease with Southeast Toyota's member JM Family.

Resource Impact

There is no fiscal impact associated with this action.

Strategic Connections

This item supports the *Press Play Fort Lauderdale 2024* Strategic Plan, specifically advancing:

- The Business Development Focus Area
- Goal 5: Build an attractive global and local economic community marketplace.
- Objective: Provide the best-in-class regional general aviation airport amenities and services
- Objective: Create a responsive and proactive business climate to attract emerging industries

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

This item supports the Advance Fort Lauderdale Comprehensive Plan, specifically advancing:

- The Business Development Focus Area
- The Economic Development Element
- Goal 3: Recognize and include in economic development planning the role of Port Everglades and the Fort Lauderdale-Hollywood International Airport and Fort Lauderdale Executive Airports.

Attachments

Exhibit 1 – Aerial Photo

Exhibit 2 – Appraisal

Exhibit 3 – August 25, 2022 Aviation Advisory Board Minutes

Exhibit 4 – Proposed Lease Agreement

Exhibit 5 – Resolution

Prepared by: Rufus A. James, Airport Director

Director: Rufus A. James