



CITY OF FORT LAUDERDALE
City Commission Agenda Memo
REGULAR MEETING

#15-1359

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

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

DATE: November 17, 2015

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

Recommendation

It is recommended that the City Commission approve a resolution establishing the following lease rates and real estate brokerage commission for property at Fort Lauderdale Executive Airport (FXE):

1. A minimum aviation lease rate of \$0.37 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 (FAA) 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 or within such other time period as authorized by the City Commission and approved by the FAA as required.
3. No change to the brokerage commission policy for leases of airport property.

Background

Section 8.10, Code of Ordinances of the City of Fort Lauderdale requires the City Commission hold a public hearing every three years, within two months of the start of the fiscal year, to review real estate rates and brokerage commission for Executive Airport property. The City Commission established the current rates by adopting Resolution 12-227 on November 20, 2012 (Exhibit 1). In addition, FXE staff reviews rates for aviation property annually with the help of an MAI designated 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 \$0.35 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 FXE.

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 the local and national level. More than 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 \$0.37 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

Eight non-aviation parcels are currently available for lease on FXE property. Minimum annual lease rates for non-aviation property are currently set at 10% of appraised value of the fee title determined within 6 months of the effective date of the lease. Current FAA guidelines limit non-aviation leases to 50 years with no options to extend beyond that term. .

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 six months prior to the effective date of the lease in order to provide sufficient time to negotiate agreements and allow for FAA review and City Commission 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 vendor, CBRE, to market and develop seven of the eight remaining unimproved parcels. This will include developing 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.

This item was reviewed and approved by the Aviation Advisory Board at its October 15, 2015 meeting. See draft minutes attached as Exhibit 2.

A draft of the updated City Commission resolution is attached as Exhibit 3.

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

Strategic Connections

This item is a *Press Play Fort Lauderdale 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 stakeholders.
- 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 – Resolution 12- 227

Exhibit 2 – Oct. 15, 2015 Aviation Advisory Board Draft Minutes

Exhibit 3 – Updated Resolution

Exhibit 4 – Public Hearing Notice

Prepared by: Rufus A. James, Transportation and Mobility

Department Director: Diana Alarcon, Transportation and Mobility