To: Ben Rogers, Ft. Lauderdale Executive Airport (FXE)
From: Andrew Magenheimer, MAI, Slack, Johnston & Magenheimer, Inc.
RE: FXE Lease Reversion Policy
Date: August 3, 2026

At your request we have reviewed the lease term reversion provisions for aeronautical development leases at the Fort Lauderdale Executive Airport (FXE). The purpose of this analysis is to assist FXE in the development of a clear, cohesive and consistent policy for the reversion of aeronautical facilities that can apply to new leases and the renewal of existing leases whenever an existing tenant desires to modify their lease, as well as existing leases that desire to extend the term beyond the original term or then current renewal term.

FXE is a general aviation airport in southeast Florida that serves as a reliever to Ft. Lauderdale-Hollywood International Airport (FLL). FXE is an active general aviation airport with about 640 based aircraft, 190,000 annual operations and 12.75 million gallons of fuel flowage. FXE consists of about 1,050 acres of land, including about 850 acres of aeronautical land that represents the airfield uses and about 200 acres of non-aeronautical land that is developed with office and industrial uses.

FXE was acquired by the United States Navy in 1941 for flight training as part of the WWII war effort and opened in 1943. In 1947 the property was declared surplus and transferred to the City of Fort Lauderdale. Over time, the City of Fort Lauderdale has operated the airport focused on general aviation. Most of the facilities at the airport were developed since the 1970s using development land leases. In addition to the aeronautical development, FXE has a successful non-aeronautical office and industrial park that provides additional revenue to the airport.

It was noted that most public use airports in Florida were similarly developed by the Federal government in support of the war effort during WWII and subsequently transferred to the local communities after the war. It is important to note that the conveyance of the airport property by the Federal government to the local communities typically took the form of quit-claim deeds that included a reversion clause that provided the Federal government the ability to reclaim the airport in the event of national emergency. As such, public use airport sponsors that acquired the property through the aforementioned conveyance are prohibited from selling airport property without Federal approval. As a result, aeronautical property at public use airports in Florida typically does not "sell" and can only be used through leasing wherein the land and/or tenant-constructed improvements whose ownership has reverted back to the airport sponsor at the end of the lease.

It is important to note that, as a public use airport FXE receives funding, and is subject to oversight, from the Federal Aviation Administration (FAA). In simple terms, the FAA provides funding to public use airports through the use of grants and the FAA requires airport sponsors to agree to grant assurances to ensure that the funds are used appropriately and the airport is operated fairly. For purposes of this analysis, the relevant grant assurance requires airport sponsors to operate under a rate and fee structure that strives to make the airport as self-sustaining as possible (FAA Grant Assurance 24) and treat similarly situated users and tenants the same (FAA Grant Assurance 22).

The management and operation of FXE has focused on allowing the private sector to develop, operate and maintain facilities while the airport manages the corresponding land leases in an effort to be as self-sustaining as possible in compliance with FAA guidelines. FXE has operated based on a policy where the airport oversees the aeronautical development at the airport through the use of minimum standards and airport master planning, as well as rules and regulation and conveys the right to use and occupy aeronautical property at the airport private sector based on long-term development leases wherein the tenant leases aeronautical land and develops facilities. The aeronautical development lease tenant then pays only aeronautical land rent, in addition to other customary airport fees (i.e., fuel flowage, rental car concession, etc.), for the term of the lease. As typical in the industry, most of the aeronautical development leases at FXE either include annual increases based on either negotiated fixed annual increases or based on changes to the Consumer Price Index (CPI). It was noted that some of the aeronautical development leases also provide for increases to the aeronautical land rent based on periodic (i.e., every 5 to 10 years) reappraisal. Based on our analysis, we recommend FXE adopt a lease policy that provides annual increases to the aeronautical land rentals and periodic reappraisal every 10 years to reset the aeronautical land rent.

Based on past experience, it is our understanding that many of the development leases have come to the end of their lease term after 30 years and the ownership of the improvements has either reverted to FXE, or FXE has extended the leases in exchange for reinvesting additional funds in existing facilities or redevelopment of new facilities. It was noted that those leases that were renewed and included reinvestment in new facilities typically include a requirement for tenant to pay some form of improvement rent after the original lease term anniversary date (i.e. 31st year) for those improvements that will continue to operate during the renewal term.

Overtime, FXE has experienced continued growth based mostly on private sector investment in the development of aeronautical facilities and is currently near capacity concerning available aeronautical land for development. Currently, there are a total of about 17 aeronautical leaseholds at FXE that range in size from about 1 to 37 acres. Based on a review of the FXE rent roll, the aeronautical leaseholds at FXE generally fall within two primary categories, including 1) leaseholds where the ownership of the improvements has reverted to FXE and the airport in turn leases the land and improvements to end users and 2) leaseholds where the improvements were developed by the tenants (development leaseholds). The primary distinction between the two categories is the term of the leases, wherein leaseholds with airport-owned improvements typically are 5 to 10 years, whereas the development leaseholds are typically 30 years.

The focus of this analysis are the leaseholds where the improvements were developed by the tenants based on long-term development leases (i.e., development leaseholds). Based on a further review of the FXE rent roll, there are about 15 aeronautical development leaseholds. The aeronautical development leaseholds at FXE fall within two general categorizes including 1) private development leaseholds and 2) commercial development leaseholds where hangar and other facilities were either constructed to operate full-service, fixed base operations or constructed to sublease to businesses at the airport who provide services to end users and/or constructed as multitenant facilities to sublease to multiple end users (i.e. t-hangars, storage hangars, etc.). Currently at FXE, there are about 2 private hangar leaseholds that range in site size from about 2 to 5 acres and about 13 commercial leaseholds that range in site size from about 5 to 37 acres, with an average site area of about 16 acres.

Based on discussion with staff and a review of some of the development leases, FXE's current aeronautical development leases typically include a variety of provisions concerning reversionary improvement rent (i.e., building rent) associated with existing leasehold improvements when the ownership of the improvements has reverted to FXE, or would have otherwise reverted to FXE (i.e., typically at the end of the 30-year development lease). In these instances, the tenant pays reversionary improvement rent in addition to aeronautical land rent for the underlying land associated with the leasehold. It was noted that aeronautical land rent at FXE is established periodically by appraisal, and applied similarly to all aeronautical tenants depending on the underlying lease provisions concerning land rent adjustments (i.e., timing).

It is our understanding that many of the aeronautical development leases at FXE provide for renewal options. In addition, for those aeronautical development leases that do not include renewal options, FXE typically offers tenants in good standing the opportunity to continue their tenancy on the leasehold based on additional lease term of typically 5 to 20 years depending on many factors, including the level of capital investment in the leasehold during the renewal period. In both instances, the tenants agree to pay reversionary improvement rent, as well as aeronautical land rent for the renewal term.

Based on our analysis, the renewal period reversionary improvement rents for aeronautical development leaseholds vary from a percentage of the improvement rental income from the leasehold (i.e., multi-tenancy leaseholds) to improvement rent based on appraisal. It was noted that in all instances, the improvement rent is structured on a net basis, with the tenant (i.e., private or commercial) responsible for all expenses associated with the property (insurance, repairs, maintenance, utilities, etc.) as is typical within the industry.

It is our opinion that FXE should standardize their aeronautical leasehold renewal policy in an effort to recognize basic differences in the leaseholds and provide consistent terms for similarly situated aeronautical tenants. Based on our analysis, and review of industry practices, airport sponsors typically provide for private hangar development tenants in good standing the ability to continue their use and occupy the facility in exchange for the payment of reversionary improvement rent (i.e., reversionary rent), in addition to the continued aeronautical land rent. In these instances, the standard practice includes the airport sponsor establishing the reversionary improvement rent based on appraisal based on an estimate of the fair market annual rent based on comparison to other similar end-user aeronautical facilities, consistent with the definition of market rent. We recommend that FXE continue to establish reversionary improvement rent for private development tenants who desire to continue their tenancy after the expiration of the original lease term (i.e., typically 30 years) based on appraisal of the fair market improvement rent for the facilities based primarily of comparable airport rentals and on a net basis with all expenses the responsibility of the tenant. We further recommend that the reversionary improvement rent be scheduled to increase annually based on a fixed percentage or based on changes to recognized index (i.e., CPI), with periodic reappraisals after 5 or 10 years, upon future renewals, or when a new tenant occupies the facility.

In addition, our analysis included a review of reversionary improvement rent airport sponsors receive for aeronautical facilities developed by commercial tenants that continue to lease facilities after the termination of their leases, or after when the facilities would have otherwise reverted to the airport sponsor (i.e., typically at the end of the 30-year development lease), and in turn sublease the facilities to end users. In these instances, airport sponsors are trying to maximize revenue, while minimizing their lease management and oversight of multiple tenants, as well as limit the airport sponsor's facility operating costs liabilities associated with the management, maintenance and operation of the facilities. This represents an important distinction between the private hangar development leases (i.e. single tenant end-users) and commercial hangar development leases (i.e., third party management of multiple end-user tenants).

It should be noted, where airport sponsors desire to limit their lease management and facility operating cost exposure, the agreements typically take the form of management - style agreements that provide revenue sharing between the airport sponsor and commercial tenant. As such, these management-style agreements compensate the commercial tenant with a source of revenue to undertake the lease management and facility operating costs. In essence, the airport sponsor is compensating the commercial tenant to manage and operate the airport sponsor-owned facilities on their behalf.

Based on a review of similar commercial tenant management-style agreements at public use general aviation in Florida, the agreements typically provide that the airport sponsor receive 40% to 70% of the rental revenue (i.e., rent, vehicular parking fees, facilities fees, etc.) collected on the leasehold (i.e., hangars, office, tie-downs, etc.), as well as customary airport fees (i.e., fuel flowage, rental car concession, etc.). It should be noted that these management-style agreements typically do not charge separately for the aeronautical land that supports the facility and does not include business income such as fuel sales..

It was noted that the range of revenue sharing (i.e., 40% to 70%) illustrated in similar management-style agreements is directly attributable to the size of the area under management, as well as the annual, on-going expense obligation of the airport sponsor as provided for in the agreements. It was noted that the management-style agreement that provide the higher revenue share to the airport sponsor typically include the entire airport and require the airport sponsor to incur varying degrees of insurance and on-going maintenance costs associated with the leasehold. It was noted that the lowest revenue sharing agreement (i.e., 40% of revenue to the airport sponsor) was a multi-tenant hangar development on a former development leasehold on a portion of an airport that has multiple commercial development leases. We have formed the opinion that the aforementioned example (i.e., 40% of revenue to the airport sponsor) is most similar to the situation at FXE. It is important to note the aforementioned management-style agreements do not allocate aeronautical land rent for the leasehold and, as such, implicitly include aeronautical land rent in the revenue received. This is an important distinction, as our research indicated aeronautical land revenue can represent in the range of about 10% to 20% of gross revenues.

As noted, some of the commercial development leases at FXE include a provision for the tenant to pay 5% of revenue collected from improvements rentals, in addition to the aeronautical land rent for the commercial development parcel. Based on our research, the existing 5% of collected revenue model is not indicative of industry standard based on the percentage amount and applicability (i.e., only collected revenue). Based on the preceding analysis, the revenue sharing should be based on a greater percentage and the percentage should be applied to collected revenue, as well as fair market rent levels for any tenant-occupied facilities (i.e., terminal, office facilities, etc.) that are not otherwise leased.

Based on discussion with staff, FXE has indicated that their desire to keep the aeronautical land rent for every leasehold separate from any improvement rent in an effort to maintain a fair and reasonable aeronautical land rental policy where all the tenants pay similar aeronautical land rent based on the same standard of annual increases with periodic reappraisal as previously discussed. It is our opinion this method is considered best practices on behalf of the airport sponsor and helps them insure predictable recurring revenue into the future.

Furthermore, it is our understanding that FXE desires to create a policy concerning reversionary improvement rent for commercial tenant with management-style agreements at the end of the original development lease term (i.e., typically 30 years) when ownership of the improvements would have reverted to the airport sponsor if the lease were not renewed. As noted, some of the existing commercial development leases at FXE include transition to a management-style agreement after the initial term of the agreement (i.e., typically 30 years) and provide for the commercial tenant to pay the airport 5% of rental revenue generated from the improvements, plus aeronautical land rent.

As noted, the industry standard for commercial tenants with management-style agreements typically provide for the commercial tenant to pay the airport sponsor a percentage (i.e., 40% to 70%) of the rental revenue attributable to the improvements on a net basis and inclusive of the aeronautical land (i.e., no separate rent for aeronautical land), with the airport sponsor responsible for a varying degree of operating expenses. The distinction between the two management-style reversionary improvement rent format is noteworthy, as the land-to-building ratios of aeronautical developments leaseholds typically vary based on the circumstance, although each leasehold needs to provide enough site area for the aircraft to operate in a secure airfield environment, while providing sufficient unsecured site area necessary for the use (i.e., vehicular parking).

Based on our overall analysis, and taking into consideration FXE's desire to continue to separate aeronautical land and improvement rents from commercial leaseholds, as well as typical allocations of operating expenses (i.e., on a net basis, excluding a separate charge for aeronautical land rent for the parcel) we have formed the opinion a fair and reasonable percentage reversionary improvement rent should likely be in the range of 20% to 30% of the revenue attributable to the improvements, provided the commercial tenant is responsible for all operating expenses and also pays aeronautical land rent for the parcel, in addition to customary airport fees (i.e., fuel flowage, rental car concession, etc.) as previously discussed.

The aforementioned commercial tenant management-style agreement (i.e., revenue sharing between the airport sponsor and commercial tenant) is considered applicable to properties where the existing improvements represent the highest and best use of the property and are projected to continue over the management-style agreement lease term. As noted, FXE is a very active general aviation reliever airport that has continued to grow and currently has limited land for new aeronautical development. Within the south Florida portion of the general aviation submarket, the growth trends continue to evolve amongst general airports based on location, capacity and airfield layout. Well located airports with a runway in excess of 6,000 feet, such as FXE, typically cater increasingly to turbine aircraft (i.e., jets) and report annual fuel flowage volumes in excess of 4.0 million gallons. These active general aviation airports also typically command the highest aeronautical land rents in the region when compared to area general aviation airports that cater primarily to piston aircraft and serve as the base for most flight training activity.

As such, it is important for FXE to recognize its place within the region and continued need for facilities to match the demands of the airport users. As FXE continues to evolve, like other airports in the region, it is important for the airport sponsor to consider continued highest and best use of their existing facilities. Other active general aviation airports in the region have faced the reality that, although their existing improvement (i.e., shade hangar or box hangar with a hangar door clear height under 20 feet) has the potential to generate recurring revenue, the older improvements are functionally obsolete and the underlying site should be redeveloped with modern facilities that meet the needs of the end users.

Based on the preceding example, the airport sponsor should consider the long-term benefit to the airport of providing modern facilities to meet the needs of the flying public in place of older facilities and determine if the entire site, or a portion of the site, should be redeveloped. In the instances where the entire site requires redevelopment, the airport sponsor can undertake redevelopment of the site with a new development lease (i.e., 30 years). In addition, in instances where larger leaseholds include both existing airport-owned facilities that will be retained, as well as facilities that should be redeveloped, a hybrid management-style agreement should be adopted that provides for the commercial tenant to pay underlying aeronautical land rent and percentage rent for the existing facilities (i.e., that have reverted to the airport sponsor or would have otherwise reached the end of the original lease term; typically 30 years) that are to remain, provided the agreement terms provide sufficient time for the developer to amortize their investment (i.e., 30 years).

Based on our research, all aeronautical development leases provide a requirement for the developer to maintain the facilities throughout the lease term. In addition to the highest and best use analysis of the existing airport-owned facilities, the airport sponsor should recognize the age of the facilities at the end of the lease term and, although functional in design, the physical depreciation (i.e., wear and tear) may necessitate capital reinvestment in the facilities. If the airport sponsor is requiring the tenant to provide capital reinvestment into airport-owned facilities, it is reasonable for the airport sponsor to provide a means for the tenant to recapture their capital investment. Great care should be taken by the airport sponsor to ensure that the capital investment represents long-lived facility components (i.e., paving, building sheeting, hangar doors, etc.) as opposed to short-lived facility components (i.e., air conditioning, striping, etc.), cosmetic renovations (i.e., paint, flooring, etc.) and business-related items (i.e., signage, rebranding, etc.).

In addition, care should be exercised in accepting the tenant's capital cost estimate and require, amongst other things, that the work be performed in accordance with current building standards (i.e., permits, etc.) and include 'as-built' plans and/or surveys, release of liens and audited/certified cost reconciliation of expenditures. In these instances, it is recommended that the airport sponsor may want to consider improvement rent abatements that provide the tenant the ability to recapture at least a portion of their reinvestment for improvement that will likely outlast their tenancy, while maintaining predictable aeronautical land rent revenue to the airport from the leasehold.

Based on our experience, private sector developers of general aviation property at public use airports frequently request lease terms in excess of 30 years based on the assertion construction costs have increased greater than achievable rents. It is our opinion that the 30-year aeronautical development lease is appropriate and the desire of the developer to have additional term to amortize their investment can be accomplished with a reasonable renewal option (10 years), provided the lease includes a provision wherein the tenant agrees to pay reversionary improvement rent after 30 years.