CITY OF FORT LAUDERDALE
City Commission Agenda Memo **#26-0680**
CONFERENCE MEETING

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

FROM: Christopher Cooper, Acting City Manager

DATE: August 18, 2026

TITLE: Airport Leasing Policy and Lease Reversion Update – Fort Lauderdale Executive Airport **(Commission District 1)**

City staff will provide an update on the Fort Lauderdale Executive Airport (FXE) leasing policy, including reversion considerations, for aviation and non-aviation tenants.

At the March 19, 2026, City Commission Conference Meeting, the City Commission recommended creating a working group to evaluate existing leasing practices, incorporate industry benchmarks, and establish a standardized and transparent policy framework.

Subsequently, Kimley-Horn and Associates (KHA) was retained to lead the working group which convened three meetings during June and July 2026. The working group included airport tenants, Aviation Advisory Board (AAB) members, representatives from the City Attorney's Office, FXE staff, and KHA staff. The main topics discussed by the working group included financial sustainability, managing subtenants, lease assignments, and how lease reversion should be handled moving forward.

Lease reversion is a key element of the proposed leasing policy framework. Lease reversion is the process by which ownership of tenant-constructed improvements on airport property transfers back to the City of Fort Lauderdale (City) at the end of a lease term, without compensation to the tenant. This mechanism is a longstanding component of airport leasing models and supports compliance with Federal Grant Assurance 5: Preserving Rights and Powers, which requires airports to maintain control of aeronautical facilities and prevent the creation of exclusive rights.

Under a lease reversion structure:

- All improvements, including hangars and other facilities built or funded by a tenant, revert to the City when the lease expires, is terminated, or is not renewed;

- The City, as the property owner, regains full ownership and control of the improvements and may re-lease or repurpose them; and

- Lease reversion is closely linked to the lease term and rent structure. Longer lease terms may be negotiated when substantial capital investment is required, while shorter terms may be appropriate when the City desires earlier control.

Lease reversion supports a consistent and transparent leasing framework, strengthens long-term financial sustainability, and prevents the City from being encumbered by outdated facilities or legacy rental arrangements. In practice, it is a critical policy decision that influences tenant investment behavior, market competitiveness, lease negotiation strategies, and the airport's ability to manage aeronautical assets over time.

The City engaged Slack, Johnston & Magenheimer, Inc. (SJM) to assist FXE in developing a lease reversion policy and establishing industry best practices for lease reversion. SJM has more than 60 years of experience in real estate appraising and consulting throughout Florida. The firm provides a comprehensive range of valuation services covering commercial, industrial, residential, aviation, and aviation-related properties. To date, SJM has completed valuation assignments at more than 60 airports across the nation.

SJM reviewed current FXE leases, conducted interviews with staff, FXE tenants, and airports around the state to develop a recommended approach to the lease reversion rate structure. The study indicated that existing FXE leases have varying reversion requirements, ranging from no reversion to 5% of gross rental receipts.

At the July 30, 2026, Aviation Advisory Board meeting, SJM presented that 20% to 30% of gross rental receipts is a fair and reasonable percentage for reversionary improvement rent. The AAB shared concerns that the recommendation was too extreme, posed financial challenges to tenants, and was generally not well supported.

Given the AAB feedback, City staff conducted a cursory review of the 10-year capital plan, existing and projected fund balances, as well as airport operational needs. The outcome indicated that there is a solid financial foundation and there is not an immediate need to generate or significantly increase existing funding sources at this time.

City staff recommend that the City Commission establish that 5% of gross rental receipts become the standard policy for reverted commercial aeronautical properties. City staff plan to further evaluate the budgetary impacts over the next two years to determine if additional reversion recommendations should be included as part of the annual minimum lease rate review period, scheduled for 2028.

As part of the presentation, staff seek City Commission feedback on the lease reversion recommendations. The feedback will be utilized to finalize pending lease agreements and amendments; and ultimately be included in the formal FXE Leasing Policy which is expected to be ready for City Commission consideration by the end of 2026.

<u>Resource Impact</u>

There is no direct fiscal impact associated with this item; however the policy direction will determine future revenue generation associated with new or amended aeronautical leases.

Strategic Connections
This item is a *FY 2026 Commission Priority*, advancing the Infrastructure and Resilience initiatives.

This item supports the *Press Play Fort Lauderdale 2029* Strategic Plan, specifically advancing:

- The Infrastructure and Resilience Focus Area,
- Goal 4: Facilitate an efficient, multimodal transportation network.
- The Business Growth and Support Focus Area
- Goal 6: Build a diverse and attractive economy

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

This item supports the *Advance Fort Lauderdale* 2040 Comprehensive Plan, specifically advancing:

- The Business Development Focus Area
- The Economic Development Area
    - 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.

- The Internal Support Focus Area
- The Capital Improvements Element
    - Goal 1: The City will strive to provide infrastructure as appropriate to meet the standards set forth within the comprehensive plan elements, by preserving, modifying and replacing existing infrastructure and providing new infrastructure related to growth and resiliency.

Attachments
Exhibit 1 – Presentation
Exhibit 2 – Slack, Johnston & Magenheimer Draft FXE Lease Reversion Policy

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