

CITY OF FORT LAUDERDALE

OFFICE OF THE CITY AUDITOR

*Fiscal Analysis of Proposed Lease Terms for Ground Lease at Fort
Lauderdale Executive Airport
Report #15/16/01*

October 16, 2015



CITY OF
FORT LAUDERDALE

City Auditor's Office

Memorandum

Memo No: 15/16-02

Date: October 16, 2015

To: Honorable Mayor and Commissioners

From: John Herbst, CPA, CGFO, CGMA
City Auditor

Re: Fiscal Analysis of Proposed Lease Terms for Ground Lease at Fort Lauderdale Executive Airport

Background:

At the request of Commissioner Roberts, the City Auditor's Office (CAO) has performed a fiscal analysis of the competing proposals for the ground lease of Parcels 9, 32 and 33 at Fort Lauderdale Executive Airport (FXE). Based on communication with staff and representatives of both parties, I believe this analysis represents the most recent terms proposed by each company.

The lease proposals in hand were the result of negotiations between the parties and CBRE on the City's behalf. This resulted in proposals that differ on several key points:

- Commencement of the lease.
- Commencement/completion of construction of the new facilities.
- Rent to be paid at various points during the lease term.

<u>Summary</u>	<u>Total Revenue</u>	<u>NPV</u>
CPC	\$19,024,131	\$10,326,625
Sheltair	\$17,547,673	\$ 9,497,152
Difference	\$ 1,476,458	\$ 829,473

Two other considerations that the Commission may want to evaluate are:

- Ask Sheltair to commit to the year 6 rent of a minimum of \$.42 for parcels 32 and 33 if that figure is being relied on as a basis for the evaluation, since CPC's rent offer is firm.
- Requesting each proposer to provide a best and final offer.

The reason for the second suggestion is that the negotiation process is generally not thought to afford the public with the best possible outcome, relative to sealed bids. For example, federal contracts require the award of contracts on the basis of competitive bids, only permitting award

upon a negotiated basis in certain situations, that is, “where immediate delivery or performance is required by the public exigency.” Research from the Quarterly Journal of Economics indicates that sealed bid auctions encouraged smaller bidders to participate in the process and reported higher revenue from sealed bidding.

Assumptions:

There are several assumptions that I made in the analysis:

1. Sheltair proposes to reset the rent for parcels 32 and 33 at year 6 based on a new appraisal of the parcels. Experience has shown that our appraisal values have gone up approximately 1 cent per year under the previous appraisals. I have therefore increased the projected rent from \$.37 per sq. ft. to \$.42 per sq. ft. in year 6 accordingly.
2. I used a discount rate of 4% (30 year muni bond rate) to calculate the NPV for the 30 year stream of rent and property tax revenue.
3. I held the millage rate steady at 4.1193 for the duration of the lease.
4. I did not attempt to project out revenue from fuel flow as there are no metrics available that would provide a rational and defensible basis for correlating fuel consumption to the proposed uses by the two proposers.
5. I projected out CPI based on the current 12 month figure of 0%, increasing to the long-term average of 2%, over several years.

cc: Lee R. Feldman, City Manager
Cynthia A. Everett, City Attorney
Jeff Modarelli, City Clerk

Attachment: Airport Lease Analysis

**CITY OF FORT LAUDERDALE
CITY AUDITOR'S OFFICE**

AIRPORT LEASE ANALYSIS

CPC

SQ FT		537,399.72		241,845.12		NEW	PROPERTY	
YEAR	DATE	PARCEL 9	RENT	PARCEL 32 & 33	RENT	INVESTMENT	TAX REV	CPI
1	3/1/2016	1 251,570	\$ 0.5350	113,214	\$ 0.5350	-	-	
2	11/1/2016	288,946	\$ 0.5377	130,034	\$ 0.5377	-	-	0.50%
3	11/1/2017	291,836	\$ 0.5431	131,334	\$ 0.5431	-	-	1.00%
4	11/1/2018	295,484	\$ 0.5498	132,976	\$ 0.5498	25,000,000	102,983	1.25%
5	11/1/2019	299,916	\$ 0.5581	134,971	\$ 0.5581	25,000,000	102,983	1.50%
6	11/1/2020	305,165	\$ 0.5679	137,333	\$ 0.5679	25,000,000	102,983	1.75%
7	11/1/2021	311,268	\$ 0.5792	140,079	\$ 0.5792	25,000,000	102,983	2.00%
8	11/1/2022	317,493	\$ 0.5908	142,881	\$ 0.5908	25,000,000	102,983	2.00%
9	11/1/2023	323,843	\$ 0.6026	145,739	\$ 0.6026	25,000,000	102,983	2.00%
10	11/1/2024	330,320	\$ 0.6147	148,653	\$ 0.6147	25,000,000	102,983	2.00%
11	11/1/2025	336,926	\$ 0.6270	151,626	\$ 0.6270	25,000,000	102,983	2.00%
12	11/1/2026	343,665	\$ 0.6395	154,659	\$ 0.6395	25,000,000	102,983	2.00%
13	11/1/2027	350,538	\$ 0.6523	157,752	\$ 0.6523	25,000,000	102,983	2.00%
14	11/1/2028	357,549	\$ 0.6653	160,907	\$ 0.6653	25,000,000	102,983	2.00%
15	11/1/2029	364,700	\$ 0.6786	164,125	\$ 0.6786	25,000,000	102,983	2.00%
16	11/1/2030	371,994	\$ 0.6922	167,408	\$ 0.6922	25,000,000	102,983	2.00%
17	11/1/2031	379,434	\$ 0.7061	170,756	\$ 0.7061	25,000,000	102,983	2.00%
18	11/1/2032	387,022	\$ 0.7202	174,171	\$ 0.7202	25,000,000	102,983	2.00%
19	11/1/2033	394,763	\$ 0.7346	177,655	\$ 0.7346	25,000,000	102,983	2.00%
20	11/1/2034	402,658	\$ 0.7493	181,208	\$ 0.7493	25,000,000	102,983	2.00%
21	11/1/2035	410,711	\$ 0.7643	184,832	\$ 0.7643	25,000,000	102,983	2.00%
22	11/1/2036	418,926	\$ 0.7795	188,528	\$ 0.7795	25,000,000	102,983	2.00%
23	11/1/2037	427,304	\$ 0.7951	192,299	\$ 0.7951	25,000,000	102,983	2.00%
24	11/1/2038	435,850	\$ 0.8110	196,145	\$ 0.8110	25,000,000	102,983	2.00%
25	11/1/2039	444,567	\$ 0.8273	200,068	\$ 0.8273	25,000,000	102,983	2.00%
26	11/1/2040	453,459	\$ 0.8438	204,069	\$ 0.8438	25,000,000	102,983	2.00%
27	11/1/2041	462,528	\$ 0.8607	208,151	\$ 0.8607	25,000,000	102,983	2.00%
28	11/1/2042	471,778	\$ 0.8779	212,314	\$ 0.8779	25,000,000	102,983	2.00%
29	11/1/2043	481,214	\$ 0.8954	216,560	\$ 0.8954	25,000,000	102,983	2.00%
30	11/1/2044	490,838	\$ 0.9134	220,891	\$ 0.9134	25,000,000	102,983	2.00%
TOTAL		11,202,266		5,041,337			2,780,528	
NPV		3 6,090,663		2,740,971			1,494,991	
							19,024,131	
							10,326,625	

SHELTAIR

SQ FT		537,399.72		241,845.12		NEW	PROPERTY	
YEAR	DATE	PARCEL 9	RENT	PARCEL 32 & 33	RENT	INVESTMENT	TAX REV	
1	11/1/2015	284,822	\$ 0.5300	-	\$ 0.3700	-	-	
2	11/1/2016	286,246	\$ 0.5327	-	\$ 0.3719	-	-	
3	11/1/2017	289,108	\$ 0.5380	91,281	\$ 0.3700	25,000,000	102,983	
4	11/1/2018	292,722	\$ 0.5447	92,422	\$ 0.3746	25,000,000	102,983	
5	11/1/2019	297,113	\$ 0.5529	93,809	\$ 0.3802	25,000,000	102,983	
6	11/1/2020	302,313	\$ 0.5625	101,575	\$ 0.4200	25,000,000	102,983	
7	11/1/2021	308,359	\$ 0.5738	103,606	\$ 0.4284	25,000,000	102,983	
8	11/1/2022	314,526	\$ 0.5853	105,679	\$ 0.4370	25,000,000	102,983	
9	11/1/2023	320,817	\$ 0.5970	107,792	\$ 0.4457	25,000,000	102,983	
10	11/1/2024	327,233	\$ 0.6089	109,948	\$ 0.4546	25,000,000	102,983	
11	11/1/2025	333,778	\$ 0.6211	112,147	\$ 0.4637	25,000,000	102,983	
12	11/1/2026	340,453	\$ 0.6335	114,390	\$ 0.4730	25,000,000	102,983	
13	11/1/2027	347,262	\$ 0.6462	116,678	\$ 0.4824	25,000,000	102,983	
14	11/1/2028	354,207	\$ 0.6591	119,011	\$ 0.4921	25,000,000	102,983	
15	11/1/2029	361,292	\$ 0.6723	121,391	\$ 0.5019	25,000,000	102,983	
16	11/1/2030	368,517	\$ 0.6857	123,819	\$ 0.5120	25,000,000	102,983	
17	11/1/2031	375,888	\$ 0.6995	126,296	\$ 0.5222	25,000,000	102,983	
18	11/1/2032	383,405	\$ 0.7134	128,822	\$ 0.5327	25,000,000	102,983	
19	11/1/2033	391,074	\$ 0.7277	131,398	\$ 0.5433	25,000,000	102,983	
20	11/1/2034	398,895	\$ 0.7423	134,026	\$ 0.5542	25,000,000	102,983	
21	11/1/2035	406,873	\$ 0.7571	136,707	\$ 0.5653	25,000,000	102,983	
22	11/1/2036	415,010	\$ 0.7723	139,441	\$ 0.5766	25,000,000	102,983	
23	11/1/2037	423,311	\$ 0.7877	142,229	\$ 0.5881	25,000,000	102,983	
24	11/1/2038	431,777	\$ 0.8035	145,074	\$ 0.5999	25,000,000	102,983	
25	11/1/2039	440,412	\$ 0.8195	147,976	\$ 0.6119	25,000,000	102,983	
26	11/1/2040	449,221	\$ 0.8359	150,935	\$ 0.6241	25,000,000	102,983	
27	11/1/2041	458,205	\$ 0.8526	153,954	\$ 0.6366	25,000,000	102,983	
28	11/1/2042	467,369	\$ 0.8697	157,033	\$ 0.6493	25,000,000	102,983	
29	11/1/2043	476,716	\$ 0.8871	160,173	\$ 0.6623	25,000,000	102,983	
30	11/1/2044	486,251	\$ 0.9048	163,377	\$ 0.6755	25,000,000	102,983	
TOTAL		11,133,174		3,530,988			2,883,510	
NPV		6,067,975		1,842,636			1,586,542	
							17,547,673	
							9,497,152	

ASSUMPTIONS

- CPC FIRST YEAR IS 10.5 MONTHS ONLY
- SHELTAIR 6 YEAR RESET ESTIMATE INCREASED \$.05 TO \$.42 BASED ON TREND IN PAST INCREASES
- DISCOUNT RATE FOR NPV 4%
- MILLAGE ASSUMED CONSTANT AT 4.1193