



CITY OF FORT LAUDERDALE

**AVIATION ADVISORY BOARD SPECIAL MEETING  
FORT LAUDERDALE EXECUTIVE AIRPORT  
ADMINISTRATIVE OFFICE – MULTIPURPOSE ROOM  
6000 NW 21 AVENUE, FORT LAUDERDALE, FLORIDA  
THURSDAY, AUGUST 16, 2018 1:30 P.M.**

	Attendance	Cumulative Attendance 7/18 through 7/19	
		Present	Absent
Ed Kwoka, Chair	A	1	1
Edward Rebholz, Vice Chair	P	2	0
Louis Gavin	A	0	2
Tom Moody	A	0	2
Dana Pollitt	A	1	1
John Watt	P	2	0
Commissioner Marlon Bolton, City of Tamarac [non-voting]	A	0	2
Jeff Helyer, City of Oakland Park [non-voting]	P	2	0

**Airport Staff**

Rufus A. James, Airport Manager  
Carlton M. Harrison, Assistant Airport Manager  
Spencer A. Thornton, Assistant Airport Manager  
Florence Straugh, Noise Abatement Officer  
Fernando Blanco, Airport Engineer/Project Manager II  
Angelia Basto, Administrative Assistant I  
Mickaelle Bouchereau, Administrative Aide  
Mitchell Bennett, Airport Intern  
Michael Mitchel, Recording Secretary, Prototype, Inc.

**Guests**

Jeff Kohlman, Aviation Management Consulting Group

**CALL TO ORDER**

Vice Chair Rebholz called the meeting to order at 1:34 p.m.

1. **Roll Call** – not addressed

**PRESENTATION**

1. **Airport Lease Agreements**

Vice Chair Rebholz introduced Jeff Kohlman, Managing Principle, from Aviation Management Consulting Group (AMCG).

Mr. Kohlman provided a brief overview of his career. He has been in the aviation field for over 30 years and is a pilot and aircraft owner. He started AMCG over 21 years ago. They teach the American Association of Airport Executives class on primary management compliance documents.

Mr. Kohlman showed a PowerPoint presentation on the Airport Lease Agreements covering negotiation standpoint, terms and conditions, and some “do’s and don’ts.”

Discussion/Questions:

- Example of an unamortized value
  - Signature Flight Support wanted to build a new terminal in Miami, but the Airport did not want to give them more than 10 years to amortize it out. They agreed that at the end of 10 years, Miami would put out an RFP for the unamortized portion. Landmark Aviation won the RFP so Landmark Aviation wrote a check to Signature Flight Support for the unamortized value. If Signature had won the RFP, they could have continued the amortization under a lease agreement with the Airport. Alternatively, the Airport could reclaim the leasehold and write Signature a check.
- Comment: A company leases land, builds on it, and that investment at the end of the lease becomes the property of the Airport. There are some requirements in the lease for the Airport to maintain the property.
  - It is also common at the end of the term for the following to occur:
    - Lessee can allow the property to revert to the Airport sponsor
    - Airport sponsor may return what was leased to the lessee back to its normal condition; they want to repurpose the land. The lessee will pay the costs for demolition. That would be negotiated at the beginning of the lease. It is very common in the reversion language.
- What if a tenant wants to sublease their parcel as a whole?
  - The middleman situation is usually not recommended – someone wants to come in and make money on the Airport property.
- What if someone in the middle of a long-term lease decides they do not want to do operations anymore?
  - Lease assignment is different than sub-lease – it is pretty normal within the industry. The recommendation is to treat the new party like a new lessee: know their financial and operational information, investment standards, etc.
    - Would the existing leaseholder be held to guarantee that for the remainder of the term?
      - Some airports do, but it is usually a provision within an existing agreement.

- Would it be better to terminate the first lease and deal only with the new lessee?
  - In some cases, the new lessee is acquiring the entity, so it is a continuation of the original lessee. Sometimes it is advantageous to enter into a new lease. If a party comes to the Airport and wants to ride out the original agreement but change some terms, then the Airport has the opportunity to negotiate a new lease.
- What if someone started a 30-year lease, 10 years have gone by and they are looking to assign it to somebody else, and the incoming party wants the 10 years back to get to the 30-year term? If the Airport offers that, and asks them to do capital improvements, what is a reasonable amount of time for a lessee to construct those capital improvements?
  - It depends on the amount of term, and when the term will be granted. If they want the term “now,” then they need to build “now.” They need to meet the Airport’s minimum standards. They can build more later if they wish.
- What would drive the approval of “no objection” to an assignment from one entity to the next?
  - The Airport would have to revert to the assignment language in the agreement. Control of that process would go back to the application, business plan, etc.
- What could the Airport do if an applicant does not want to agree to a new policy?
  - Policies and agreements are different. If the Airport has entered into existing lease agreements, they have to be honored. Typically, changing leasing policies would apply to new agreements, barring “minimum standards” type of language in the lease that would allow modifying policies within the minimum standards.
- How does the reversion process work when there is an opportunity for a tenant to continue with an agreement, and how would rates be established at the point of reversion?
  - When entering into a new agreement, the Airport needs to ensure they are charging market rates for the land and the improvements. As the reversion dates come close, have a determination of the appropriate rental rates as part of the tri-annual appraisal and CIP adjustment.
- If a long-term tenant started 40 years ago, the rate could escalate significantly.
  - The building rents, apron rents, and parking rents all incorporate the underlying land. If it is bare land, it would be a separate rate.
- How do you handle a long-time tenant who feels punished for upgrading their parcel?
  - Tell them to read their agreement – improvement reverts at the end of the term.
  - The Airport has an obligation to abide by its agreements as does the tenant. If the Airport did not abide by its agreements, it is creating an economic discrimination.

- If the FAA found out about that, the Airport would be in noncompliance. It would lose access to runway and taxiway grants. The Airport has a Federal obligation to enact the reversion clauses.
- What about an Airport that itself is continually improving (new tower, new lighting, etc.)? Does that allow the Airport to make more requirements in the agreements?
  - It certainly enhances the value of the land, but not necessarily allows more requirements. Fees can reflect the increased operating costs and infrastructure improvements.

There being no further business to come before the Board at this time, the meeting was adjourned at 2:36 p.m.

Any written public comments made 48 hours prior to the meeting regarding items discussed during the proceedings have been attached hereto.

[Minutes prepared by J. Rubin, Prototype, Inc.]



# Airport Lease Agreements

THE DO'S AND DON'TS I WISH I KNEW

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PRESENTER

Jeff A. Kohlman, Managing Principal  
Aviation Management Consulting Group

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Fort Lauderdale Executive Airport  
Aviation Advisory Board

*August 16, 2018*



# Session Overview

## ● Airport Lease Agreements

- Negotiation Preparation
- Lease Agreement Terms and Conditions
- Do's
- Dont's



# Let's Set the Stage For Today's Discussion

## ● Leasing Airport Land and Improvements

- Airport Sponsor is a Public Agency versus Private Entity
- Airport Sponsor is Federally-Obligated to the FAA
- Land is Not Owned by Airport Sponsor in Fee Simple





# Negotiation Preparation

## ● Federal Limitations

- Federal Statutes
- Federal Regulations
- FAA Policies
- FAA Orders
- FAA Guidance



# Negotiation Preparation

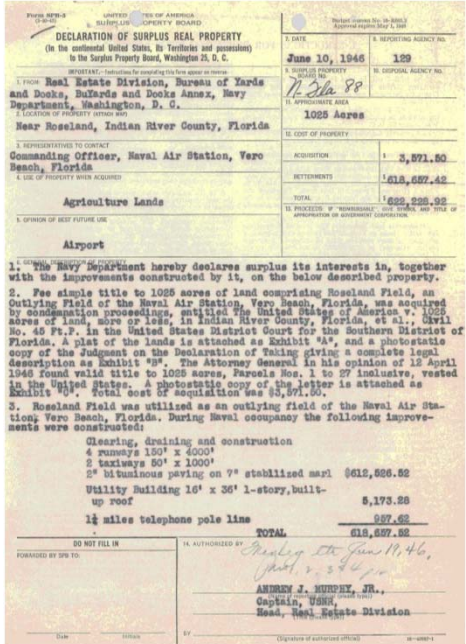
## Federal Limitations

### ➤ Land Conveyance

- ☞ Deed Restrictions via Surplus Property Act
  - Codified in 49 U.S.C. §§ 47151-47153

### ➤ Land Purchases

- ☞ Grant Obligations via Airport Sponsor Assurances
  - 39 Assurances
    - » Assurance 5 – Preserving Rights and Powers
    - » Assurance 22 – Economic Nondiscrimination
    - » Assurance 23 – Exclusive Rights
    - » Assurance 24 – Fee and Rental Structure



DECLARATION OF SURPLUS REAL PROPERTY		1. DATE	2. REPORTING AGENCY NO.
(In the continental United States, its Territories and possessions) To the Surplus Property Board, Washington 25, D. C.		June 10, 1946	109
PROPERTY: (Indicate the location of the real estate or interest)		3. SURPLUS PROPERTY	4. DISPOSAL AGENCY NO.
1. FROM: Real Estate Division, Bureau of Yards and Docks, Bufileds and Docks Annex, Navy Department, Washington, D. C.		N. 216 88	
2. LOCATION OF PROPERTY (Street and No.)		5. APPROXIMATE AREA	6. DISPOSITION
Near Roseland, Indian River County, Florida		1025 Acres	
7. REPRESENTATIVE TO CONTACT		10. COST OF PROPERTY:	
Commanding Officer, Naval Air Station, Vero Beach, Florida		ACQUISITION	3,971.80
8. USE OF PROPERTY WHEN ACQUIRED		BETTERMENTS	618,697.42
Agriculture Lands		TOTAL	622,669.22
9. SPECIES OF BEST FUTURE USE		11. PROCEEDS OF "REDEMPTION" AND "SALE" AND "WOLF" OF IMPROVEMENTS IN ACQUISITION CATEGORIES:	
Airport			

1. The Navy Department hereby declares surplus its interests in, together with the improvements constructed by it, on the below described property.

2. Fee simple title to 1025 acres of land comprising Roseland Field, an Outlying Field of the Naval Air Station, Vero Beach, Florida, was acquired by condemnation proceedings, entitled The United States of America v. 1025 acres of land, more or less, in Indian River County, Florida, et al., Civil No. 45 P.F. in the United States District Court for the Southern District of Florida. A plat of the lands is attached as Exhibit "A", and a photostatic copy of the Judgment of the Declaration of Taking giving a complete legal description as Exhibit "B". The Attorney General in his opinion of 12 April 1946 found valid title to 1025 acres, Parcel No. 1 to 27 inclusive, vested in the United States. A photostatic copy of the letter is attached as Exhibit "C". Total cost of acquisition was \$3,971.80.

3. Roseland Field was utilized as an outlying field of the Naval Air Station, Vero Beach, Florida. During Naval occupancy the following improvements were constructed:

Clearing, draining and construction	
4 runways 150' x 4000'	
2 taxiways 60' x 1000'	
24 thousands paving on 7" stabilized soil	\$618,697.42
Utility Building 16' x 36' 1-story, built-up roof	5,173.28
1 1/2 miles telephone pole line	297.62
TOTAL	618,697.42

DO NOT FILL IN  
FORWARDED BY SPA TO:

14. AUTHORIZED BY: *Andrew J. Murray, Jr.*  
JUL 10 1946  
ANDREW J. MURRAY, JR.,  
CAPTAIN, USN, RET.  
Head, Real Estate Division

## Negotiation Preparation

**“Conveyances of surplus property and purchase of property with federal grants are subject to the terms, conditions, reservations, and restrictions prescribed in the instruments of conveyance or federal grants. In other words, the property has strings attached, which are the sponsor’s federal obligations.”**

# Negotiation Preparation

## ● State Limitations

- State Statutes
  - ☞ Maximum Lease Term
- State Regulations
  - ☞ Stipulated Process
  - ☞ Land Use
- State Assurances
  - ☞ Restrictions

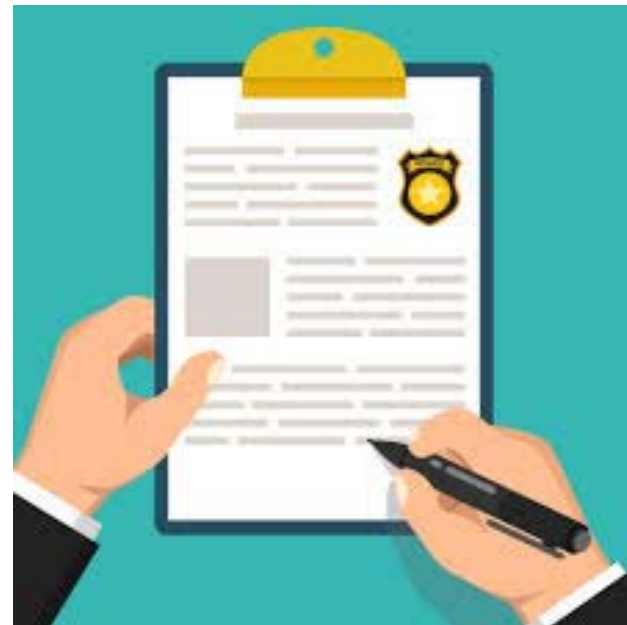
STATE LAWS



# Negotiation Preparation

## ● Local Limitations

- Municipal Ordinances
- Zoning Codes
- Building Codes



# Negotiation Preparation

## Airport Limitations

- Airport Rules and Regulations
  - ☞ Governing the use of the airport by people, vehicles, and aircraft
- Airport Leasing/Rents and Fees Policies
  - ☞ Establishing the processes and policies for the leasing of airport land and improvements and the setting and adjusting of airport rents and fees

# Negotiation Preparation

## Airport Limitations

- Airport Minimum Standards
  - ☞ Stipulating the minimum requirements to engage in commercial aeronautical activities
- Development Standards
  - ☞ Specifying the processes for seeking approval of the development of airport land and improvements and the development standards that are unique to the airport that are typically not addressed in zoning and building codes

# Lease Agreement Terms and Conditions

## Leased Premises

- Identify land and improvements
  - ☞ Description
  - ☞ Location
  - ☞ Square Footage (by element)
- Survey land and improvements





# Lease Agreement Terms and Conditions

## Term

- The number of years till the agreement terminates
  - ☞ With major investment – 20 to 40 years
  - ☞ Without major investment – 5 to 10 years
  - ☞ Nearly absolute maximum – 50 years
- Options to extend term
  - ☞ Lessor option
  - ☞ Lessee option
  - ☞ Steps to exercise options

# Lease Agreement Terms and Conditions

## Amortization

- Number of years to amortize investment on the leased premises. Three options at end of lease term:
  - ☞ (1) the airport sponsor pays the lessee the unamortized value of the investment;
  - ☞ (2) the next lessee, if the current lessee is unable to negotiate a new agreement, pays the current lessee the unamortized value of the investment; or
  - ☞ (3) the airport sponsor and the current lessee enter into a new agreement and the current lessee is able to continue the amortization of the investment

# Lease Agreement Terms and Conditions

## Reversion

- Reversion of Transferred Rights
- Reversion of Improvements
- Reversion Process
  - ☞ When
  - ☞ What
  - ☞ Effect of Additional Investment

# Lease Agreement Terms and Conditions

## Rents

- Basis of Initial Rental Rate
  - ☞ Segmented by Element (Land, Terminal, Office, Hangar, Shop, etc.)
- Basis of Rental Rate Adjustment
  - ☞ Market Rent Study
  - ☞ Appraisal
  - ☞ Index
- Dispute Resolution Process



# Lease Agreement Terms and Conditions

## Fees

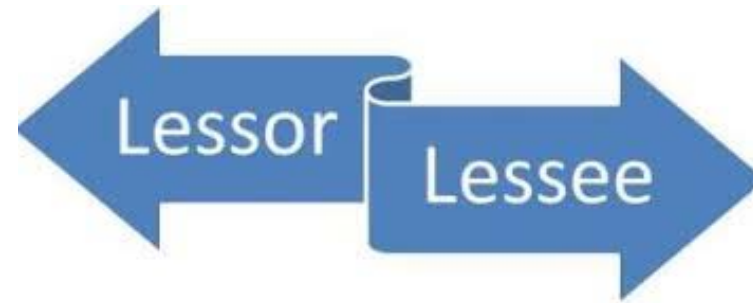
- Basis of Initial Rate
- Basis of Rate Adjustment
  - ☞ Cost Basis
  - ☞ Index



# Lease Agreement Terms and Conditions

## ● Lessor and Lessee Obligations

- Landside
- Airside
- Security
- Fencing
- Maintenance



# Lease Agreement Terms and Conditions

## Termination

- What will happen?
- Notification provisions
- Renewal process



# Do's

## ● **Negotiating and Implementing Do's**

- Prepare for Negotiations
- Negotiate a Memorandum of Understanding
- Utilize Legal Representation
- Read the Agreement





# Don'ts

## ● Negotiating and Implementing Don'ts

- Negotiating for the WIN!
- Agree to Something You Won't Do
- Don't Take Position, "That Won't Be My Problem"
- Ignore the Agreement
- Miss or Ignore Key Dates



# Questions and Answers

## ● Airport Lease Agreements

- Negotiation Preparation
- Lease Agreement Terms and Conditions
- Do's
- Don'ts

