

MEMORANDUM

TO: **Real Estate & Transportation Committee**
Commissioner Don Selvage, Chairman
Commissioner Justin Troller
Commissioner Phillip Walker

FROM: City Attorney's Office

DATE: July 5, 2016

RE: **Seventh Lease Amendment with Gulf Coast Avionics Corporation**

Attached hereto for your consideration is a proposed Lease Amendment with Gulf Coast Avionics Corporation (Gulf Coast) to the existing Land and Building Lease Agreement executed May 15, 1998. This Seventh Lease Amendment provides for an extension of the Lease term, as well as a rent adjustment based on market comparisons to other facilities located at the Airport.

In 1998, the City financed the construction of the hangar and office facility on the 2.4 acre lot. The facility was designed to specifically accommodate Gulf Coast's operational needs. At that time, rent was structured to provide the Airport with a return on its investment, the land, and also provide for payment of the debt used to construct the facility at an initial cost of \$1.3 million dollars.

Gulf Coast has been a tenant in good standing at the Airport since 1998. Gulf Coast is a leading supplier of avionics, pilot supplies and aircraft services, providing merchandise from name brand manufacturers to keep pilots, aircraft owners and operators flying. The services Gulf Coast provides helps generate additional activity at the Airport. Restructuring the existing Lease Agreement was important to both parties in order to maintain Gulf Coast's presence in Lakeland.

The existing Lease has approximately 2 years remaining on the initial term, with 2 additional 10 year renewal options. The Airport and Gulf Coast have renegotiated the Lease to amend the lease term and to adjust the rent to a standard building lease rate. It was important to reestablish the rent at current market rates to replace the basis on a debt repayment, which no longer was applicable.

This Seventh Amendment provides for a new 15 year lease term with 2 additional 15 year options of renewal, with the second option of renewal subject to mutual written agreement of the parties. Commencing August 1, 2016, and subject to approval by the City Commission, this Seventh Amendment also seeks to reduce the annual rent from \$228,435.72 to \$195,000 in the first year of the Agreement to reflect current rates for the 20,000 square feet of space, consisting of 8,000 square feet of hangar area and 12,000

square feet of office and work areas. The blended rate is \$9.75 per square foot. Thereafter, rent is subject to an adjustment every 5 years in accordance with the Consumer Price Index, with a not-to-exceed cap of 7.5% for the period.

	<u>SQ FEET</u>	<u>RATE</u> <u>PER SQ FT.</u>	<u>ANNUAL</u> <u>RENT</u>
Building - Office/Retail	12,000	\$ 11.75	\$ 141,000.00
Hangar	8,000	\$ 6.75	\$ 54,000.00
Total Building	20,000	\$ 9.75	\$ 195,000.00

It is recommended that the appropriate City officials authorize this Seventh Lease Amendment with Gulf Coast consistent with the terms and conditions specified above.

RS
attachment

SEVENTH AMENDMENT TO LEASE AGREEMENT

THIS SEVENTH AMENDMENT TO LEASE AGREEMENT, made and entered into this 5th day of July 2016, by and between the **CITY OF LAKELAND, FLORIDA**, a municipal corporation, (hereinafter referred to as "Lessor"), whose address is 228 S. Massachusetts Avenue, Lakeland, Florida 33801, and **GULF COAST AVIONICS CORPORATION**, a Florida corporation (hereinafter referred to as "Lessee"), whose address is 3650 Drane Field Road, Lakeland, Florida 33811.

WITNESSETH:

WHEREAS, the Lessor and the Lessee have entered into that certain Lease Agreement dated May 15, 1998, relating to the construction and lease of an office and hangar facility at Lakeland Linder Regional Airport; and

WHEREAS, said Lease Agreement has been amended by an Amendment to Lease Agreement dated June 19, 1998, Second Amendment to Lease Agreement dated December 8, 1998, Third Amendment to Lease Agreement dated January 7, 2002, Fourth Amendment to Lease Agreement dated February 7, 2011, Fifth Amendment dated July 18, 2011 and Sixth Amendment dated April 7, 2014 (the original Lease Agreement, together with its amendments, shall be collectively referred to hereafter as the "Lease Agreement"); and

WHEREAS, the Parties now wish to enter into this Seventh Amendment to Lease Agreement that will modify the term of the Lease and the rent payments thereto as of July 1, 2016.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained in the Lease Agreement and the Amendments to Lease Agreement, the receipt

and sufficiency of which is hereby acknowledged, the Lessor and Lessee agree to amend and restate the Sections of the Lease Agreement set forth below as follows:

SECTION 1. The Lessor, for and in consideration of the mutual promises, agreements, and covenants herein contained, does hereby lease, let, and rent unto the Lessee for an initial term of fifteen (15) years beginning the 1st day of July 2016 (hereafter the "Commencement Date") and ending on the 30th day of June 2031 the land, together with all improvements, owned and controlled by Lessor (hereinafter the "Premises"), located in and comprising a part of the Lakeland Linder Regional Airport, more particularly described in Exhibit "A" attached hereto and made part hereof, said Premises containing approximately 2.4 acres more or less. The parties may renew this Lease subject to the terms and conditions set forth in Section 3.1 of the Lease.

SECTION 2.

2.1 The Lessee shall pay to the Lessor as rent for the building and land an annual payment of One Hundred Ninety-Five Thousand and 00/100 dollars (\$195,000.00) payable in monthly installments of Sixteen Thousand Two Hundred Fifty and 00/100 dollars (\$16,250.00) commencing July 1, 2016, together with sales taxes and other charges payable by Lessee in accordance with the express terms and conditions of this Lease Agreement, payable in advance on or before the first day of each month.

Payment shall be deemed to be made when received by the Lessor. Late installments of rent, which shall be any installment received more than fifteen (15) days after the due date, shall bear interest at the annual rate of eighteen percent (18%) from the date due until paid.

Every five (5) years during the term of this Lease, commencing on July 1, 2021 and with any subsequent renewal, rent shall be increased in an amount to be determined by the percentile change in the Consumer Price Index, All-Urban Consumers, U.S. City Average, All Items, as published by the Bureau of Labor Statistics, United States Department of Labor (the "CPI-U"), using April 1, 2016 as the new base period for such determination, as more particularly described in Section 2.2, provided that in any five (5) year period no increase shall exceed 7.5%.

2.2 Commencing July 1, 2021, and, at the beginning of each five (5) year Lease period thereafter, all rents to be paid hereafter shall be adjusted in accordance with the Consumer Price Index for all Urban Consumers unadjusted, (U.S. City Average: All Items 1982-84=100), issued monthly by the Bureau of Labor Statistics of the U.S. Department of Labor. Such adjustment shall be made by multiplying said rent by a fraction, the numerator of which shall be the Index Number as set forth in said Consumer Price Index for the month which is three (3) calendar months prior to the commencement of the new five (5) year lease period, and the denominator of which shall be the Index Number as set forth in said Consumer Price Index for the month which is three (3) months prior to the month of the commencement of the preceding five (5) year lease period, provided that the maximum increase shall not exceed 7.5%. At no time shall rent be decreased in the event of a negative Consumer Price Index adjustment.

SECTION 3.

3.1 The Lessee, so long as it is not in default, may renew this Lease for one (1) additional term of fifteen (15) years by providing written notice to Lessor of its intent to do

so at least sixty (60) days prior to the expiration of the initial term, upon the same term and conditions. Thereafter, upon mutual written agreement of the parties, Lessee may renew this Lease for one (1) additional fifteen (15) year term upon the same terms and conditions.

Except as otherwise provided herein all terms/conditions of the Lease Agreement, including any amendments thereto, shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have entered into this Seventh Amendment to Lease Agreement on the day and year first above written

CITY OF LAKELAND, FLORIDA

ATTEST:

BY: _____
Kelly S. Koos, City Clerk

BY: _____
R. Howard Wiggs, Mayor

(Seal)

APPROVED AS TO FORM AND CORRECTNESS:

BY: _____
Timothy J. McCausland, City Attorney

GULF COAST AVIONICS CORPORATION

Signed in the presence of:

Witness

BY: _____
Ricardo Garcia, President

Witness

EXHIBIT A

