



## Lauderdale Small Boat Club Lease Negotiations Synopsis to Date & Motion for Independent Appraiser

### History

**2005** Lease agreement was a continuation of the 2000 Appraisal and lease and was reduced to a three-year lease with two one-year extensions. At that time, the Aviation Department had plans to repurpose the land by filling in the basin and eliminating the marina. Thus, eliminating LSBC from the property!

**2010** Lease agreement was for five years and with five-year renewal. With no annual increase. The lease should have been based on the Appraisal of 5.2 million dollars at that time, however due to the downturn of the entire economy, the Club was granted a lease base on 2.5 million dollars. As was every other lease tenant on the airport.

**2015** Lease agreement was a five-year continuation based on 2010, no appraisal required. However the 3% annual increase was reestablished.

Appraisals are performed every 10 years by County Charter.

### Synopsis of Current Lease Negotiation

The Lease Committee is comprised of George Lewis, Sheila Rounds (until 9/14), Tim Rounds, Barbra Estep, EJ Schinski and Tony Thackham (later addition to the committee).

The first meeting was held on July 8<sup>th</sup> to review the two independent appraisals that were presented by the Airport Division. The Airport Division had a second appraisal performed as they felt the first, at \$7.2 Million was extremely high. The second came in at \$8.7 million. The Committee also went to the Broward County Appraisers web site to review what the Just Value is for the LSBC leased property. The breakdown is as follows:

Appraisal	Sq Ft	Sq Ft Rate	Appraised Value	Rent Rate	Annual Rent	Monthly Rent	Current Rent	\$ Increase	% Increase
1st	255,547	\$28	\$7,155,316	8%	\$572,425	\$47,702	\$19,303	\$28,399	147.12%
2 <sup>nd</sup>	440,677	19.74	\$8,698,964	8%	\$695,917	\$57,933	\$19,303	\$38,690	200.44%
Just Value	440,677	9.72	\$4,281,950	8%	\$342,556	\$28,546	\$19,303	\$9,243	47.89%

The Committee found some inconsistencies between the two appraisals, they felt could be used as negotiation points. The Committee reviewed the previous letter submitted by the LSBC 2010 Board. With many of the same negotiation points the same then as today, the Committee agreed to use the LSBC 2010 Board letter as a template.

The second meeting was held on July 14<sup>th</sup> to draft the Negotiation letter to the Airport Division. It was agreed to not use the Property Appraisers Just Value as a starting point, rather to use a percentage increase over our current rent rate.

The letter was submitted July 15<sup>th</sup> and returned July 17<sup>th</sup> with the Airport Divisions remarks in bold print.

Phone conference was held on July 21<sup>st</sup> with Leo Treggi, Henry Perez, Tim Rounds, Barbara Estep, Sheila Rounds and EJ Schinski (George Lewis was sick). Both Leo and Henry made it clear from the beginning that the lease rate would only be based on the \$7.2 Million appraisal. Henry did provide historic background as to why relief was granted in 2010, as it was to all Airport tenants at that time due to the economy. The current COVID-19 pandemic they informed us was not a reason for relief and they are not granting any relief to any tenant or airline. Leo and Henry informed us our only recourse was to dispute the appraisals with one of our own. Leo sent the Full Market Rent Notice & Appraisal Dispute Process July 22<sup>nd</sup>, see attached original letter and airport responses. Airport responses are in **BOLD PRINT**.

July 23<sup>rd</sup>, the Committee sent the LSBC Notice of Dispute – Full Market Rent Letter to Leo and Henry. This give us until September 25<sup>th</sup> to have our own appraisal or alternate solution if there is one.

August 10<sup>th</sup>, the committee met and analyzed a quote from SFI for repairs to our seawall infrastructure. The quote was for \$1.4 million. The quote and the previous appraisals were used to state our case to certain persons who are sympathetic to our Club. This process has taken awhile to navigate through.

September 18, the committee was advised that LSBC must get an independent appraisal so that those sympathetic to our cause will have definitive appraisals to use.

### **Synopsis of Dispute Process**

- LSBC acquires its own appraisal for \$5,000.00. We had received estimates of up to \$8,000.00
- If the LSBC appraisal is 10% or less than the previous two provided by the Airport Division, we possibly would not present and would then be locked into the appraisal of \$7.2 Million.
  - If this appraisal is presented, the two Airport appraisals and ours would be averaged for a final appraised value at a minimum of \$7,431,354.60.
- If the LSBC appraisal is greater than a 10% difference, then if accepted by the County Property Manager, we would be locked into that rate. If the County Property Manager rejects our appraisal a Resolution Appraiser would be hired and agreed upon between the Airport Division and LSBC with the cost split 50/50 with a cost to be determined later.
  - The Resolution Appraiser then attempts to mediate between all the appraisals.
  - If no resolution is found, the Appraiser would then conduct their own appraisal.
  - The result of all four appraisals would then be averaged for a final Full Market Rent.

### **LSBC Independent Appraiser**

The Lease committee recommends Walter Duke & Partners to conduct the independent appraisal for LSBC. Walter Duke has been the former Mayor for Dania Beach and is very familiar with our club and supports our cause to find a fair market value. Marina appraisals are one of his specialties. For more info on qualifications you may visit the following sites:

<https://walterdukeandpartners.com/marina-appraisals-boatyard/>.

<https://walterduke.com/duke-named-marine-industry-board/>

<https://walterduke.com/walter-duke-honored-by-the-marine-industry-cares-foundation/>

<https://walterduke.com/?s=Making+Waves>

<https://youtu.be/CodYYO7k9z4>

<http://www.boatingindustry.com/top-stories/2015/08/13/when-is-the-right-time-to-sell-a-marina/>

<https://walterduke.com/time-to-sell-your-marina/>

<https://www.linkedin.com/pulse/fort-lauderdale-still-yachting-capital-world-duke-iii-mai-ccim/>

**Motion to be presented to the Board and Membership:**

Approve funding in the amount not to exceed \$5,000.00 for an independent appraisal for LSBC property using Walter Drake and Associates.

**Scroll down for attached letter to Airport Division with their responses.**

July 15, 2020

Attn: Leo Treggi  
Aviation Business Manager

RE: Lauderdale Small Boat Club (LSBC)  
Proposed Property Lease Agreement

**First and foremost, we would like to express that the airport appreciates LSBC as a tenant and we have no interest in LSBC leaving. However, because the lease is about to expire and we have not had much communication from LSBC, the airport had no choice but to procedurally let LSBC know that without a new lease it could continue to occupy the property.**

The Lauderdale Small Boat Club has been in existence for over 65 years and we are the longest running tenant in the airport's history. LSBC has always been on time with our monthly rent payments and have complied with all the requests made of us by the airport. We have not had any environmental issues. LSBC is a not-for-profit member Florida corporation. As such, we were disappointed to receive a notice to vacate memorandum earlier this week. We believe that we have been communicating with the airport in a timely manner following the receipt of the appraisals on June 26<sup>th</sup>, despite the fact that they were completed in February and May respectively. We hope that the premature delivery of the vacation letter does not adversely affect our negotiations moving forward.

**Please be aware that the fact the appraisals were completed in February and May does not mean that we received them within the same months. There is a review process before they are sent to us. Moreover, LSBC was made aware of the second appraisal during a phone conversation. We also advised that we were seeking a second appraisal hoping that it would be lower than the first appraisal. At that point we would share both appraisals, which we did as soon as we received the second appraisal.**

LSBC is currently making monthly payments of \$19,303, or \$231,636 annually. These payments tie back to a property appraisal of approximately \$2.9 million. The two property appraisals conducted in the Spring of 2020 appraise the property at \$7.2 or \$8.7 million.

**The current rent does not reflect the appraised value when it was established back in 2010. The appraised value in 2010 was \$5.2 million. After much consideration of the market at that time and other factors, the value was reduced to \$2.5 million.**

The LSBC Committee formed to represent the interests of the Club during these negotiations have noticed a concerning discrepancy when comparing the two appraisals. The discrepancy relates to the difference in calculated worth per square foot (\$19.74 vs. \$28.00), as well as the amount of square footage to which the dollar values are attributed (255,547 vs. 440,677). Past precedence shows that in previous appraisals, the square footage utilized for calculations was the land mass of 255,547. The discrepancies noted indicate that the two appraisals cannot be compared as "apples to apples".

**We hire qualified, independent professional appraisers. We do not influence the process or tell them how to conduct the appraisal. The appraisers may have different methods to obtain the market value, but their conclusions are not invalid because they may have different methods.**

**Here, one appraiser distributed the value on the land only (255,457) at \$28 per square foot. The other appraiser distributed the value on the entire leasehold (440,677) at \$19.74, including the water body. It makes sense that the first would be higher than the second since it only takes in consideration the dry land when distributing the value.**

**Nonetheless, the current rent has been based on 400,677 square feet.**

To emphasize our concerns, we would like to raise a number of issues which address our belief that the appraisals unfairly represent the value of the leased property.

1) The majority of the comparable properties referenced and used to substantiate the square footage value are commercially operated boatyards, not marinas. The properties are all “for profit” entities, rather than “not-for-profit” organizational clubs. This distinction is important to note as the square footage value of \$28 is calculated and assigned as if property is a commercial, for-profit business.

**The appraisers followed federal regulations for conducting appraisals for airport property. The value of the land does not change because it is currently occupied by a “not-for-profit” organization. Nonetheless, we are calculating the rent at 8% of the market value, which is the minimum we can charge according to our administrative code, because the LSBC is a not-for-profit organization.**

2) Throughout the years, LSBC has completed and paid for improvements to the property. Those improvements are recognized and can be tied to the higher value quoted in the appraisal. Therefore, we believe that we are being unfairly penalized for making the necessary repairs and upgrades to the property: Improvements = Higher Appraisal = Higher Rent.

**This is not accurate. Ultimately, the appraised value is based on the value of the land. Moreover, per our agreement, LSBC is responsible for all maintenance and repairs. Why would we continue to lease the property to LSBC if it is not maintaining the property properly?**

3) Economic uncertainty. Covid-19 has strained both the local and global economy. Although we are all very hopeful that things will return to normal, we don't know when that might be, nor to what degree normal will look and feel like. Our members value boating and it represents one of the few acceptable social and recreational outlets for South Florida residents. LSBC serves and fulfills a need for affordable dockage to many veterans, seniors and blue-collar workers that could not otherwise afford boat dockage. A rent increase commensurate with either of the submitted appraisals would require a 149% increase in monthly dues and dockage for Club members. The resulting increase would cause untold economic hardship; causing large numbers of our members to default and drop out, possibly leaving boats in the marina due to their inability to find alternative dockage at an affordable rate. This scenario is not only possible but probable.

**Please be advised that the airport is going through difficult times as well. As you may know, the travel industry was devastated by the ongoing pandemic, which directly impacted our revenues. Thus, we are not able to grant any relief at this time.**

LSBC is a responsible, community minded organization that conducts annual charitable events which benefit local organizations. In recent years, LSBC events have raised funds for Honor Flight South Florida, Canine Assisted Therapy, Love Jen Fund, Jessica June Children's Cancer Foundation and Wounded Warriors to name a few. The Club has also hosted the Water Way Clean Up Trash Bash on numerous occasions. These activities show our commitment to giving back to our community.

The Club's Board strives to maintain the annual budget in a fiscally responsible manner. As a not-for-profit, we have cash on hand to allow for our monthly operations and reserves set aside for emergency purposes. We cannot operate efficiently without our members continued support and payment of their monthly dues and dockage. In short, a major increase in monthly/annual lease payments would constitute a devastating hardship for members to bear.

With all of the above in mind and based upon the premise that past annual lease payments reflected lower than recorded appraisals, we propose a 20% increase in our current annual lease payment. We believe that this is a fair offer which could be absorbed by the Club with a manageable increase in dues and dockage.

**We are not able to accept your proposal. Besides federal regulations that governs the use of airport property (including leases), we have an administrative code that establishes how our properties are to be leased. The pertaining part of the code is pasted below.**

**39.3. - Non-Terminal Rates and Charges—Fort Lauderdale-Hollywood International Airport and North Perry Airport.**

**b. Leases for existing facilities.**

**1. The term of a lease shall be limited to 10 years. The County may consider a longer or shorter term based on the magnitude of the investment for refurbishment, or expansion of the existing airport facilities, prevailing economic conditions in the industry, or benefits to the community. However, in no event, shall the lease term exceed thirty (30) years.**

**2. Market Rent for leased premises shall be 8 to 15 percent of the Appraised Value**

**3. Market Rent shall be adjusted annually based on the adjustments in the CPI or 3% over the last year's rent, whichever is greater ("Adjusted Rent"), except as provided for in subsection 39.3.b.4., below.**

**4. For those leases with a term exceeding ten years, an appraisal shall be performed in the tenth and twentieth years, as applicable, to establish Market Rent. Market Rent shall increase or decrease based on such appraisal; however, in the event of a decrease, there shall be no retroactive credit.**

**(a) If the Market Rent exceeds the Adjusted Rent, the rent shall be increased to the Market Rent; and**

**(b) Should the Market Rent be less than the Adjusted Rent, the rent shall be decreased to the Market Rent.**

**5. Amendments to existing leases representing significant economic benefit to the lessee such as a term extension in excess of one (1) year, the addition of land or facilities, or an increase in rights and uses shall incorporate the provisions for determining rent as specified in subsections 39.3.b., 2., 3., and 4.**

**c. Interest at the rate of eighteen percent (18%) per annum shall be charged on all payments that are not made when due under any permit, lease agreement, license agreement, field usage agreement or other agreement with the County.**

With respect to our comments on the draft lease agreement forwarded to us earlier in the Spring, we have very few comments. It is our belief that the language contained in the draft lease is a standard agreement used by the airport/County, and if this is true, would like clarification on the following provisions:

2.2 Operated for Public Use. LSBC is not operated for the general population. It operates and is open to members approved by the membership. Membership is limited to Broward County residents. LSBC believes this provision should be deleted from the lease agreement in its final form.

**This language is to comply with our federal obligations and needs to remain.**

8.15 No Vending Machines. We assume this provision applies to vending machines located within the airport terminals. LSBC contracts with a vendor to operate soda/water machines within the leased property. LSBC believes this provision should be deleted from the lease agreement in its final form.

**We will review this language.**

8.16 Derelict Vessels, Parking and Storage of Vehicles. LSBC has an ongoing program to deal with derelict vessels within the marina. However, by nature of the use as a marina, there are parking and storage areas specifically designated for vessels, trailers and “non-aviation equipment”. We believe that this provision of the lease agreement should be amended or deleted in the agreement’s final form.

**We do not allow derelict vessels. However, if LSBC already has a program in place to deal with derelict vessels, LSBC doesn’t need to worry about violating this provision.**

27 Airport Security LSBC would like clarification on whether the leased premises are included in the Air Operations Area (AOA) and therefore subject to the provisions outlined in Article 27. If the leased premises are not included in the AOA, Article 27 should be deleted from the final form of the lease or a notation made in the agreement that LSBC is exempt from this provision.

**No, LSBC is not within the AOA. However, like every airport tenant, LSBC is subject to Airport Security and the language needs to remain.**

LSBC sincerely hopes that our proposal will be seriously considered as it is made in good faith and with the best interests of all involved. We welcome your thoughts and look forward to discussing our proposal further.

Sincerely,

George Lewis, Commodore  
Tim Rounds, Secretary  
Sheila Rounds, Treasurer  
Barbara Estep, Member  
Edward Schinski, Member