

**COMMERCIAL PROPERTIES DEVELOPMENT COMMITTEE
AGENDA**

DATE: FEBRUARY 19, 2020 DAY: WEDNESDAY TIME: 3:00 P.M.

PLACE: CARL T. LANGFORD BOARD ROOM, ORLANDO INTERNATIONAL AIRPORT, ONE JEFF FUQUA BOULEVARD

For individuals who conduct lobbying activities with Aviation Authority employees or Board members, registration with the Aviation Authority is required each year prior to conducting any lobbying activities. A statement of expenditures incurred in connection with those lobbying instances should also be filed prior to April 1 of each year for the preceding year. As of January 16, 2013, lobbying any Aviation Authority Staff who are members of any committee responsible for ranking Proposals, Letters of Interest, Statements of Qualifications or Bids and thereafter forwarding those recommendations to the Board and/or Board Members is prohibited from the time that a Request for Proposals, Request for Letters of Interests, Request for Qualifications or Request for Bids is released to the time that the Board makes an award. As adopted by the Board on September 19, 2012, lobbyists are now required to sign-in at the Aviation Authority offices prior to any meetings with Staff or Board members. In the event a lobbyist meets with or otherwise communicates with Staff or a Board member at a location other than the Aviation Authority offices, the lobbyist shall file a Notice of Lobbying (Form 4) detailing each instance of lobbying to the Aviation Authority within 7 calendar days of such lobbying. As of January 16, 2013, Lobbyists will also provide a notice to the Aviation Authority when meeting with the Mayor of the City of Orlando or the Mayor of Orange County at their offices. The policy, forms, and instructions are available in the Aviation Authority's offices and the web site. Please contact the Director of Board Services with questions at (407) 825-2032.

- I. CALL TO ORDER.**

- II. ROLL CALL.**

- III. CONSIDERATION OF JANUARY 16, 2020 MINUTES**

- IV. RECOMMENDATION TO AUTHORIZE THE ISSUANCE OF UP TO FIVE-YEAR TENANT LEASES AT THE COLONIAL PROMENADE SHOPPING CENTER AND AUTHORIZE THE ISSUANCE OF A REQUEST FOR PROPOSALS FOR ASSET MANAGEMENT AND BROKERAGE SERVICES FOR THE COLONIAL PROMENADE SHOPPING CENTER AT ORLANDO EXECUTIVE AIRPORT**

- V. NEXT STEPS**

NOTE: Any person who desires to appeal any decision made at these meetings will need record of the proceedings and for that purpose may need to ensure that a verbatim record of the proceedings is made which includes the testimony and evidence upon which the appeal is to be based.

DRAFT MINUTES OF THE JANUARY 16, 2020, MEETING OF THE COMMERCIAL PROPERTIES DEVELOPMENT COMMITTEE

On **THURSDAY, JANUARY 16, 2020**, the **COMMERCIAL PROPERTIES DEVELOPMENT COMMITTEE** met in regular session in the Carl T. Langford Board Room of the Aviation Authority offices in the main terminal building at the Orlando International Airport (OIA), One Jeff Fuqua Boulevard, Orlando, Florida. Chairman Carson Good called the meeting to order at 9:13 a.m. The meeting was posted in accordance with Florida Statutes and a quorum was present.

Committee members present,

Carson Good, Chairman
Mayor Buddy Dyer

Also present,

Phillip N. Brown, Chief Executive Officer
Stan Thornton, Chief Operating Officer
Kathleen Sharman, Chief Financial Officer
Raymond Anderson, Senior Director
Cyrus Callum, Director of General Aviation
Brad Friel, Director of Planning
Tom Chandler, SchenkelShultz
Chris Wilson, Marchena and Graham
Dan Gerber, Interim General Counsel
Dayci S. Burnette-Snyder, Director of Board Services

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Chairman Good expressed his apologies for arriving late. He said this was a very important Committee but it has not met in quite a while. He added that there is a vacancy on the Committee with the departure of Mr. Randall Hunt.

BRIEFING ON COMMERCIAL PROPERTIES AT OEA

1. Mr. Brown stated that staff along with legal counsel and SchenkelShultz have worked on a presentation for today. The focus is the Colonial Promenade. The agenda does include the mention of the Sheltair hangar development and the Penford Group development.

In discussing improvements at Colonial Promenade, Mr. Tom Chandler, SchenkelShultz, stated that the facility is 35 years old (constructed in 1985). Its footprint is approximately 20 acres with 188,000 leasable area (sf). The current occupancy is 55%. An east and west building split the property. The most striking feature of the

facility is the 1,200 feet of frontage on Colonial Drive. One of the biggest strengths of the property. He then talked about the zoning of this property as AC-3 AN (Metropolitan activity center with aircraft noise). Great flexibility on what could be built on this site. There is a height restriction that is governed by the Federal Aviation Administration (FAA). Mr. Chandler mentioned that there are currently seven tenants between the two buildings for an occupancy of approximately 100,000 square feet. However, K&G will soon be vacating the premises, which affects the occupancy number. Mr. Chandler stated that the net operating income for FYE 2019 was \$418,914.26 with an expected net operating income of \$490,332.75 in FYE 2020.

Mr. Chandler then listed the completed repairs and improvements to the facility totaling \$1,999,958 - painting, electrical, signage, roof repairs, and theater demolition. In May 16, 2018, the Committee was presented work from Jones Lang Laselle (JLL) (subcontractor to SchenkelShultz) and primarily redevelopment opportunities were being studied. There were a series of concepts there were developed which lead to an RFQ process for redevelopment in summer of 2018. Two proposals were received from Bishop, Beal and Duncan and Up Development. The Committee in reviewing the proposals were discouraged with the level of quality; tabled the concepts; and decided not to move forward.

Referencing the Power Point presentation (copy on file), Mr. Chandler talked about the previous Scenario 3C considered for full redevelopment and outparcels in phases. It would have included teardown and redevelopment of the east and west sites and buildings; four new outparcel developments; realignment of Rickenbacker; realignment of Fairgreen; and non-aviation commercial parcels to the west, developed to retail.

Moving to new development, Mr. Chandler stated that the Aviation Authority Board approved for Sheltair to develop 3-25,000 sf office hangar/facilities directly south of the Colonial Promenade Shopping Center. Sheltair will move on this project later this year. At the intersection of Andie's Avenue (408 and Lake Underhill) there is approximately 100 acres of developable land; 40,000 non-aviation/commercial acres; and approximately 60,000 aviation support acres for development in this southeast quadrant. Finally, a recent proposal submitted to the Aviation Authority from the Penford Group, which is looking at developing approximately 20-25 acres of a last mile distribution facility. This is still in negotiations.

Mr. Brown stated that these commercial properties are so important is because they fund approximately 2/3 of the budget for OEA. OEA is a stand-alone operation under the Aviation Authority's bond conveyance. Funds from OIA cannot be used at OEA. The Aviation Authority does have a process in which it could fold OEA into the bond conveyance but because of the aggressive Capital Improvement Program at OIA, we did not consider this process since it requires bond ratings that may impact OIA. Mr. Brown mentioned that a strategy has to be put in place to move forward and continue to improve Colonial Promenade and draw some quality development into the area. He added that Sembler is the current property management company. The current leases are on a year-to-year basis, which is challenging because new occupants have to address necessary code upgrades or improvements and will not recover the cost with a one-year lease. As mentioned by Mr. Chandler, K&G is ending their lease because they want a 5-year commitment in order to have certainty in its capital plan. As to Sembler, the

question is whether we continue with them or get a new property management company and if so, how do we evaluate what the demand is for the overall property.

In response to Chairman Good's question, Mayor Dyer stated that the City wants an attractive element to the property. At this point and time, he would recommend a short-term solution until it is decided what the future holds for the property. Referencing the previous report from JLL, Mr. Brown stated that the rent roll need to be maintained as much as possible but look at ways to redevelopment and answer the question of what the demand is for this parcel. In conversation with Mr. Good, Mr. Brown stated that a more comprehensive demand study might be needed. He then mentioned discussions with previous interested parties including big box stores but because of contractual issues and the rates they were willing to pay, nothing came to fruition.

In response to Mayor Dyer's question about the proximity of OEA being a draw to the property, Mr. Brown responded that it is mainly Colonial Drive and retail. Discussion ensued about previous interests and the development of additional hangars. Mr. Chandler added that what was learned from the JLL study is that the value of the property is the frontage along the Colonial Drive corridor. The JLL study is a few years old so it is probably time to get new market data.

Chairman Good shared his thoughts about potential options and agreed with Mr. Chandler that the information contained in the study is outdated. As to residential in the area, Mr. Wilson reminded the Committee that the FAA has not approved residential uses on airport property or leases in excess of 50 years. Mr. Brown interjected that a demand study will take into effect the restrictions on the property (i.e. FAA).

Before moving forward, Chairman Good stated that he wants to better understand the future of the property, what the City wants to see, and what does the Economic Development Council want to see in Orlando. His observation is that staff has had many mixed messages on how to proceed forward. He said that everyone in retail has the same dilemma as we do. He is not comfortable making any long-term commitments on this property without understanding the long term uses for the overall property. Before an RFP is released, he recommends a high-level asset managers/developers connected with the retail business. Then structure a management contract. Mr. Chandler informed the Committee that Schenkel/Shultz no longer has a contract with JLL. Mr. Brown said that we need direction on whether we can increase the lease term. As to an asset manager, an RFP needs to be crafted so everyone has an opportunity to compete. In response to Mr. Brown's question to Chairman Good, the Chair responded that its 3 or 4 different things - (1) full blown demand study, working with the EDC and Mayor Dyer; understands aviation needs, retail, industrial, hotel, and highest and best use of the property would be. (2) That leads to a land plan similar to Lake Nona. (3) Consultant that is in the business that can formulate the right course. Mayor Dyer interrupted and recommended that Chairman Good work with staff in developing a recommendation for consideration. While this is being worked out, Mr. Brown recommended that staff have the flexibility to extend the lease terms of the

DRAFT MINUTES OF THE JANUARY 16, 2020, MEETING OF THE COMMERCIAL PROPERTIES DEVELOPMENT COMMITTEE

current tenants and return to the Committee after working with Chairman Good on a recommendation of what RFP's and what services we desire. Mayor Dyer suggested coming back to the next meeting on staff's short-term needs. Chairman Good said that he does not care if the leases are extended 3 years as long as we can retake the space.

Discussion ensued as to the number of years the leases should be extended and who at the City and EDC would be the best resource. Staff will return with a recommendation. Mayor Dyer suggested that the vacant position on the Committee be filled. He mentioned Frank Billingsley as the contact for the City.

Chairman Good mentioned potential tax zone opportunities on this property.

ADJOURNMENT

7. There being no further business to be considered, Chairman Good adjourned the meeting - 9:51 a.m.

(Digitally signed on (date))

Dayci S. Burnette-Snyder
Director of Board Services

Phillip N. Brown, A.A.E.
Chief Executive Officer



GREATER ORLANDO AVIATION AUTHORITY

Orlando International Airport
One Jeff Fuqua Boulevard
Orlando, Florida 32827-4392

MEMORANDUM

TO: Members of the Commercial Properties Development Committee

FROM: Raymond D. Anderson, Senior Director, Concessions and Commercial Properties

DATE: February 19, 2020

ITEM DESCRIPTION

Recommendation to Authorize the Issuance of Up to Five-Year Tenant Leases at the Colonial Promenade Shopping Center and Authorize the Issuance of a Request for Proposals for Asset Management and Brokerage Services for the Colonial Promenade Shopping Center at Orlando Executive Airport

BACKGROUND

In 1984, the Aviation Authority entered into a land lease with Mark A. and Rosalind Schurgin, for approximately 16.5 acres at Orlando Executive Airport for construction, operation and maintenance of a retail shopping center Colonial Promenade. Through successive lease assignments and transfers in lieu of foreclosure of leasehold mortgages, the lessee was acquired by WCPRT Colonial Promenade, LLC (WCPRT). Over time, the improvements on the premises deteriorated due to deferred maintenance by WCRPT and in 2016 the Aviation Authority filed an action for eviction against WCRPT on the basis of default for failure to maintain the improvements (Colonial Promenade).

On July 1, 2017, WCPRT turned over possession of Colonial Promenade to the Aviation Authority. Concurrent with the receipt of Colonial Promenade, the Aviation Authority entered into that certain Shopping Center Management and Leasing Agreement with The Sembler Company, dated June 27, 2017, to retain WCRPT's existing Manager to assist the Aviation Authority in the management and marketing of Colonial Promenade (Agreement), which agreement has since expired and is renewing automatically on a month-to-month basis.

Following receipt of possession of Colonial Promenade, the Aviation Authority has performed maintenance and repairs for \$1,999,958. The Aviation Authority also renewed several tenant lease agreements on an annual basis in an attempt to retain the income generated by Colonial Promenade. For fiscal year ended September 31, 2019, the net income generated by Colonial Promenade was \$418,914. There are currently six tenant leases that are active at Colonial Promenade. Four of the leases are short-term leases, with less than one-year remaining, and two of the leases are long term leases, with one expiring on November 30, 2022, and one expiring on August 31, 2034.

ISSUES

Subsequent to receipt of possession, the Aviation Authority has limited new tenant leases and renewals at Colonial Promenade to a 12-month term, plus a tenant build-out period not-to-exceed 60 days. During that time, Sembler has struggled to find suitable tenants and the occupancy rate at Colonial Promenade has declined from 67% is 41%. In that regard, Sembler has advised Staff that longer term leases are required in order increase occupancy. More specifically, longer term leases are considered necessary for the construction of tenant improvements and to afford tenants sufficient time to

recover the cost of their improvements.

Staff recommends that the Aviation Authority's Commercial Properties Development Committee (Committee) authorize Staff to issue tenant leases for up to five years at Colonial Promenade, provided that for planning purposes, the Aviation Authority retain the right to terminate any lease prior to expiration without cause, based on an equitable reimbursement of all agreed upon unamortized tenant improvements, if any.

Similarly, subsequent to receipt of possession of Colonial Promenade, it is Staff's opinion that Sembler has struggled to effectively and efficiently manage Colonial Promenade. Sembler's existing team of assigned professionals are currently based outside of Orlando, which on occasion has delayed their response to on-site issues in a timely manner. In that regard, Staff has considered and is recommending that the Committee approve the issuance of a competitive Request for Proposals for Asset Management and Brokerage Services for Colonial Promenade that would include local representation and require Staff to return to the Committee with the results of the solicitation for consideration.

ALTERNATIVES

The Committee may elect to continue to limit the tenant leases terms at Colonial Promenade and retain its existing Agreement with Sembler.

FISCAL IMPACT

There are no costs attributable to the recommended action.

RECOMMENDED ACTION

It is respectfully requested that the Commercial Properties Development Committee resolve to (1) authorize the issuance of up to five-year tenant leases at Colonial Promenade Shopping Center, provided that the Aviation Authority retain the right to terminate any tenant lease prior to expiration without cause, based on an equitable reimbursement of all agreed upon unamortized tenant improvements, if any; (2) authorize the issuance of a Request for Proposals for Asset Management and Brokerage Services for the Colonial Promenade Shopping Center; (3) authorize the Chief Executive Officer to appoint an Ad Hoc Committee to review and rank the RFPS; and (4) request that the Ad Hoc Committee return to the Commercial Properties Development Committee with a recommendation for consideration on the Request for Proposals for Asset Management and Brokerage Services for the Colonial Promenade Shopping Center.