

**MINUTES OF THE
SANFORD AIRPORT AUTHORITY
ECONOMIC DEVELOPMENT ADVISORY COMMITTEE MEETING
TUESDAY, APRIL 30, 2019 8:00 A.M.**

PRESENT: Tom Green, Chairman
Jennifer T. Dane (appeared via phone)
Frank Ioppolo, Jr. (arrived 8:10 a.m.)
William R. Miller
Stephen P. Smith

ABSENT:

OTHER BOARD

DIRECTORS PRESENT: Tim M. Slattery

STAFF PRESENT: Diane Crews, President & CEO
George Speake, Executive Vice President & COO
Don Poore, Chief Financial Officer
Lori Hunt, Executive Assistant
Al Nygren, Property Manager
Brett Renton, Shutts & Bowen

OTHERS PRESENT: Brady Lessard, CPH Engineers
Jeremy Owens, CPH Engineers
Paul Partyka, NAI Realvest
Bob Turk, City of Sanford
Tim Shea, Avcon

1. CALL TO ORDER

The meeting was called to order at 8:00 a.m. by Chairman Green.

2. ADVERTISEMENT OF MONTHLY MEETING

Copies attached.

3. COMMENTS FROM THE PUBLIC

None.

4. APPROVAL OF THE MINUTES OF THE MEETING HELD ON NOVEMBER 1, 2018

Motion by Board Director Smith, seconded by Board Director Miller to approve the minutes of the meeting held on November 1, 2018. Vote taken, none opposed. Motion Passed.

5. REVIEW OF LEASE TEMPLATES

President Crews stated EDAC has reviewed several of the lease templates resulting in modifications based on the conversations at previous EDAC meetings. Brett Renton reviewed the lease templates:

Residential lease template: reviewed one year ago, there were two items to be revised, both have been revised and reviewed by staff who are comfortable with the changes. The residential lease complies with Florida Statutes, contains required language as a public entity. The Board can delegate the authority to the President to fill in the blanks of the approved template. Brett Renton updated the Board regarding the Florida Statute requirement regarding tenant security deposit bank disclosure, this has been added to the template.

T-hangar/Aircraft lease template: previous lease didn't contain an attorney fee provision or normal provisions seen in a lease. This was brought more in line with the market.

One-year lease continues with 30-day notice, no escalation. No escalation because it is a flat rate fee per month based on hangar size which is either large or small. If the Board decides to raise those rates, they would vote to raise the rates which applies to the lease. Brett Renton discussed the lease termination. George Speake requested an addendum to the template regarding the signature of lessee on yearly extension of the lease and rates.

President Crews stated it isn't our intent to continue the use of storage in the t-hangars. Discussion ensued regarding the use of T-hangars for storage or aircraft. Discussion regarding wait list for T-hangars.

Board Director Green addressed the relocation clause. Board Director Green suggested based on his experience there has been a standard form lease, landlord has the right to relocate the tenant to comparable. He recommended the Committee add that to the standard clause. Board Director Miller suggested the Committee recommend to the Board the suggestion of Board Director Green. George Speake stated the relocation is only until the term of the lease expires and questioned how that would work on the t-hangar lease where after a year it goes to a 30 day. Brett Renton stated you don't want to pay to move all their stuff over to a new lease; you would just terminate the one on the t-hangar, that's why the termination.

After further discussion, the Committee requested Counsel remove the right of relocation entirely from the T-hangar lease.

Commercial lease template: Section 6 intentionally deleted operating cost, incorporated CAM Common Area Maintenance. Paul Partyka is using new form

lease. Discussion regarding operating cost. Discussion that presently CAM not assessed, implementing CAM, capturing cost for use in template.

Discussion of goal to move the real estate operations of the Airport in the direction of something that is more representative or has greater similarity to what a for-profit real estate business would be. This would make us more competitive, look more professional and be able to compare similar charges and revenue when we're dealing with tenants. And allow us to evaluate those things on a more traditional real estate basis then what we have historically, because our business is evolving.

Discussion regarding different scenarios to weigh CAM on. President Crews suggested we start with approval of the lease templates, then move to implementation. Discussion regarding the Commerce Park, triple net and maintenance fees.

Board Director Green requested the relocation clause be amended because it is a longer-term lease with the tenant coming back. Brett Renton responded section 32 is highlighted; that's the relocation language and the specific language about the right to terminate is highlighted. The question mark is whether on our form do we want to include it, for deals over 5 years or 10 years. Do you want to tie it to the last part or remove it from the form entirely? Board Director Green responded; the relocation right needs to be in the form. Brett Renton replied the relocation right is highlighted in all templates; the re-location right on longer-term deals makes sense; on shorter term leases it doesn't make sense. Board Director Green requested it be removed from the form and will come back during negotiation.

Paul Partyka updated the Committee on long term capital improvements that serves a common good.

Brett Renton requested clarification regarding CAM.

Discussion regarding tenants right to audit in the lease. Discussion regarding challenge, section 6.3, true up and separate audit provision

President Crews discussed distinction between the operating cost that's shown in the lease statement, it starts with the premise of everything including the utilities. But it does provide for things to be pulled out, allows for us to have the tenant go thru direct provision, they can go straight to providing it themselves, which is the way it is here. The operating cost will be different, unique to each lease. Board Director Ioppolo clarified except the true common areas i.e. streets, they are going to be in the CAM. President Crews responded yes, we are going to implement true CAM and she said to Paul Partyka that she would prevail upon him to assist her with that, and she and Al Nygren will work to provide him with those numbers.

Brent Renton reminded the Committee if there is any change to this document, the authority will see these because almost every commercial tenant is going to negotiate and there will be some change to the document that will require Board approval. If the tenant takes it as is, if you've approved the rates that are to be entered in to for that building, then President Crews through a mere ministerial act can then execute the lease.

Aviation lease template:

Brent Renton stated the key difference between the aviation lease and commercial lease: section 6 how do you have a CAM and what the defined territories for that particular CAM associated with that building. Section 6.2.1 contains the same language and is blank in terms of project, means the area known as blank. The reality is the Airport has zones when you talk about aviation relative the ramp or hangars, there may be zones developed associated with the care and maintenance which goes with those particular areas as you go forward.

Board Director Smith inquired when it comes to aviation, if someone has a hangar with a plane in the hangar, and fly in and out every day, are they paying a landing fee for GA or is it free? George Speake responded GA doesn't have a landing fee. Board Director Smith responded then GA contributes not to any airport in ground maintenance. George Speake responded fuel flow comes from them, that's all.

Brett Renton referenced the insurance section, noting that SAA insurance agent, Rick Russi has reviewed and signed off the lease template from an aviation side. Brett Renton stated he would delete the relocation tenant clause and tenants right to terminate as discussed. In terms of high altitude those are the substantial, there is more air navigation, little bit more in the terms of rules and regulations and compliance. These are badged tenants because they have access to the airfield, there are security concerns. The difference between this and the commercial lease focuses on these items. As part of this, counsel has suggested that they come up to the airport to review the rules and regulations. The minimum standards have been reviewed and updated by the Board, the next step is to review the rules and regulations more inline with the Airport's view.

Ground lease template

Brett Renton noted there are a lot of highlights in the ground lease templates. The difficulty with the ground lease is they start out similar and then no two are alike where they end up. Different buildings, uses, concepts, different everything. This is meant to be a starter discussion, therefore many highlights because we don't know what their use is going to be. Paul Partyka will hold a discussion and there will have to be legal work done with each situation. Each lease will have to be specific to what the use is and may drive other statutes.

Board Director Green inquired what was the starting document prior to this? Brett Renton replied in respect they were based upon something either previous deals that hadn't been pulled together. This document itself is an amalgamation where a number of ground leases have been pulled together from different airports. These templates don't talk rates, money or lease terms. Brett Renton stated these leases would be coming back to the Board more than the aviation or commercial if there is a specific provision a tenant wants deleted, the Board will be able to get a redline against this document to see what the terms were, that were negotiated.

President Crews noted George Speake's comments regarding section 6.3 on CAM is very short, one sentence compared to multiple paragraphs. Brett Renton replied this is the total triple net lease. President Crews stated it provides for CAM. George Speake stated this one is a lot simpler than in the commercial lease, if we can do it there why can't we do it with this lease. Board Director Smith replied because commercial deals with a building, this one would be sidewalks.

Brett Renton referenced the second sentence you are looking at which states tenant shall be solely responsible for all real estate, taxes and maintenance repairs, replacements related to the premises. Again, the premises are defined as just this box, not the whole commerce park or office park or ten buildings down by the South East Ramp. Your definition of operating cost in the other two is much broader than just the building. George Speake replied 6.3 in the commercial lease does not talk about general facilities. There are no common facilities in the commercial lease, it's talking about just their lease.

Brett Renton stated they are two separate items. Regarding section 6.1 it's defining that you're going to pay, and this is in commercial or aviation is that your going to pay tenants' allocated share of the operating costs in accordance with this provision. Section 6.2 defines the project, different than the premises and everything applicable to it. Section 6.3 is second stab at going for something greater depending on where they are going to be. For instance, if they are going to build a ground lease in the Commerce Park itself, you want to go after additional costs for those roads, gutters, sidewalks, lighting, and signage.

George Speake questioned why we wouldn't be doing that in the commercial. Brett Renton replied that is what 6.2 does in the commercial, 6.2.1 the definition of project is 6.3 in the ground lease. George Speake questioned if you can make it as simple as it is in the ground lease when talking about the common facilities why can't it be that simple in the commercial? Board Director Green replied it's more complicated.

Paul Partyka noted one more concept, typically on ground leases you've got two different kinds: 1) short term I need it for a lay down yard storage 2,5 or 10 years. 2) for development projects typically they are going 20,30,40 years because the depreciation on the buildings is 39.5 years. From a company/corporate standpoint they are interested in long term leases.

Brett Renton stated based on this he has his revision before sending finals. If the Committee wants to approve by way of a motion send it on to the Board they can, or if the Committee wants, it can come back.

Motion by Board Director Smith, seconded by Board Director Ioppolo to move forward with all the lease templates to the full Board as modified by Counsel to the May meeting. Vote taken, none opposed. Motion Passed.

Board Director Green thanked Brett Renton for the big effort on the lease forms, he appreciated it. Brett Renton said it has been a team effort and staff has worked very hard on the process. President Crews stated there will be further distinction between CAM and operating cost. Brett Renton said the templates will be revised with red line revisions made in time for the May board meeting.

Paul Partyka discussed electronic signatures, transmittal and legality. Brett Renton referenced 40.5 which states the lease can be executed by signing in different places and counterparts which together bind landlord and tenant can have faxed or pdf or mass signatures that constitute original and there is a Florida Statute that talks about electronic signatures do count and are effective.

6. REVIEW OF L3 TECHNOLOGIES LEASE

President Crews noted the Committee received a final lease document that L3 agreed to with a couple of changes that were noted late yesterday on the insurance. President Crews is fine with L3's changes, they weren't substantive. Mark Thomson, Shutts drafted the lease and made the substantive changes between us and L3, and he submitted a lease summary that was distributed to the Committee. The LOI was approved October 2018, most of what is in the LOI is embodied in the lease. There are a couple of things that we wanted to go over that are slightly different than what's in the lease. Brett Renton is going to address the environmental issue that came up with regards to asbestos. L3 is requesting additional clarification on building 517 and knows L3 won't have any problem with this. Building 517 is currently being used by Allegiant. The building is 20,000 square feet and L3 needs and have been using the ramp. This will go back to September 1, 2018 whereas they would be paying us for 10,000 square feet of building because they can't have the ramp without the building. L3 has a first right of refusal on the building once Allegiant is out, Allegiant has just asked for an additional amount of time, for storage. If L3 doesn't take the whole building once it's available, they're being held to \$65,000 a year on it right now effective September 1, 2018. Once it is available, they will be offered the first right of refusal and that is in the LOI, it is not in the lease, we are going to go back and put that in there. If they don't take it, Constant Aviation is waiting and will grab it in a heartbeat.

Discussion regarding building with asbestos, asbestos survey, asbestos concerns in any L3 buildings.

Board Director Green stated this has been a long deal, complicated deal, the Board approved the LOI several months ago that was very detailed. Board Director Green said he suggested that Brett Renton talk about the elements that are different in the lease from the LOI and recommended for the Board meeting a comparative for the recommendation. L3 is our biggest tenant, biggest lease we've done, has a lot of items in it and he didn't think during one EDAC meeting we could discuss them all. He requested at a high level to discuss items that have changed and felt the Board needs to know that.

President Crews updated the Committee there are minimal differences, almost everything that was in the LOI is embodied in the lease. President Crews pointed out that 517 doesn't address the right of first refusal and she thinks it needs to. This has been discussed with Brett Renton. Building 517 is listed as temporary use, \$65,000 for the 10,000 square feet but isn't clear enough. She knows it is their intent to keep that building but the LOI called for the first right of refusal be in there. President Crews assured the Committee there will be a very short analysis presented at the Board meeting.

Brett Renton stated the LOI makes representation that all these buildings the tenant has been in for numerous years, this is not a new building they've been leasing, they've been merging, and operating. We made an affirmative representation that they have not encountered any hazardous materials or environmental concerns while they were there. When we were negotiating the LOI the most important component to them dealt with an underground gas tank that they weren't going to affirmatively represent because it was your gas tank that it's not leaking in the ground underneath. We spent a very long conversation, there is absolutely no evidence that it is leaking. There are no concerns whatsoever, however as a sophisticated tenant they understand they will get roped into a giant environmental issue. L3 wanted to make sure it was going to be the Airport's responsibility and the Airport agreed in the LOI.

When we were just about to finalize the item, using the exact same language as in the LOI, they advised us that when L3 purchased this building in 2016 they conducted an environmental study and as part of the study, they got an awful report which told them nothing but said asbestos could be everywhere. There are no findings, no lab tests, no air quality testing. The L3 purchase from Aerosim Academy proceeded forward, and they had two subsequent remediation studies done. The studies did find asbestos contained in plumbing system piping in the bathrooms that were encapsulated in the walls, and nobody could come into contact. Therefore, they posed no risk to the public and the tenant would manage in place, their words. They couldn't make an affirmative representation as to asbestos. L3 provided us with all three reports that were done as part of this project. We have recommended and Diane has agreed that now that we have this

information, you need to send in an environmental consultant to look and see if there is asbestos there. Then the Airport collectively can ensure you've done everything you need to avoid any risks. That brought into play a discussion and revision to section 14 of this lease dealing with environmental issues and how that would specifically be provided for. Board Director Smith inquired ownership of the building. Brett Renton responded the Airport owns the building, it was built before they took tenancy of it, they are making affirmative representation that the presence of this item has absolutely no impact on their operation, doesn't create a substantial risk. Ultimately, we went ahead under 14.7.2 on page 18 where it talks about tenant obtaining an asbestos report and two separate asbestos surveys on the premises where limited amounts of asbestos containing material was detected; tenant makes no separate representations about asbestos containing materials other than that which is disclosed in the asbestos report.

L3 will provide you written notice if they are going to do any remediations to the premises whatsoever, at which point your consent can't be unreasonably withheld. It would be very reasonable to make sure they use somebody who has the proper licenses and credentials. They will comply with all environmental laws and regulations if and when they do disturb it, provide copies of any plans or specifications that you can review prior to, and they'll provide you any and all correspondence by and between a tenant and a regulatory authority having jurisdiction over the premises regarding the removal and remediation of this particular material.

The point of sending in an environmental individual is for you to access your building to ensure there is absolutely no threat whatsoever. The tenants are representing that there is no threat, otherwise why would they enter into a lease that they know is exposing to their employees to some type of danger, so the reality is nobody believes this has any effect upon third parties; however there's no real way without having the authority be a third party to this document to deal with those issues.

President Crews noted that their leasehold is a mix of old and new buildings. Brett Renton said it is his understanding L3 wants to proceed forward with a remodel of these areas, which is why we specifically put all these conditions on anything associated with it. The environmental consultant will identify what's there and you as a Board will have to deal with that whatever comes back.

Board Director Ioppolo inquired of Brett Renton does the new lease have CAM provisions? Brett Renton responded you do under section 6. The reality is that you have defined the project as Aerosim's Flight Academy, and you have limited it to and what they were agreeable to on their specific property not the whole office park. They are defined as all of their buildings. Board Director Ioppolo inquired to the extent that we're going to do lawn maintenance and streetlights? Brett Renton replied that it must touch their property be on their premises. President Crews replied L3 has done lighting and irrigation on their premises at their own expense.

Board Director Ioppolo inquired if we go ahead with this long-term lease, and we put in place uniformity in the Office Park, you don't want to have something that's different in the middle of your office park. Brett Renton replied they are not agreeable to that. He said he realizes as we go forward there must be a start point and then you're going to go through a period of transition over the next ten years before all your tenants will meet this new operating cost format. There's going to be as you divide down costs of what you spend to certain people who are on it. I don't imagine you're going to come out in sixty days, redo all the streets and gutters and everything, so there will probably be a good chunk who, in three to four years when you decide to do that, will be under these new leases. But that's for you all to do your cost benefit analysis as to when and how those things would be recovered as you move forward on the Commerce Park.

President Crews replied we are just beginning our budget work now, so looking at the Commerce Park is certainly part of that. President Crews stated the relocation language was an interesting exercise knowing that we had not adopted the new template, yet we still tried to incorporate all that language in here. The relocation was one that was negotiable which allowed them the right of termination. This is exactly what you were talking about with a large tenant, you may have to give them that right to termination.

Board Director Green inquired about L3's current relocation right. Brett Renton replied they deleted it and would not agree. and

Board Director Green inquired of any other high-level changes. Brett Renton noted the insurance provision, which your insurance agent looked at and said it's fine. It has to do with how their policies are issued on a global perspective because they are a large company and their blanket policies. It was heavily negotiated, your insurance agent has said this protects you, and you are fine. President Crews stated the LOI allows for the mutual subrogation which was not something he was in favor of but that was agreed to in the LOI.

Discussion regarding a true up once deal is final, the retroactive date of September 1, 2018, and differential number owed to us. Discussion regarding broad assignment sublet language.

Brett Renton reviewed various sections including guarantee. assignment of rights, obligation of the seller, protection, and default. Brett Renton stated counsel updated old guarantees you were using to a current 3-page form that incorporates all standard provisions. L3 wouldn't agree to incorporate those items until we added one sentence that says: "the following provisions that were cited in the contract"; they will not bend on that. The contract is the lease, this goes before their corporate department. We took our language from the lease and put it into the guarantee, they all agreed, and we moved on.

Board Director Green recommended if there are any high-level differences between the lease and the LOI, to clarify for the Board meeting, and then referenced measuring of the space. President Crews informed the Committee that Al Nygren who is a licensed real estate broker, Scott Cole our maintenance director and an L3 employee measured the space and agree it's accurate. President Crews noted building 310 is difficult to measure, but Al Nygren reviewed the blueprints and did the measurements from that, and L3 was satisfied.

Motion by Board Director Smith, seconded by Board Director Miller to bring forward the L3 lease to the Board based on Counsel's minor changes between now and the meeting. Vote taken, none opposed. Motion Passed.

Brett Renton inquired of the Committee did they prefer lease format summary. If it was approved by staff and Board Directors, it could be used with future lease approvals. Board Director Ioppolo requested it be used for the LOI stage. Brett Renton commented if Paul Partyka had this format for the LOI, the Board could have a redline to compare. Brett Renton clarified Shutt's would not be doing the summary, it would be staff or Paul Partyka when he presented a new proposal as part of the Agenda.

7. OTHER BUSINESS

Board Director Ioppolo updated the Committee regarding the hotel and where we are with attracting a different hotel. A meeting has been scheduled with SCPS and SSC regarding their hospitality program, they have been seeking a hotel. Board Director Ioppolo stated we are looking to further discussions regarding approaching a hotel at the airport in a fashion that brings the school systems and Airport together to facilitate the creation of a hotel, and if we do that we share the economic burden and risk and also share the economic benefit. We all desire to have the hotel. Can we derive economic value beyond a lease? He believes in this scenario we would be capable of doing all. We are pursuing that conversation, have no idea whether it will work or not. It will give us the ability to go the Legislature to ask for special allocation of dollars. We're trying to figure out a way to reduce the cost of capital. If you assume that this environment and given the hospitality market right now, you're looking at 75/25 debt to equity or 75/30 debt to equity, that is the best the banks will do to lend in this area right now. If we can reduce the amount of money that we need to have, because we are risk adverse at this moment given all our reserves and obligations, by sharing that burden with our partners, it seems to be something that is worth pursuing and then bring it back to the Board. That is the direction we've taken given how things are going.

Chairman Slattery inquired regarding the Shaner deal. Board Director Ioppolo updated the Committee regarding Shaner Corporation.

President Crews updated the Committee regarding the FDOT, that we have been inquiring of them if they have any available money at the end of the year, we would

gladly take it to go towards the Terminal Expansion or other projects. President Crews stated she received an email from the FDOT that at the end of the year they do have leftover money to apply to towards the Terminal Expansion. Jim Wikstrom with the FDOT had also stated he heard the Airport is interested in a piece of land. President Crews stated we have identified the maximum amount of money that we would need to complete the Terminal Expansion, everything that is eligible. This is 50/50 funding and we looked at everything that the FAA is not paying for and what would be 50%. That amount is \$9M. The FDOT will be giving us several million more dollars within the next several weeks; we estimated a little over 3 million dollars. The FDOT said for land, we could put in for it in July to receive in August. This is still a moving target and she would be talking to the FDOT today to determine the amount. President Crews stated the land she is interested in obtaining is the front entrance parcel. We had talked to them about a land exchange before, they are still interested in that, but we would need money on top of that. She stated she told them we can't pay more than the appraised value and asked if they would be willing to sell it to us at the appraised value. They have indicated that they would consider that, but they want us to agree on an appraiser. President Crews stated she is going to move forward with an appraiser unless the Committee disagrees.

Board Director Smith stated he was approached by Bobby Luthra at the recent Boy Scout event and asked if the Airport was still interested in that parcel.

Board Director Green inquired if President Crews was comfortable with the appraiser. President Crews stated we have not discussed an appraiser. Chairman Slattery stated someone needs to estimate the cost to make the property a useable parcel. Board Director Ioppolo noted we looked at it previously and two things that need to happen: 1) the amount of fill needed to bring it up to grade; 2) moving the environmental easements that exist on that piece of property.

President Crews updated the Committee she believed the easements have already been removed as they were moving towards that. Board Director Smith inquired the amount of retention on that property. President Crews stated the land that we were looking to exchange needs fill as well not as much, but it does need fill. Chairman Slattery stated the corner parcel will not appraise at what they are asking due to the expense to get it useable. We have a lot of muck in Oviedo and done appraisals, once you back out the expense, you're left with basically nothing other than location. Board Director Ioppolo noted with all the development going on across the street, you've got to have access to dirt, which could save us a substantial amount of money. He also stated his concern with the selection of an appraiser is somebody who is going to apply that level of detail and common sense. He'd almost want Board Director Green and or Board Director Slattery with President Crews talk with them and make sure they understand where we are coming from. Which is in order to give us an appraisal that meets the FAA requirements we're expecting you to incorporate into your appraisal the actual cost of making this buildable and if you're not comfortable doing that, we respect that

but goodbye. President Crews noted she has those estimates from CPH. Board Director Smith stated there was also discussion about the other corner. Board Director Ioppolo stated the county is ready to do that. President Crews stated the County would like to eliminate the retention pond; we maintain that retention pond. President Crews stated the FDOT sees great value in having that property under our control.

Board Director Ioppolo referenced the slip ramp we are wanting off the 417. George Speake stated the FDOT is considering a secondary entrance, not changing the SIS. Board Director Smith updated the Committee the slip ramp is going to be awhile down the road if it moves as slow as everything at MetroPlan.

Brett Renton inquired of President Crews if she is making the appraisal binding. President Crews replied the last conversation she had with Mr. Jaffer was he would like for us to decide upon an appraiser and have one appraisal done if we can find an appraiser we can mutually agree upon. And it would be binding if we had an LOI.

Board Director Ioppolo noted he may have identified another method of financing a substantial portion of our real estate desires, in a way that wouldn't make your head explode as a banker or put the Board at risk and he's pursuing that at the same time because the conversations we've all had about the different obligations we have. We need to have reserves, we need to pay for things we are doing, and we don't want to be so speculative that we have problems, so that's one of the things he's been trying to solve in the context of the hotel, restaurants and may even go beyond that. He is working with senior staff on that, won't have anything to share for another month but if it goes the way we hope it does we'll have something significant to suggest.

8. ADJOURNMENT

Chairman Green entertained a motion to adjourn.

Motion by Board Director Ioppolo, seconded by Board Director Smith, to adjourn the meeting. Vote was taken, none opposed. Motion passed.

There being no further business, the meeting adjourned at 10:16 a.m.

Respectfully submitted,



Diane H. Crews, A.A.E.

President & CEO

/lh