



**GREATER ORLANDO AVIATION AUTHORITY**

Orlando International Airport  
One Jeff Fuqua Boulevard  
Orlando, Florida 32827-4399

**MEMORANDUM**

TO: Members of the Aviation Authority  
FROM: James E. Rose, Deputy Executive Director - Business Services and Facilities  
DATE: May 21, 2014

**ITEM DESCRIPTION**

Recommendation to Approve Hangar Facility Lease Agreement Lease Agreement (Lease) with Silver Airways Corp. (Silver)

**BACKGROUND**

Pursuant to that certain Letter of Intent dated April 25, 2014, by and between the Aviation Authority and Silver, Silver is seeking to enter into the Lease of the former Comair Hangar Premises, Building 901, located in the East Terminal Support Area at the Orlando International Airport (Airport). The Premises to be leased consists of approximately 9.9 acres of land, a main hangar building of approximately 21,000 square feet, a 12,000-square-foot Rubb hangar, approximately 80,000 square feet of apron and 20,000 square feet of parking.

The Premises is currently vacant but is being leased to Delta, as successor to Comair. The Comair lease expires October 1, 2014. In order to lease the Premises prior to that expiration, the Comair lease will have to be terminated prior to the effective date of the lease to Silver. Staff is in discussions with Delta regarding a potential early termination agreement.

According to its official website, Silver is a U.S. Airline operating around 170 daily scheduled flights between Florida, the Bahamas, Georgia, Ohio, New York, Pennsylvania, Mississippi, Alabama, Washington, D.C, and West Virginia. Silver is owned by Victory Park Capital, a Chicago-based investment firm, and is headquartered in Fort Lauderdale. Silver's current maintenance facilities are located at Gainesville Regional Airport.

**ISSUES**

Under the terms of the lease, Silver would relocate to Orlando and use the Premises for maintenance and storage of its aircraft, provided that GOAA shall perform the Build-out of renovations of the Premises for Silver's use. The cost of Build-Out is to come from State-allocated funds and funds, if any, in lieu of deferred maintenance that the Aviation Authority is able to obtain through its negotiations with Delta for termination of the Comair Lease. The Aviation Authority's obligations to perform such Build-out is conditioned upon the Aviation Authority receiving funding sufficient to pay all such costs and the Aviation Authority is not obligated to commit any of its own funds for the Build-out. If the State does not allocate and fund in Fiscal 2015 at least \$3.5 million for the Build-out and \$1 million for Silver's relocation costs, Silver may (a) terminate the Lease without any recourse prior to the Aviation Authority commencing work on the Build-Out, or (b) elect to accept the Lease and have up to two (2) years from final execution and approval of the Lease to complete the Build-out at Silver's expense provided Silver is paying rent and is not otherwise in default under the Lease.

The Lease term would be ten (10) years with Silver having four (4) options to renew the term for five (5) years each.

**CONSENT AGENDA ITEM - Q -**

Rent will commence on the date when a final certificate of occupancy for the Build-out is obtained and the rent payable under the Lease would be:

Combined Initial Annual Rent for the Hangar and Rubb hangar of \$130,500.00 per year or \$10,875.00 per month.

During the first twelve (12) months of the Initial Term, an inducement rent shall be in effect in the amount of 50% of the Combined Initial Annual Rent, or \$65,250, or \$5,437.50 per month. The savings resulting from the Inducement Rent is to be invested by Silver Airways in the facilities for proprietary improvements, systems and equipment over the first five (5) years of the Term.

The Annual Rent will be adjusted every five (5) years based on the fair market rental value of the Premises and all improvements thereon as determined by an MAI appraiser with such increase not to exceed 110% of the then current rent.

Silver shall be responsible for all ordinary and necessary maintenance, utilities and insurance during the Lease Term. There are currently no ad valorem taxes or assessments imposed on the Premises; however, should real estate taxes or assessments subsequently become imposed, Silver shall be responsible to pay those.

#### **ALTERNATIVES**

The Board could elect not to enter into the Lease with Silver.

#### **FISCAL IMPACT**

The Aviation Authority will have no liability for Build-out of the Premises which would be funded from State funds. It is not known at this time what funds, if any, will be received from Delta for deferred maintenance. Projected base rental income for years 1-5 of the Lease with Silver is \$587,250.00. The maximum projected base rental income for years 6-10 of the Lease is \$717,750.00.

#### **RECOMMENDED ACTION**

It is respectfully requested that the Aviation Authority Board resolve to (1) approve the Hangar Facility Lease Agreement with Silver Airways Corporation, (2) seek Orlando City Counsel approval of this Lease term in excess of ten (10) years, and (2) authorize an Aviation Authority Officer or the Executive Director to execute the necessary documents, following satisfactory review by legal counsel.