



MELBOURNE AIRPORT AUTHORITY BOARD
Minutes for June 24, 2020 Board Meeting
Airport Board Room

Present via telephone: Mr. Jack L. Ryals, Chairman
Mayor Kathy Meehan, Vice Chairman
The Honorable Debbie Thomas, Councilmember
Mr. William C. Potter, Member
Mr. Scott Mikuen, Member
Mr. Michael Fischer, Member
Mr. Adam Bird, Airport Attorney
Mr. Greg Donovan, A.A.E., Executive Director
Mr. Mark Busalacchi, Director of Business Development
Mr. Cliff Graham, C.M., Director of Operations and Maintenance
Ms. Melissa Naughton, C.M., Assistant Director of Business Development
Mr. Mike O'Dell, C.P.A., Director of Finance and Administration
Mr. David Perley, A.I.C., Director of Capital Improvements

Not in Attendance: The Honorable Tim Thomas, Councilmember

Pledge of Allegiance

Roll Call

Roll call taken by Ms. Tammy Till, Board Secretary, and a quorum was determined by Chairman Ryals. The meeting was held via secured conference call-in line.

Airport Announcements by Executive Director Greg Donovan:

- Meeting will be conducted via secured conference call-in line and secured shared computer screens.
- The next MAA Board Meeting is on July 15, 2020 which will be a combined July and August meeting.
- New contracted employee Mr. Mike Balsamo, Construction Manager, was introduced.
- I-95 Interchange at Ellis Road dedication attended by staff, Mayor Meehan, and other dignitaries.
- Florida Department of Transportation Secretary Thibault visited MLB.

Action Items

Approval of the May 27, 2020 regularly scheduled Board Meeting. A motion was made by Mr. Potter for approval of meeting minutes, seconded by Ms. Thomas. Motion passed unanimously.

Item A-1 Recommendation to Approve a Commercial Ground Lease with Melbourne Airport One, LLC.

Mr. Donovan explained that Item A-1 is a ground lease with the new hotel developers. The original proposer was unable to come to an equitable agreement with staff and it was mutually agreed to end discussions. Staff then began negotiations with AD 1 Management (AD 1), which was the second ranked proposer to the original Request for Proposals (RFP) issued in November 2018. Melbourne Airport One, LLC (MAO) was formed by AD 1 for this project.

Staff has an agreement in place proposing a phased development with the first phase on 2.5 acres. This property is located south of the South T-hangars to NASA Boulevard. It is anticipated that MAO would invest

between \$20 and \$25 million over the next two years. This development would consist of a Hyatt Place hotel with approximately 130 guest rooms, with upgraded suites on one entire floor. These suites will allow for companies such as Embraer, Northrop Grumman, and L3 Harris to have a business-to-business arrangement with MAO for the use of these suites. Other hotel entities would include a rooftop bar, swimming pool, fitness facilities, a limited-service restaurant, and on-site paved parking.

Mr. Donovan further explained that future growth with this developer for the remainder of the approximately 9.5 acres would include a second hotel with a fixed based operator (FBO) to service hotel patrons. It will also include a minimum 20,000 square foot conference area with additional retail and office space.

He continued stating that what is before the Board today is the 2.5 acres ground lease only. The base term is for 75 years with 5 additional terms of 5 years each, subject to Federal Aviation Administration approval. This property is non-aeronautical, which allows for options for longer terms. Every 10 years MAO will make capital improvements of no less than \$2,250,000 to the property, as required by its franchise agreement, and will provide documentation verifying these improvements. After each expenditure, the lease term will be extended by an additional 5 years, up to a maximum of 25 years.

Mr. Donovan explained the initial base rent will be \$100,188 per year or \$8,349 per month, which is based on a fair market value (FMV) appraisal conducted with a rental rate of \$0.92 per square foot per year. The construction period and the first three years will have 100 percent rent abatement and at the commencement of the fourth year MAO will pay 100 percent rent. CPI adjustments will occur every 5 years with a minimum of 2 percent and a maximum of 5 percent per year, except after the initial 75-year base term, which will require a fair market value adjustment based on an appraisal. All taxes and fees will be the responsibility of MAO. The ground lease of this property will generate approximately \$7,213,536 over the term of the lease, not including CPI adjustments.

Mr. Potter asked if Eastern Florida State College would be displaced. Mr. Donovan stated no. Mr. Potter also asked if this company has done other hotel projects. Mr. Mark Busalacchi said they have done hotels all over the county. But in this area, they have the Hyatt in Palm Bay, and the Holiday Inn in Viera. Mr. Sammy Cohen from MAO explained the current projects in the Melbourne area and stated that he has other properties around the U.S.

Mr. Mikuen asked if the T-hangars would have to be moved for this project and if there are any expenditures the airport will have. Mr. Donovan stated the airport will not incur any expenses with this land lease. The hotel would be built without the necessity of moving the T-hangars, but with the terminal expansion, a new location will be needed. Mr. Donovan said the location of the T-hangars are being discussed and assured the tenants of the -hangars they would be informed with any change of location. Mr. Mikuen stated the T-hangars are very important for the general aviation community. He also asked if this lease would stand on its own. Mr. Donovan stated yes. Mr. Mikuen continued asking if leasing the land would have the same returns as selling the land. Mr. Donovan stated there is no trade-off financially and having a lease gives the airport the control over the quality of the structures on the property. He continued to state that the FAA may not approve of selling this parcel due to its proximity to the airport. Mr. Mikuen asked about the single-subject shell entity and if the newly created entity has backing for the shell entity. Mr. Adam Bird explained the airport's interest is secure with the property and the improvements of the property. Details are in the lease agreement for financial obligations to protect the airport.

Mr. Mike Fischer asked if rent is subject to CPI adjustment in the first year. Mr. Donovan stated no, it begins in the fifth year.

Mr. Potter asked if the FAA is agreeing with the terms of the lease and the five years rent abatement? Mr. Donovan stated he is confident, after discussions with the FAA, this lease agreement will be accepted.

A motion was made by Mr. Potter to approve a Commercial Ground Lease with Melbourne Airport One, LLC., and authorization for the Executive Director to execute said agreement on behalf of the Authority, seconded by Mayor Meehan. Motion passed unanimously.

Item A-2 Recommendation for Approval of the Eighth Amendment to Master Aeronautical Ground Lease with Space Florida.

Mr. Donovan explained Item A-2 is a lease amendment with Space Florida that facilitates the operations of Northrop Grumman. This amendment is for the lease of 23.103 acres and an option to lease the remaining 15.29 acres. The 23.103 acres will be added to the Master Aeronautical Ground Lease for the remaining term of the lease, with two 5-year options. The rate is \$0.38 per square foot per year, which is \$384,327.81 per year. This is based on fair market value (FMV) appraisals conducted by the airport and Northrop Grumman. A CPI increase will occur every five years with a minimum of 0.8 percent and maximum of 5 percent per year. The tenant is responsible for all insurance, taxes, and fees associated with the amendment. There will be an option for the remaining 15.29 acres for up to 5 years with an annual fee of \$37,963.85. The amount of revenue will be \$13,003,091 over the remaining lease term not including the option fee or CPI adjustments.

Mr. Mikuen asked about the 10 acres that are impacted by certain electromagnetic emissions; did the fair market value include the limited use and are there any environmental concerns with the electromagnetic emissions. Mr. Donovan stated there is language in the existing Master Ground Lease that address all environmental responsibilities. With the restricted use of the parcel, considerations were part of the fair market value formula.

Mr. Potter asked if this property is currently taxed? Mr. Busalacchi answered that is it not taxed.

Motion was made by Ms. Thomas for approval of the Eighth Amendment to Master Aeronautical Ground Lease with Space Florida, and authorization for the Executive Director to execute said contract on behalf of Authority, seconded by Mr. Potter. Motion passed unanimously.

Item A-3 Recommendation for Approval of a Lease with the U.S. Government.

Mr. Donovan stated Item A-3 is a lease with the U.S. Government (Government) for the National Weather Service Forecast Office and Weather Service RADAR site at 421 Croton Road. The current lease for this tenant is set to expire on September 30, 2020. This is a 1.332-acre parcel with a term of 8 years commencing October 1, 2020 and terminating September 30, 2028 and can terminate this lease with 120-days written notice. The lease rate is \$19,200 per year, which is based on a Fair Market Value appraisal.

Motion was made by Mr. Potter for approval of a lease with the U.S. Government and authorization for the Executive Director to execute a purchase order on behalf of the Authority, seconded by Mr. Fischer. Motion passed unanimously.

Item A-4 Recommendation for Approval to Extend the Contract for Purchase and Sale of 2.5 Acre Parcel.

Mr. Donovan explained this item has been brought to the board several times beginning in January of 2018. This is a 2.5-acre parcel that sits between NASA Boulevard and Old NASA Boulevard.

As a result of a change of tenants and the COVID-19 pandemic, which is slowing the permitting process, NASA Investment Partners has requested to extend the closing date to occur on or before February 17, 2021. NASA Investment Partners intends to utilize the 2.5-acres for water retention, which is a compatible use for this property, with a sale price is \$185,000. The extension is subject to final approval from Melbourne City Council.

Mr. Potter asked if FAA would deduct this from future grants? Mr. Donovan stated, no it would not be deducted.

Motion was made by Mr. Potter for approval to extend the contract for purchase and sale of 2.5-acre parcel and authorization for the Executive Director to execute said amendment on behalf of the Authority, seconded by Mayor Meehan. Motion passed unanimously.

Item A-5 Recommendation to Approve Renewal of Airport Liability Insurance Coverage Policy in the Amount Not-To-Exceed \$52,535.

Mr. Donovan explained that the airport's liability insurance is due to expire on July 14, 2020. The Airport utilizes aviation insurance broker, Arthur J. Gallagher Risk Management Services, Inc. (AJ Gallagher), to assist with obtaining proposals. Mr. Scott Bolger, Area Executive Vice President Aviation Practice, presented to the board. He gave a picture of the aviation industry including overview of premium rates, liability limits and insured/uninsured claims data. Currently the airport has \$100 million of liability insurance, which is in line with other airports and the premium paid is about average.

Mr. Bolger explained that the Airport is running at a 60 percent loss ratio, due to its loss history over the last three years. With operations being down at the Airport, several options were given to reduce its cost but is still a 25 percent premium increase. Options to reduce various coverages included: excess auto liability, incidental medical malpractice, cargo liability, medical payments limits, and non-owned aircraft liability.

Mr. Mikuen asked if the aircraft that are currently being stored on Airport property are covered under the property policy or under the liability policy? Mr. Bolger stated it is part of the hangar keeper's liability coverage, with up to \$100 million coverage limits. Mr. Potter asked what were the primary claims with the 60 percent loss ratio? Mr. Bolger answered mostly slip and fall type claims.

Mr. Donovan stated that the decision needed today would be to continue with National Union Fire Insurance Company with a not-to-exceed in the amount of \$52,535.

Motion was made by Mr. Potter to approve renewal of Airport liability insurance coverage policy in the amount not-to-exceed \$52,535, seconded by Mr. Fischer. Motion passed unanimously.

Item A-6 Recommendation to Award the next phase of work to The Haskell Company/RS&H/ Kimley-Horn team under its Progressive Design/Build Contract for the Terminal Renovation and Expansion Project in an Amount Not-To-Exceed \$650,797.

Mr. Donovan stated Item A-6 is Phase 2G of the Terminal Renovation and Expansion Project. It is specifically for the progressive design/build for the north edge of the air carrier apron. This would be a 100 percent re-design of the apron space. This space is critical and will be used now and into the future. There is a deadline for funding regarding the four grants from the Federal Aviation Administration (FAA).

Mr. Potter asked what the local match is on this \$650,000. Mr. Donovan said it is 100 percent of federal money with no local match. Mr. Fischer asked if there is a cost estimate for this construction phase? Mr. Dave Perley answered the estimate is \$10.3 million total for the actual work.

Motion was made by Mr. Potter to award the next phase of work to The Haskell Company/RS&H/Kimley-Horn team under its Progressive Design/Build Contract for the Terminal Renovation and Expansion Project in an amount not-to-exceed \$650,797, seconded by Ms. Thomas. Motion passed unanimously.

Discussion Item**Item D-1 FY 2020/21 Proposed Budget**

Mr. Donovan stated that a hard copy of the proposed budget will be delivered to each board member at the end of this meeting. Staff has worked extremely hard to help off-set the lack of income the airport is experiencing due to the current COVID-19 issues by cutting of expenses within each of their departments. The Airport is very grateful for the special financial assistance it is receiving, especially the CARES Grant.

Mr. Mike O'Dell presented the Airport's proposed budget for FY2021. Detailed were presented within the budget highlighting revenues, expenses, net cash, and indirect cost allocations with the City of Melbourne, COVID-19 issues and Tropical Haven's rate increase and capital improvement projects.

At the July 15, 2020 MAA meeting, the airport budget for FY2021 will be on the agenda and once approved, will be forwarded to City Council for adoption within the City budget. On September 8, 2020 the first City Council public hearing of the MAA budget will be held, with the second heading and adoption on September 22, 2020.

Mr. Potter thanked Mr. O'Dell for the presentation. He stated he heard due to the pandemic the airline industry will take about 10 years to come back and he would like the Airport to research how this may affect MLB in the next five years. Mr. O'Dell will check into this concern.

Mr. Mikuen stated with the CARES grant amount of \$8.6 million deducted, it looks like a \$2.1 million loss. He asked what the timing is to receive the remaining portion of the CARES grant. Mr. O'Dell stated the grant is effective for four years, beginning with January 20, 2020 expenses being eligible. To date, \$1.7 million has been drawn and the remainder will be drawn as soon as possible.

Mr. Fischer asked regarding the April Monthly Activity Report, there is 83 percent decline in passengers and the airline landing fees are only down 7 percent. He wanted to know if those numbers would come down. Mr. O'Dell said they will change, but not in large amounts to start.

Ms. Thomas asked what the new rent rate is for Tropical Haven. Mr. O'Dell said it depends on the size of the lot, but new rates are as follows: the small lot will be \$206, and the large lot will be \$282.

Mayor Meehan asked regarding Tropic Haven, what would be the improvements to the club house. Mr. O'Dell stated it needs a new roof, new siding, new floor in the library plus other items. The roof is the priority to be completed this year.

Informational Items**Item I-1 Financial Update by Mr. O'Dell****Top Ten Highlights**Revenue

Parking is down 16 percent

Flat overall operating revenue

Down a total of \$10,000

Operating

Personnel up due to the Evergreen implementation

Other operating expense down 26 percent

Reserves

Approximately \$20 million

Item I-2 Operations Update by Mr. Graham

Air Service

Currently, Delta Air Lines and American Airlines are operating one flight per day. Delta is adding a second flight on July 2 and American Airlines is adding a second and third flight in July. Delta plans a third flight in August and a fourth flight in September. Menzies is doing a great job during the COVID-19 adjusting staff and schedules.

Wildlife Hazard Management Plan

Staff has updated the Wildlife Hazard Management Plan. Recommendations were made by the airport's current FAA certification inspector who is the wildlife expert for the southern region. Annual trainings are a part of the new plan and will be conducted this week for staff. Airports tend to attract wildlife because they are typically a green space in the middle of an urban area. Wildlife management is ultimately about aviation safety.

Airport Signage for Exit 182 Ellis Road/I-95

The airport is not recognized as a destination on the five overhead primary signs on I-95. Staff met with local Department of Transportation officials to present this issue and proposed a solution. Staff is waiting on a determination. The airport is seeking letters of support from City of Melbourne, City of West Melbourne, and Space Coast TPO to help support the airport's request.

Item I-3 Construction Projects Update by Mr. Perley

Air Traffic Control Tower

Parking lot has been paved.

Curbs have been installed.

Access control work to start this week.

Expecting all work to be complete by the end of the month.

Closeout is now expected by the end of July 2020.

Terminal Renovation Phase 2

Mike Balsamo is on board and he has received his badge and is ready to start escorting Haskell next week.

All three grant applications were submitted to the FAA on Monday with 30 minutes to spare.

Contract review meeting with the attorneys was held with minor corrections needed.

Final contract should be ready for signature by the end of the week.

Haskell working on setting up Stakeholder meeting within the next 2 to 3 weeks.

Survey of the airside for expansion will begin next week.

3-D scanning of the building will start up next Monday.

Haskell currently working on programming model to be able to present within two weeks.

Ground Run-up Enclosure

Drawings were submitted to the City last week and comments have already been received.

Ivey's gearing up to begin construction by the second week of July.

Project team is working with Aerion for its run-up requirements.

Project completion is March 2021.

Replacement of Passenger Boarding Bridges 7 & 4

Bridge 4 is complete and operational.

Punch list items remain as Aerobridge Works waits for parts from the manufacturer - JBT.

Bridge 7 is complete and substantial completion inspection performed last week.

Punch list generated and should be complete by the end of the month.

Obstruction Removal and Lighting

Area 1 nearing completion.
Remaining mulch piles are to be removed before final grading and seeding.
Rains have hampered accessibility by the large equipment.
Area 2 work continues with about 30 percent complete.
Project is about 3 weeks behind schedule due to the rains.
We expect the contractor to submit for a weather time extension.
Project to be complete in August.

Item I-4 Business Development and Marketing Update by Mr. Busalacchi

A thank you to the team of Mr. Adam Bird, Ms. Melissa Naughton and Mr. Rob Himler who worked on the hotel ground lease agreement. All are looking forward to moving the project forward with AD1.

Embraer is constructing a new 16,500 square foot hangar, which is expected to be completed within 60 days.

Mr. Himler explained the launch of a new marketing program, FlyMLBSafely.com. There is a new website detailing all the new improvements that have been made at the terminal with response to COVID-19. MLB has been featured on Space Coast Daily, News 13 as well as industry publications. Many of these publications are taking note on MLB's initiatives and have asked for additional input on future articles.

Public Speakers

Other Business

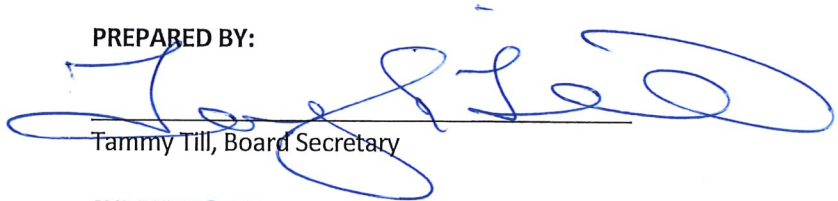
Mr. Potter asked for an update regarding the Termination for Convenience provision in the Haskell contract that was approved at last month's meeting. This provision was being negotiated and was not completed at the time of the May meeting.

Mr. Bird explained it has not been completed yet, but he will update the Board when it is.

In Closing

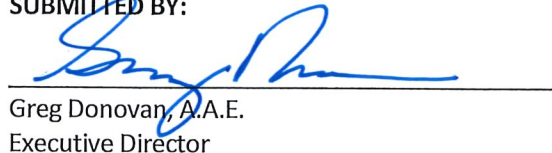
The meeting was adjourned by Chairman Ryals at 10:48 a.m.

PREPARED BY:



Tammy Till, Board Secretary

SUBMITTED BY:



Greg Donovan, A.A.E.
Executive Director

APPROVED BY ACTION OF AIRPORT AUTHORITY:



Jack L. Ryals, Chairman