

BUSINESS

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# TIMCO LEASE

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Timco, said this week. He said he doesn't know how many people the company would employ right away if it reopened at Smith Reynolds. He said that some of the workers would be new hires and some would be transferred from Greensboro.

Airport officials said they are unwilling to reduce the rent, and the job prospects held out by Timco are considered too speculative.

The airport received \$3.9 million in revenue for its financial year ended June 30, of which \$1.7 million came from Timco, said Edwin R. Cox, the airport's executive director.

"That building is very, very valuable to us," he said.

Timco leases 246,000 square feet in a building at Smith Reynolds for \$6.91 a square foot, the company said.

According to Cox, 184,000 square feet of the space that Timco rents is hangar and shop space. Much of the rest is office space.

Haucke said that the company has paid the airport nearly \$5 million in rent since the 10-year lease started in August 1999.

Timco was bought for \$70 million by Aviation Sales Co. of Florida in 1998. A year later, Aviation Sales' management got into a bidding war with a competitor, FLS Aerospace, to lease space at the airport to keep FLS out of the Triad, Haucke said. Aviation Sales got the lease, but at a rate well above the market rate, said Haucke, who joined Timco six months ago. At the time, cost wasn't such a priority at Timco because business was doing well — much of

the company's business comes from the airline industry and delivery companies, which were benefiting from of the booming economy in the 1990s.

In March 1999, the company said that within five years its airport operation could employ 700 people. In October 1999, Timco celebrated the opening of its operation at Smith Reynolds.

At its peak in spring 2000, Timco had 375 people working at Smith Reynolds, but Aviation Sales ran into trouble because of heavy debt, Haucke said. From that employment peak in the spring of 2000 until it shut down in August 2001, groups of workers were transferred to Greensboro from time to time.

**In April last year, Timco employees** at Smith Reynolds, of whom there were more than 300, said that they had been told that Timco would close the operation in June. The company denied that it was pulling out.

Aviation Sales, which Haucke said was calling the shots at Timco, completed a major re-organization in February. In the overhaul, the company's senior management was replaced, its stock was delisted and its name was changed to Timco Aviation Services.

Haucke said that the previous management at Aviation Sales made "some very bad business decisions," including the Smith Reynolds lease.

Haucke said that Timco made a presentation to the airport commission in April, proposing that its rent be reduced to \$2.50 a square foot and that its lease be extended. If the company employed more than 200 people, it would want the rent reduced to \$2.25 a square foot, and if it employed more than 300, it would want the rent reduced to \$2 a square foot.

Haucke said that the commission rejected

the proposal and didn't offer a counterproposal. In May, Timco went back to the commission and asked for the rent to be reduced to \$3.50 a square foot effective July 1, 2002, Haucke said. The company also proposed that if the company didn't have 100 full-time employees at the hangar within 18 months, the rent could be raised to \$4.50 a square foot. That condition would be in place until the end of the lease.

Members of the commission were unimpressed. "What they offered was just ridiculous," said Gloria Whiteshant, who also serves as a Forsyth County commissioner. "A lease is a lease," she said.

After the second proposal by Timco, the airport commission asked its attorney to hire a company to determine a fair rate for the Timco space. William Whiteheart, the commission's chairman, said that according to the study, the rent that the commission receives is 10 percent to 15 percent above a fair market rate.

Haucke said that airport officials would not let the company see the report.

According to Timco, its average lease cost for hangar and office space for all the properties is \$2.19 a square foot. For comparable space in Lake City, Fla., for example, its lease rate is 55 cents a square foot and in Macon, Ga., it is \$3.78 a square foot, the company said.

In a letter sent to the commission Monday, Haucke made another appeal.

"Timco is once again imploring the Commission to expeditiously adjust the rent for this hangar in exchange for potentially bringing full-time jobs for the citizens of Forsyth County," he wrote.

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