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JUNEAU INTERNATIONAL AIRPORT

LEASING POLICY

As approved by the Airport Board on _____

I. Purpose

The Federal Aviation Administration (FAA), by way of its Airport Sponsor Grant Assurances, requires any airport developed with Federal grant assistance to operate for the use and benefit of the public and for the airport to be made available to all types, kinds, and classes of aeronautical activity on fair and reasonable terms and without unjust discrimination. In addition, these Airport Sponsor Grant Assurances require an airport sponsor to maintain a fee and rental structure for the facilities and services at the airport which will make the airport as self-sustaining as possible under the circumstances existing at the airport and to avoid unjust economic discrimination within classes of users, taking into account such factors as the volume of traffic and economy of collection.

The purpose of the Juneau International Airport (Airport) Leasing Policy is to (1) provide sound, consistent guidelines through which the Airport can respond to the interests of financially stable and responsible lessees; (2) administer Airport leaseholds in accordance with its grant assurances; (3) insure the Airport's ability to meet its obligation to provide a stable revenue source for the Airport; and (4) provide guidelines for Airport related business decisions.

The leasing of Airport land is regulated and influenced by City, State, and Federal law including, but not limited to, the policies and rules of the FAA, formal policies adopted by the Airport, input from the community, and precedent set by the Airport Board.

II. Rates, Fees and Charges

FAA guidelines¹ require the Airport to make the airport as financially self-sustaining as possible. To the extent feasible, aeronautical use² charges must be established on a cost recovery basis, while use of airport property for non-aeronautical facilities and/or services must be based on fair market value.

In specific circumstances which are not covered by established rates, fair market value will be determined by an appraisal of the specific parcel and the rental rate will be negotiated to achieve Airport's intended return.

The Airport assesses rates and fees each year through the budget process and may adjust lease rates in accordance with the budget needs and tenant negotiations.

¹ 49 U.S.C. §47107(a)(13)

² Aeronautical uses include air taxi and charter, air carrier service, pilot training, aircraft rental, aerial photography, crop dusting, aerial advertising and surveying, aircraft sales and service, aircraft storage, sale of aviation petroleum products, repair and maintenance of aircraft, sale of aircraft parts, parachute and ultralight activities.

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III. Land Uses

An Airport Master Plan (AMP) and an Airport Layout Plan (ALP) have been developed for the Airport and are periodically updated. These plans, which are reviewed and approved by the FAA and the Airport following public review and input, provide guidance to Airport staff and the Airport tenants in land use leasing decisions. The Airport lease documents specify permitted uses of Airport property and any land use restrictions which may apply. Please see CBJ Code 53.20 and 05.20.

IV. Authority to Lease

The Airport is owned and operated by the City and Borough of Juneau (CBJ). CBJ provides the Airport land, under CBJ Code Title 49 Lands, and the land is leased by the Airport, under CBJ Code Title 5 Juneau International Airport.

V. New Lease Requests

Airport property is leased on a first come, first served basis in accordance with the AMP, the ALP, the prospective lessee's proposed use or operation, and with the best financial interests of the Airport. Potential lessees shall submit a fully completed Lease Application and fees associated to the Airport together with such additional information as may be required for review by the Airport Manager. All commercial applicants must provide a business plan that meets airport minimum standards, as reflected in the Airport's Minimum Standards Document.

All applicants who apply and pay charges associated to application for lease property will be put on the Airport Lease Wait List. The list is categorized by type of request (commercial, executive hangar, t-hangar, tie-down, and/or float pond). When space is available for a specific type of lease, in accordance with the AMP and the ALP, the applicants on the Airport Lease Wait List will be contacted in the order of application submission date. If the first applicant does not wish to pursue the available lease space, the next applicant who desires the same type of lease will be contacted and so on and so forth. Any applicant that chooses not to pursue the available lease property will not be removed from the Airport Lease Wait List or lose their rank on the Airport Lease Wait List and will be contacted the next time lease space becomes available for requested lease type.

The Airport will issue a lease to an applicant only if the application meets the requirements of this leasing policy and provided:

- A. The proposed use is consistent with the AMP, the ALP, and the Airport Terminal Plan, if applicable, and other relevant CBJ land use planning documents;
- B. Approval will not constitute a violation of the FAA Grant Assurances;
- C. An applicant's commercial use of the property will comply with the requirements of the approved Airport Minimum Standards document; and
- D. The applicant and any proposed sublessee's, are in good standing with the CBJ including, but not limited to, the timely payment of all CBJ taxes.

From time to time, the Airport and CBJ Law Department may review lease terms and update the Airport's lease template as required, and as approved by the Airport Board.

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VI. Lease Agreements and Legal Review

The Airport leases may contain more restrictive clauses than private sector leases. Lessees will be required to assume the liabilities associated with possession and control of real property including, but not limited to, compliance with all Federal, State and CBJ laws and regulations pertaining to the use, storage and disposal of hazardous materials and storm water pollution prevention regulations, air space protection and security of the airport through lessee parcel.

The Airport leases are approved by CBJ and shall, at a minimum, conform to local standards of tenant responsibility and liability. Lease language is periodically updated to reflect changes in FAA regulations and real estate law, as well as to meet a changing economic environment and other risks associated with land ownership.

VII. Lease Term

A. Airfield Standard Lease Term

The term of an airfield lease is determined by property designation in the AMP, the ALP, the prospective lessee's proposed use or operation, and the best financial interests of the Airport. Consideration shall also be given to a lessee's substantial capital investment in facilities and the requirement of a lender for a specific lease term. The standard lease term for a new stand-alone lease is based on the term investment table.

Investment is defined as:

1. Construction and improvement costs on the lease parcel; or
2. The purchase or refinancing of the leasehold improvements on the property.

At expiration of a lease, a current lessee who is in compliance with all provisions of the current lease shall have the right to execute a new lease under the provisions of Section VIII.

B. Terminal Standard Lease Term

The length of terminal lease term is determined by the Terminal Plan, the prospective lessee's proposed use or operation, and is in the best financial interests of the Airport. Generally, space in the terminal is leased for five years, however, if the Airport has plans to change the terminal, through renovation, strategic design, etc., leases may be offered on a month-to-month basis.

Concession leases are through CBJ contract bid or proposal for up to five years, with renewal options. Federal Government leases are determined through Federal procurement rules.

C. Exception to Standard Term

On a case by case basis, the Airport Board may consider a significantly longer lease term to support Airport property development and to allow a lessee to amortize its investment based on the following criteria:

1. Significant initial capital investment;
2. Significant additional capital investment in current leasehold improvements;

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3. Requirements of a lender for minimum lease term for those leases upon which leasehold improvements are used to collateralize loans, including the refinancing of an existing business operations;
4. Services provided to other Airport tenants and users;
5. Significant job creation;
6. Public infrastructure extensions which will benefit other parcels, such as roads, water, or sewer; or
7. Potential to attract other new aviation businesses.

VIII. Extensions of Existing Leases

A. General

1. At the end of a lease term, if a lessee is not in default of its existing lease, and if the leasehold improvements satisfy maintenance and appearance standards approved by the Airport, a new standard form lease shall be granted to the lessee, subject to the following exceptions:
 - a. If the area within which a lease is located is, or may be, needed for future Airport development as outlined in the AMP, the Airport may require the Lessee to remove all Leasehold Improvements at the end of the Term and return the Leased Premises to an unimproved condition or may be compensated for the leasehold improvements (please see Section X. Disposal of Improvements).
 - b. If the Airport determines that a shorter term is necessary or appropriate in accordance with the AMP, the ALP, and is in the best financial interest of the Airport, the Airport may elect to approve a new lease for less than the standard term then in effect for similar property use.
2. At the expiration of the lease, the current Lessee shall have the option to execute a new lease under new lease provisions (as long as the lease complies with the exceptions stated in section VIII.A.1).
3. A private hangar lessee may request the Airport to convert its lease to a commercial lease if the leasehold improvements meet the Airport's Minimum Standards for the proposed commercial activity. If approved by the Airport Board, that parcel shall be converted to the commercial lease rate, rules and requirements of commercial tenants.

B. Commercial

1. At the expiration of an existing commercial lease, or at any time during the lease term, a commercial operator ("Operator") may submit a proposal to the Airport for a new lease agreement or an extension of its existing lease. The Airport is not obligated to approve a request, but will consider all proposals, evaluating them in light of the following criteria:
 - a. The lessee must be in full compliance with the existing lease terms and conditions;

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- b. The Airport must make a determination that there is no immediate need to use the property for Airport purposes when the current lease expires;
 - c. The existing/proposed property use must be consistent with the ALP, AMP, and other relevant land use planning documents;
 - d. Lessee must demonstrate its plan to optimize use of Airport property to the Airport's full satisfaction;
 - e. Lessee must demonstrate its commitment and plans for capital improvement or investment to develop and/or improve Airport property, facilities, and services, if the facility maintenance and appearance standards, approved by the Airport, are not met.
2. The term of a new lease or lease extension(s) will be established, and approved, by the Airport, based on its determination of the following issues:
 - a. If the Airport's financial or operational interest is best served by a new or extended lease or expiration of the existing lease;
 - b. The value of proposed new and/or improved aviation or industrial facilities;
 - c. Whether the time needed to amortize Operator's investment is longer than Operator's remaining lease term;
 - d. The reasonable period of time needed to amortize Operator's proposed investment in improvements to its facilities and Airport property.
3. If no new capital investment is proposed, a new lease shall be executed, subject to the current standard commercial lease terms and conditions.
4. In areas established as general aviation or private hangar lease lots, a business lease (or assignment) may be approved by the Airport Manager, so long as the purpose of the lease remains as aircraft storage. No commercial activity (public for hire) or heavy maintenance may occur in these sites. This includes CBJ building code and lease insurance provisions.

IX. Construction of Leasehold Improvements

Leasehold improvements must be constructed in accordance with the FAA, CBJ and Airport guidelines. Height restrictions, lot-line setbacks, appropriate parking, building design, quality of construction, and other requirements are controlled by the FAA, CBJ building code, and the Airport. Prior to making substantial changes to the footprint or height of a leasehold improvement, a tenant shall first acquire the written approval of the Airport Manager.

X. Disposal of Improvements

If there are improvements constructed on leases premises as required or permitted under the lease document. Improvements can range from major improvements, such as the construction of a building, to minor improvements, such as carpeting, painting, and refurbishment. Lease terms should govern the disposition of the improvements.

The lessee owns the title to the permanent improvements that they construct or purchase during the term of the lease, unless the lease expressly provides that the Airport (or the CBJ) is the owner of

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the permanent improvements. At the expiration, termination, or cancellation of a lease, the improvements shall be governed by the following:

- A. The lessee who owns the improvements shall continue to own permanent improvements that the lessee constructed or purchased on the leasehold if the lessee is granted a new lease or an extended term for the same land.
- B. A lessee may sell the permanent improvements owned by the lessee to a succeeding lessee of the same land.
- C. After notice by the Airport Manager, the permanent improvements owned by the lessee shall be removed at the lessee's sole expense if:
 - 1. The permanent improvements do not comply with written Airport policies or are inconsistent with the AMP or ALP;
 - 2. The permanent improvements are not sold under X.B. of this section; or
 - 3. The Airport makes written findings that the permanent improvements are a safety hazard to the public.
- D. Lease Improvements that need to be removed for future development, in accordance with the AMP, ALP, and other relevant land use planning document will be subject to the following:
 - 1. If the lease was executed prior to the determination of a future need for the leased property, by the previously stated planning documents, the Airport will at the Airport's discretion either purchase or relocate the leasehold improvements at a new location at the Juneau International Airport. The purchase would be at the cost of replacement of the leasehold improvements at a new location at the Juneau International Airport. If the lessee has no intention to continue leasing at the Juneau International Airport, the Airport will purchase the leasehold improvements at fair market value.
 - 2. If the lease was executed after determining, through the previous discussed planning documents, the space would be needed for future Airport development, the lessee is responsible for removing all leasehold improvements and returns the Leased Premises to an unimproved condition.

XI. Subtenant Approval

A. Private Hangars - Sublease Occupants

Upon the Airport approval, non-commercial lessees may utilize a sublease arrangement to offset hangar ownership expenses provided the lessee:

- 1. Stores at least one of its owned aircraft in the hangar;
- 2. Shall not allow any use of, or activity, on the leased premises by the sublessee that is not in full compliance with the terms and conditions of the lease; and
- 3. Has provided the Airport Manager with a copy of its sublease agreement, in which the financial terms may be redacted.

If the private hangar owner does not utilize the hangar for its owned aircraft, the owner must apply for and obtain a commercial lease to be able to sublease its hangar. (See Section VIII.A.4.).

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B. Commercial Sublease

Upon the Airport approval, an Operator may sublease a portion of its leasehold improvements to provide additional aviation related services at the airport. Terminal subleases are not allowed, except by written permission of the Airport Manager, who may approve a short-term sublease in unusual circumstances such as a shortage of office or counter space. All sublessee's are bound by Regulation 07 CBJAC 10 Rates & Fees, for all applicable fees and reporting, and shall be required to provide proof of insurance under the appropriate section of the lease. The Airport Manager shall have the authority to immediately revoke approval of any sublease, if a sublessee is out of compliance with the Airport, CBJ or FAA use, reporting or fee payment requirements.

C. Review and Approval

The Owner or Operator shall submit a fully completed Sublessee Application to the Airport Manager together with such additional information as may be required for review by the Airport Manager. The information will be reviewed based on parameters included in this Leasing Policy including, at a minimum, the following:

1. The proposed use is appropriate and consistent with the AMP, the ALP, and other relevant land use planning documents;
2. Approval will not constitute a violation of FAA Grant Assurances;
3. If approval is requested for a commercial sublessee, the use of the property will comply with the requirements of the approved Airport Minimum Standards.
4. Written acknowledgment of a private hangar owner, sublessee occupant, Operator, and/or commercial sublessee that they will comply with original lease.

XII. Assignment of a Lease

A. Assignment of Private Hangar Lease

A lessee who intends to sell its leasehold improvements to another party shall provide timely written notice to the Airport Manager of the lessee's desire to assign its lease due to pending sale or transfer of its leasehold improvements and pay the administrative assignment fee established in the current Airport rates, fees and charges. The written notice must comply with section X.C.

The Airport shall not approve a lease assignment until the Airport staff inspects the hangar and determines the hangar is in compliance with the Airport and CBJ codes. Assignees must be in good standing with the CBJ.

B. Assignment of Commercial Lease

An Operator who intends to sell its leasehold improvements to another party or otherwise assign its commercial lease shall submit a completed Airport Lease Action Request to the Airport Manager at least thirty (30) days prior the request assignment and pay the administrative assignment fee established in the current Airport rates, fees and charges.

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The Airport shall not approve any assignment of a commercial lease which would cause the Airport to violate its Grant Assurances. A commercial assignee must be registered with the CBJ and be in good standing.

C. Assignment Action Request Form

All assignments must provide an action request form that includes the following:

1. The name of the proposed assignee, including the names of the controlling interest owners if a limited liability company, corporation, partnership, or other association;
2. Contact information for the assignee; and
3. A copy of the proposed or actual document to be used to convey ownership, such as a sales agreement or a bill of sale, in which the financial terms may be redacted.

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