

LEASING POLICY

*Paso Robles Municipal Airport
City of Paso Robles, California*

Adopted: February ____, 2016

LEASING POLICY STATEMENT OF PURPOSE

The City of Paso Robles (City) owns and operates the Paso Robles Municipal Airport (Airport) in Paso Robles, California. The Airport provides a variety of general aviation services to the public. Moreover, the Airport and businesses thereon offer facilities for propeller fixed wing and turbojet aircraft and helicopters, as well as a variety of commercial aeronautical services provided by private companies and an aviation museum. The Airport acts as a stimulus to the local economy through jobs, salaries, business support and access. Flight activities at the Airport include flight training, air charter, corporate flights, emergency services and private aircraft operations.

Included herein is the Leasing Policy for the Airport. This policy document provides the basic terms and conditions for leasing property at the Airport and the procedures established for the process. This Policy will assist the City in the fair and reasonable and equitable procedures for the leasing of all City-owned property at the Airport.

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SECTION I: INTRODUCTION

The City of Paso Robles (City) owns and operates the Airport as set forth by the Federal Aviation Administration (FAA) by way of its Airport Sponsor Assurances, which provides that any airport developed with Federal grant assistance is required to operate for the use and benefit of the public and is to be made available to all types, kinds, and classes of aeronautical activity on fair and reasonable terms and without unjust discrimination. As the Airport's sponsor, the City receives Federal airport development funding. This *Leasing Policy* will assist the City in maintaining compliance with the Airport Sponsor Assurances, as not to jeopardize their ability to obtain future Federal airport development funding, as well as to provide for the fair and equitable treatment of all aeronautical tenants and users. This Policy has further been developed to assist the City in competing fairly with other airports and to maintain fiscal responsibility of the Airport assets entrusted to the City.

The purpose of this document is to set forth a standardized system for the leasing and rental of Airport properties, which will be utilized for future tenants of the Airport, and to assist the City in maintaining compliance with the Federal Aviation Administration (FAA) Policies, Regulations, guidance documents and Advisory Circulars. This policy will also be applicable to existing tenants of the Airport that enter into lease renewals, extensions, and/or amendments to existing agreements, as well as to new lease agreements for leaseholds currently under a lease agreement with the City.

SECTION II - LEASING POLICY

This *Leasing Policy* document is intended to provide potential tenants an understanding of the policies and processes used by the City when leasing property, facilities or providing access to the Airport. This document sets forth the parameters for leasing Airport land or facilities, or accessing Airport property, and has established the following purposes:

- Maintain the public-use Airport in a safe manner to ensure that the City can fulfill their role as required in a emergency response system
- Preserve investments in the Airport and the level of service
- Facilitate orderly management of the Airport
- Ensure provisions of high-quality leasing procedures, services, and consistent quality of facilities
- Provide equitable and uniform treatment of all tenants and users
- Advance qualified aviation-related services on the Airport
- To assist the City in the well-ordered development the Airport
- To ensure compliance with applicable laws, regulations, executive orders, policies, guidelines, and requirements as they relate to the application and acceptance of Federal Funds
- Facilitate and foster good relations with all local airport communities and their residents
- Enable conformity with approved Airport Master Plan
- To make the Airport available for public use on reasonable terms without undue discrimination
- Assist the City in maintaining a fee and rental structure with the goal of maintaining financial self-sustainability
- Ensuring managed economic growth by providing access to State, regional, local and national markets

SECTION III - MISSION STATEMENT

The City is committed to the promotion of safety, providing high-quality airport services and facilities, and continually strives to improve the quality of service through innovative approaches and proven industry standards. We will consistently respond to our tenants, users, and community needs in an equitable, efficient, and effective manner.

The City is committed to having the Paso Robles Municipal Airport be the airport of choice for the region's businesses and travelers by providing cost effective, safe friendly and enjoyable customer experience. The Airport further supports the goals of the City by offering services and support to the region's general aviation and recreational pilots.

SECTION IV - DEFINITIONS

A. Aircraft

(1) Aircraft - any device used or designed for navigation or flight in the air including, but not limited to, an airplane, sailplane, glider, helicopter, gyrocopter, ultra-light, balloon, or blimp.

(2) Air Charter or Taxi - the commercial operation of providing air transportation of person(s) or property for hire by either on a charter basis or as an air taxi operator.

(3) Aircraft Fuel - all flammable liquids composed of a mixture of selected hydrocarbons expressly manufactured and blended for the purpose of effectively and efficiently operating an internal combustion, jet, or turbine engine.

(4) Aircraft Operation - an aircraft arrival at, or departure from, the Airport.

(5) Aircraft Owner - a person or entity holding legal title to an aircraft, or any person having exclusive possession of an aircraft.

(6) Aircraft Parking and Storage Areas - those hangar and apron locations of the Airport designated by the City for the parking and storage of aircraft.

(7) Aircraft Rental - the commercial operation of renting or leasing aircraft to the public for compensation.

(8) Aircraft Sales - the sale of new or used aircraft through brokerage, ownership, franchise, distributorship, or licensed dealership.

(9) Based Aircraft - an aircraft which the owner physically locates at the Airport for an undetermined period, and whenever absent from the Airport, its owner intends to return the aircraft to the Airport for long-term storage.

B. General

(1) *Aeronautical Activity* - any activity or service conducted at the Airport that involves, makes possible, or is required for the operation of aircraft, or which contributes to or is required for the safety of such operations. These activities include, but are not limited to, air taxi and charter operations, aircraft fueling, aircraft storage, flight training, aircraft rental, aircraft sales, aircraft repair and maintenance, public museums, and any other activities, which because of their relationship to the operation of aircraft can appropriately be regarded as an “aeronautical activity.”

(2) *Airframe and Power Plant Maintenance* - the commercial operation of providing airframe and power plant services, which includes the repair, maintenance, inspection, constructing, and making of modifications and alterations to aircraft, aircraft engines, propellers and appliances including the removal of engines for major overhaul. This category of service also includes the sale of aircraft parts and accessories.

(3) *Airport* -- the City-owned Airport, and all of the City-owned or leased real or personal property, buildings, facilities and improvements within the boundaries of the Airport, as it presently exists or as it may exist when it is hereafter modified, expanded, or developed. “Airport” includes all of its facilities as shown on the most current Airport Layout Plan.

(4) *ALP* - the current Airport Layout Plan or drawings available for the Airport.

(5) *Commercial Aeronautical Activity* - the conduct of any aspect of a business, concession, operation, or agency in order to provide goods or services to any person for compensation or hire. An activity is considered a commercial activity regardless of whether the business is nonprofit, charitable, or tax-exempt.

(6) *Commercial Operator (Operator)* - a person, firm, corporation, or other entity conducting commercial aeronautical services or activities at the Airport for compensation or hire.

(7) Exclusive Right - a power, privilege, or other right excluding or debarring another from enjoying or exercising a like power, privilege, or right. An exclusive right can be conferred either by express agreement, by the imposition of unreasonable standards or requirements, or by any other means.

(8) General Aviation - all phases of aviation other than aircraft manufacturing, military aviation, and scheduled or non-scheduled commercial air carrier operations.

(9) Non-Aeronautical - all activities, businesses, properties, or developments that do not involve or are not directly related to the operation of aircraft. Non-aeronautical businesses, properties, or developments do not need to be located on an airport nor have direct access to an airport.

(10) Minimum Standards - the qualifications or criteria, which may be established by the City as the minimum requirements that shall be met by businesses offering commercial aeronautical activities for the privilege to conduct those activities.

C. Governmental

(1) FAA - the Federal Aviation Administration.

(2) FAR - the Federal Aviation Regulations as published by the FAA.

(3) Airport Manager - the duly appointed Airport Manager or the Manager's designee.

D. Fueling

(1) Fueling or Fuel Handling - the transportation, sale, delivery, dispensing, or draining of fuel or fuel waste products to or from aircraft.

(2) Fuel Storage Area - any portion of the Airport designated temporarily or permanently by the City as an area in which gasoline or any other type of fuel may be stored or loaded.

(3) Self-Fueling - the commercial operation of an unmanned stationary fuel tank and dispensing equipment for general use via a card reader. This includes the operations of anyone utilizing this type of equipment to provide fuel for sale or reuse.

(4) Self-Service Fueling - Individuals with approved fuel storage for use in owned aircraft only or individuals dispensing fuel into aircraft they own from portable containers.

E. Lease and Agreements

(1) Lease - the written contract between the City and an Operator or tenant (Lessee) specifying the terms and conditions under which an Operator may occupy and operate from certain Airport facilities and/or property.

(2) Sublease - the written agreement stating the terms and conditions under which a third party Operator leases space from a Lessee (with written approval from the City) for the purpose of providing aeronautical services at the Airport. Copies of all sublease agreements will be provided to the City.

(3) Agreement - the written agreement between the City and an Operator specifying the terms and conditions under which the Operator may conduct commercial aviation activities or access the airport property “through-the-fence”.

(4) Permit - administrative approval issued by the City to a person or company to conduct a commercial aeronautical activity, and provide such services, to based and transient aircraft, only from facilities and locations where such services are authorized.

(5) Person - an individual, corporation, firm, partnership, association, organization, and any other group acting as an entity, to conduct business on the Airport. Person includes a trustee, receiver, assignee or similar representative.

F. Commercial Aeronautical Activities

(1) Avionics Sales and Maintenance - the commercial operation of providing for the repair and maintenance of aircraft radios, instruments and accessories. Such operation may include the sale of new or used aircraft radios, instruments and accessories.

(2) Fixed Base Operator (FBO) - a commercial operator who engages in the activity of aircraft refueling, and additionally has the option to conduct any of the approved secondary activities: airframe and power plant maintenance, flight training, aircraft rental, avionics maintenance and sales, air charter or taxi, and aircraft storage/hangars.

(3) Flight Training - the commercial operation of instructing pilots in dual and solo flight, in fixed or rotary wing aircraft, and related ground school instruction as necessary to complete a FAA written pilot's examination and flight check ride for various categories of pilots licenses and ratings.

(4) Flying Club - a non-commercial and nonprofit entity organized for the purpose of providing its members with any number of aircraft for their personal use and enjoyment. Aircraft must be vested in the name of the flying club owners on a pro-rata share, and the club may not derive greater revenue from the use of the aircraft than the cost to operate, maintain, and replace the aircraft.

(5) Preventive Aircraft Maintenance - maintenance that is not considered a major aircraft alteration or repair and does not involve complex assembly operations as listed in 14 CFR 43, except for Item 22 in the Regulation. Item 22 involves the replacement of prefabricated fuel lines, and shall, for purposes of these regulations, be considered a major aircraft repair.

(6) *Specialized Aviation Service Operation (SASO)* - an aeronautical business that offers a single or limited service according to established Minimum Standards. Examples of a SASO include, but are not limited to flight training, aircraft maintenance, air charter or taxi, aircraft sales, avionics maintenance and sales, and aircraft storage.

G. Infrastructure

(1) *Airport Operations Area or AOA* - the area of the Airport used for aircraft landing, takeoff, or surface maneuvering including the hangars, navigation, and communication facilities.

(2) *Airpark* – a development or area not located on, but lying adjacent to, and with access to the AOA. Said area may include permanent residences, structures, and taxilanes.

(3) *Roadway* - any street or road whether improved or unimproved, within the boundaries of the Airport and designated for use by ground vehicles.

(4) *Taxilane* - the portion of the Airport apron area, or any other area, used for access between taxiways and aircraft parking or storage areas.

(5) *Taxiway* - a defined path established for the taxiing of aircraft from one part of the Airport to another.

(6) *UNICOM/CTAF* - a two-way communication system operated by a non-governmental that provides airport advisory information.

(7) *Vehicle Parking Area* - any portion of the Airport designated and made available temporarily or permanently by the Airport for the parking of vehicles.

SECTION V - APPLICATION

5.1 Application

Each corporation, person, or business desirous of becoming a tenant at the Airport must complete and submit an application form for review and consideration, regardless of whether the prospective tenant is requesting a lease as for a Commercial Aeronautical Activity, non-commercial aeronautical development, or non-aeronautical development. The current application of the City of Paso Robles for becoming a tenant at the Airport is included as an attachment herein.

5.1.1 Commercial Aeronautical Activity

The City/Airport reserves the right to request from a prospective tenant desiring to provide a Commercial Aeronautical Activity, at the time of and as part of its application, the following information in written form. The City/Airport also reserves the right to request additional information as may be required, requested or modified by the Airport Manager or their Designee. Said request may be applied to either new or existing commercial tenants requesting a lease renewal or extension.

As a prerequisite to occupancy on and the granting of commercial operating privileges at the Airport, a prospective Operator must submit a specific, detailed description of the scope of the intended commercial aeronautical activities, and the means and methods to be employed to accomplish the contemplated activities. Required information for commercial aeronautical activities shall include, but not be limited to:

1. The legal name of the entity filing the Application and its business name (if different).
2. The name, address, and telephone number of the entity and primary contact person.
3. The names, addresses, and phone numbers of all owners of 5 percent or more equity interest, management control, or debt in the entity.

4. The proposed date for commencement of the intended activities and proposed term for conducting same.
5. A comprehensive listing of all activities proposed to be offered, along with copies of all applicable Federal, State, or local operating certificates and licenses held.
6. For proposed agreements to lease existing structures or improvements (or requests for assignment), a description of the size, location, and proposed utilization of office, hangar, tiedowns, and vehicle parking areas to be utilized.
7. For proposed agreements for lease (or requests for assignment) of unimproved Airport areas, a layout (to scale) of the size, configuration, and location of the property desired to be occupied and a preliminary drawing of the buildings and improvements to be constructed, together with identification of vehicle parking areas. Drawings should be legible and reproducible with clearly defined dimensions. At a minimum, each drawing should be on an 8.5 inch x 11 inch paper and be drawn in ink. The City retains the right to request a metes and bounds legal description of lease property boundaries.
8. The proposed number of persons to be employed, including the names and qualifications of each management/supervisory person, and specifications as to whether the employees will be full-time, part-time, or seasonal.
9. The number of aircraft to be utilized in connection with the proposed activities and the make, model, passenger seating capacity, cargo capacity, aircraft registration number, and copies of applicable operating certificates for each aircraft.
10. The tools, equipment, vehicles, and inventory proposed to be utilized in connection with the intended activities.
11. A written business plan, including a market analysis, to include a written statement addressing each of the following areas:
 - a. Definition of target markets
 - b. Intended market share
 - c. Promotional marketing techniques
 - d. Description of existing competitors

- e. Percent of intended sales related to aircraft based on the Airport
- f. Evidence of support from potential customers, such as surveys, testimonials, and/or related documents
- g. List of products to be sold or distributed (if any) and a list of manufacturer's or distributor's requirements for obtaining dealership (if applicable)
- h. List of suppliers, subcontractors, and associates
- i. List of any proposed subtenants with copies of agreements
- j. Business plan shall include process for ensuring all tenants/pilots subtenants and aircraft are registered with the State and procedures for maintaining these records.

5.1.2 Non-Commercial Aeronautical Tenants

For non-commercial aeronautical tenants desiring to lease property for the development and/or occupancy of facilities for personal use, the City/Airport reserves the right to request from a prospective tenant, at the time of and as part of its application, the following information in written form. The City/Airport also reserves the right to request additional information as may be required, requested or modified by the Airport Manager or their Designee. Said request may be applied to either new or existing non-commercial tenants requesting a lease renewal or extension.

- A. The legal name of the entity filing the Application.
- B. The name, address, and telephone number of the entity and primary contact person.
- C. The names, addresses, and phone numbers of all owners of 5 percent or more equity interest, management control, or debt in the entity.
- D. The proposed date for commencement of the proposed development and/or occupancy and a proposed lease term.
- E. For proposed agreements to lease existing structures or improvements (or requests for assignment), a description of the size, location, and proposed utilization of office, hangar, tiedowns, and vehicle parking areas to be utilized.

- F. For proposed agreements for lease (or requests for assignment) of unimproved Airport areas, a layout (to scale) of the size, configuration, and location of the property desired to be occupied and a preliminary drawing of the buildings and improvements to be constructed, together with identification of vehicle parking areas. Drawings should be legible and reproducible with clearly defined dimensions. At a minimum, each drawing should be on an 8.5 inch x 11 inch paper and be drawn in ink. The City retains the right to request a metes and bounds legal description of lease property boundaries.
- G. The number of aircraft to be stored in connection with the proposed facility, as well as an aircraft registration number for each aircraft.

5.1.3 Non-Aeronautical Development

The City/Airport reserves the right to request from a prospective tenant desiring to develop a non-aeronautical facility on designated areas of Airport property, at the time of and as part of its application, the following information in written form. The City/Airport also reserves the right to request additional information as may be required, requested or modified by the Airport Manager or their Designee. Said request may be applied to either new or existing non-aeronautical tenants requesting a lease renewal or extension.

As a prerequisite to occupancy on and the granting of the right to develop non-aeronautical facilities at the Airport, a prospective non-aeronautical tenant must submit a specific, detailed description of the scope of the intended development and activities, and the means and methods to be employed to accomplish the contemplated development and activities. Required information for non-aeronautical activities shall include, but not be limited to:

1. The legal name of the entity filing the Application and its business name (if different).
2. The name, address, and telephone number of the entity and primary contact person.

3. The names, addresses, and phone numbers of all owners of 5 percent or more equity interest, management control, or debt in the entity.
4. The proposed date for commencement of the intended activities and proposed term for conducting same.
5. A comprehensive listing of all activities proposed to be offered, along with copies of all applicable Federal, State, or local operating certificates and licenses held.
6. For proposed agreements to lease existing structures or improvements (or requests for assignment), a description of the size, location, and proposed utilization of office, shop, warehouse, vehicle parking, and other areas to be utilized.
7. For proposed agreements for lease (or requests for assignment) of unimproved areas, a layout (to scale) of the size, configuration, and location of the property desired to be occupied and a preliminary drawing of the buildings and improvements to be constructed, together with identification of vehicle parking areas. Drawings should be legible and reproducible with clearly defined dimensions. At a minimum, each drawing should be on an 8.5 inch x 11 inch paper and be drawn in ink. The City retains the right to request a metes and bounds legal description of lease property boundaries.
8. The proposed number of persons to be employed, including the names and qualifications of each management/supervisory person, and specifications as to whether the employees will be full-time, part-time, or seasonal.
9. The tools, equipment, vehicles, and inventory proposed to be utilized in connection with the intended activities.
10. A written business plan, including a market analysis

5.2 Financial Responsibility

As evidence of any Applicant's financial capability, a prospective tenant shall provide a statement from a bank or similar financial institution or from such other source as may be

acceptable to the City and readily verified through normal banking channels. The prospective tenant must also demonstrate the financial capability to construct proposed improvements, initiate any proposed activities, and/or provide working capital to perform proposed activities. The demonstration of financial capabilities shall also include cash flow and profit and loss calculations for the first five (5) years of a commercial aeronautical or non-aeronautical operation, a three (3) year historical profit and loss statement (if applicable), and a current (within 90 days) balance sheet. The City retains the right to request personal guarantees in support of the Lease obligations.

5.3 Experience

A prospective Commercial Operator shall furnish the City a statement of its past experience in providing the specified commercial aeronautical service for which the application is being made, including resumes of management individuals who will be directly responsible for the proposed operation, together with, business, financial and managerial references. This information must be presented in a form acceptable to the City.

A prospective non-aeronautical tenant shall furnish the City a statement of its past experience in providing the proposed product or service for which the application is being made, including resumes of management individuals who will be directly responsible for the proposed operation, together with, business, financial and managerial references. This information must be presented in a form acceptable to the City.

5.4 Bonding and Insuring

Any prospective tenant shall provide evidence in a form acceptable to the City, of its ability to supply:

1. A performance bond in an amount equal to 100 percent of one year's rent and/or fees established and agreed to for facility development and/or conducting the activities and entering into the agreement sought (cash may be used in-lieu of a performance bond).

2. A performance bond in the amount equal to the cost for constructing the proposed improvements in a form submitted to the City for approval.
3. All required insurance coverage as specified and applicable to the Airport.

SECTION VI - GROUNDS FOR DENIAL OF APPLICATION

The City may deny any application for any one (or more) of the following reasons.

- (A) The Applicant's proposed activities, operation, and/or construction would create a safety hazard at the Airport and/or surrounding community.
- (B) The Applicant, for any reason, does not fully meet the qualifications, standards, and requirements of the City. The burden-of-proof shall be on the prospective operator and the standard-of-proof shall be by clear, convincing evidence.
- (C) The granting of the application will require the City to expend funds, or supply labor or materials, in connection with the proposed activity and/or construction that the City is unwilling to spend, or the proposed activity and/or construction will result in a financial loss (or hardship) to the Airport.
- (D) No appropriate, adequate, or available space or buildings exist at the Airport to accommodate the proposed operation of the Applicant at the time of the application, nor is such contemplated within a reasonable time frame.
- (E) The proposed operation, development, and/or construction does not comply with the Master Plan and/or ALP of the Airport in effect at that time, or anticipated to be in effect within the time frame proposed by the Applicant.
- (F) The development or use of the area requested by the Applicant will result in congestion of aircraft or buildings, or will unduly interfere with operations or activities of any present operator on the Airport and/or prevent adequate access to the assigned lease area of any present lessee and/or operator.
- (G) The Applicant has either intentionally or unintentionally misrepresented or omitted material facts in the application or in supporting documents.
- (H) The Applicant has failed to make full disclosure in the application or in supporting documents.

- (I) The Applicant or an officer, director, agent, representative, shareholder, or employee of the Applicant, has a record of violating the rules, regulations, statutes, ordinances, laws, or orders of any other airport, civil air regulation, FAA regulations, or any other rules, regulations, statutes, ordinances, laws, or orders applicable to the City and/or Airport.
- (J) The Applicant or an officer, director, agent, representative, shareholder, or employee of applicant has defaulted in the performance of any other agreement.
- (K) On the basis of current financial information, the Applicant does not, in the sole discretion of the City, exhibit adequate financial responsibility or capability to undertake the proposed development, operation, and activities.
- (L) The Applicant cannot or will not provide a performance bond or applicable insurance in the amounts and type required for the proposed development and/or activity.
- (M) The Applicant or an officer, director, agent, representative, shareholder or employee of applicant has been convicted of any felony or of a misdemeanor involving moral turpitude.
- (N) Applicant's activities or operations could be detrimental to the Airport.

SECTION VII - GENERAL LEASE PROVISIONS

7.1 Property Leases

Once the City has approved a lease application and the Applicant has read the Minimum Standards, Airport Rules and Regulations, and Leasing Policy, the Applicant shall be provided a Draft Lease for review. This Draft Lease will include, as applicable, but not be limited to the following details:

1. Description of leasehold (City retains the right to request a metes and bounds legal description)
2. Term of lease
3. All fees and charges associated with occupying and operating on the premises
4. Payment procedures relating to all fees and charges
5. Approved activities
6. Prohibited activities
7. Subleasing requirements
8. Lease assignment provisions
9. Maintenance requirements
10. Restrictions on hazardous substances
11. Default and penalty provisions
12. Remedies on default
13. Vacating the premises procedures
14. Insurance amounts required
15. Names and addresses of responsible parties
16. Reversionary clauses
17. Information on all taxes, liens and utilities
18. Compliance with FAA regulations
19. Aircraft registration requirements/pilot registration
20. Construction or alteration procedures

21. Landscaping
22. Fire Prevention
23. Airport entry onto premises
24. Compliance with laws
25. Termination for Airport development
26. Transfer of Airport ownership
27. Bankruptcy
28. Ingress and Egress to Property
29. Sale of Improvements
30. Lease Renewal Options

7.2 Lease Terms

7.2.1 Commercial Aeronautical Leases of Unimproved Land

Initial terms for commercial aeronautical leases of unimproved land parcels requiring construction of new improvements by the prospective commercial aeronautical tenant will be for a maximum term of thirty (30) years (identified as the Base Term). At the City's sole discretion, the City may grant a prospective commercial aeronautical tenant with up to two (2) consecutive five (5) year renewal options. Said options shall be at the sole discretion of the City. However, any renewal options shall require the Lessee to begin paying of the prevailing market rent for all leasehold improvements on the property, in addition to the prevailing market rent for the underlying land. At the expiration of the Base Term and any renewal options, the City maintains the option of ownership of all leasehold improvements reverting to the City. This shall be at the sole discretion of the City. Alternatively, the City has the option of requiring the tenant to remove any or all structures and other leasehold improvements at the tenant's sole cost.

7.2.2 Non-Commercial Aeronautical Leases of Unimproved Land

Initial terms for non-commercial aeronautical leases of unimproved land parcels requiring construction of new improvements by the prospective non-commercial aeronautical tenant will be for a maximum term of thirty (30) years. No renewal options shall be applicable to a non-

commercial aeronautical lease at the Airport. At the expiration of the lease term, the City maintains the option of ownership of all leasehold improvements reverting to the City. This shall be at the sole discretion of the City. Alternatively, the City has the option of requiring the tenant to remove any or all structures and other leasehold improvements at the tenant's sole cost.

However, as an incentive for investment, development and long-term ownership of property for non-commercial development at the Airport, a Lessee who has maintained ownership for at least the final five (5) years of the base term of the lease shall be entitled to pay a rate equal to 50% of the prevailing market rent for the leasehold improvements on the property for a new lease of the same property. However, the Lessee will still be responsible for paying 100% of the prevailing market rent for the underlying land. *This special lease condition may not be transferred or assigned.*

7.2.3 Non-Aeronautical Leases of Unimproved Land

Initial terms for non-aeronautical leases of unimproved land parcels requiring construction of new improvements by the prospective non-aeronautical tenant will be for a maximum term of thirty (30) years (identified as the Base Term). At the City's sole discretion, the City may grant a prospective non-aeronautical tenant with up to four (4) consecutive five (5) year renewal options. Said options shall be at the sole discretion of the City. However, any renewal options shall require the Lessee to begin paying the prevailing market rent for all leasehold improvements on the property, in addition to the prevailing market rent for the underlying land. At the expiration of the Base Term and any renewal options, the City maintains the option of ownership of all leasehold improvements reverting to the City. This shall be at the sole discretion of the City. Alternatively, the City has the option of requiring the tenant to remove any or all structures and other leasehold improvements at the tenant's sole cost.

However, as an incentive for investment, development and long-term ownership of property at the Airport, a Lessee who has maintained ownership for at least the final five (5) years of the base term of the lease shall be entitled to pay a rate equal to 50% of the prevailing market rent for the leasehold improvements on the property for any renewal options. However, the Lessee will still

be responsible for paying 100% of the prevailing market rent for the underlying land. *This special lease condition may not be transferred or assigned.*

7.2.4 Leases of Improved Properties

With regard to leases of aeronautical properties at the Airport with existing improvements, the City may grant up to a maximum lease term of twenty (20) years. The lease term offered by the City is at their sole discretion and shall be based upon a number of factors, to include the prospective investment of the tenant in facility improvements or upgrades. All leases of properties at the Airport with existing improvements shall reflect a rental structure predicated upon the prevailing market rate for both land and improvements.

With regard to leases of non-aeronautical properties on Airport property with existing improvements, the City may grant up to a maximum lease term of thirty (30) years. The lease term offered by the City is at their sole discretion and shall be based upon a number of factors, to include the prospective investment of the tenant in facility improvements or upgrades. All leases of non-aeronautical properties at the Airport with existing improvements shall reflect a rental structure predicated upon the prevailing market rate for both land and improvements.

7.3 Lease Renewal Options

In accordance with Section 7.2 above, the City shall have the option to extend a commercial aeronautical Lease or non-aeronautical Lease beyond the Base Term, subject to the satisfaction of all of the following conditions and the approval of the City.

1. The existing Lease must not be in default.
2. Any improvements on the Premises must be structurally sound and capable of safe and legal occupancy for the remaining term of the option periods. Lessee will be required to obtain an inspection by a certified structural engineer on building code compliance to verify the condition of the structures. Such individual must be approved by the City in advance.

3. File a written notice with the City that the Lessee has complied with (A) and (B) above, and that the Lessee intends to request the option at least 120 days prior to, but not more than 180 days prior to, the expiration of the preceding lease term.
4. Meet all minimum investment requirements in accordance with any lease or Airport policies.
5. The City may refuse the options if any of the stated conditions are not met, or if the City makes a determination that the Premises are required for Airport development.
6. In the event of Airport development, and providing that other suitable land is available, the City may, but is not obligated to, submit an alternative site to Lessee for consideration, with both making good faith effort to negotiate a new lease.

Any renewal options related to a Lease and approved at the sole discretion of the City, shall be subject to the same conditions as set forth during the Base Term, with the exception of the requirement for the tenant to begin paying the prevailing market rent on all leasehold improvements, in addition to the land. However, at their sole discretion, the City may include new lease terms and conditions that are in effect at the time of the renewal and maintains the right to adjust any and all rates fees and charges to the prevailing market rates in effect at the time commencement of the option.

However, as an incentive for investment, development and long-term ownership of property at the Airport, a Lessee of a non-commercial aeronautical or non-aeronautical property at the Airport who has maintained consistent ownership for at least the final five (5) years of the base term of the lease shall be entitled to pay a rate equal to 50% of the prevailing market rent for the leasehold improvements on the property for any renewal options. However, the Lessee will still be responsible for paying 100% of the prevailing market rent for the underlying land. *This special lease condition may not be transferred or assigned.*

7.4 Insurance Requirements

Each tenant shall maintain the types and amounts of insurance as specified in the lease or agreement to adequately cover the respective categories of aeronautical activities and to meet all City insurance requirements. Each tenant shall at all times maintain the following applicable types of insurance, to include commercial general liability, personal injury, contractual liability, vehicular liability, aircraft liability, hangarkeeper's liability, products-completed operations liability, and environmental clean-up liability insurance.

Each tenant shall maintain at all times fire and extended property coverage for all improvements and fixtures on premises in an amount not less than the full replacement cost of same improvements and fixtures. In addition, each tenant, if applicable, shall maintain Worker's Compensation insurance as required by State of California law at all times.

Each tenant shall provide the City with a proof of insurance certificate annually. All insurance policies shall contain indemnification and hold harmless language that covers the City and its employees, and officers (individually or collectively) as additional insured with respect to liability arising from activities performed.

7.5 Capital Investment Requirements

All applicants for Leases at the Airport shall commit to minimum financial investments both at the commencement and during the term of the Lease. This will ensure that the Airport is developed to its maximum potential, fair and equitable leaseholds are reflected for similar and activities, and the Airport is assured that existing and prospective operators are periodically reinvesting in their facilities to enhance the experience for users of the Airport. Minimum investment requirements may be different for different leaseholds or types of operators, and may differ for new developments versus operators utilizing existing leaseholds. Leases that require capital investment in infrastructure (roads, utilities, sewer, etc.) at the tenant's expense may be eligible for up to a fifty (50%) percent credit of the total verified investment in roads and utilities. Any credits shall be applied in a straight-line method at no interest over the initial 10 years of the

Lease. The determination of the maximum credit available to a tenant will depend upon the overall value to the City and Airport, which shall be determined at the sole discretion of the City.

7.6 Improvement Condition Assessments

Commencing on the fifth anniversary of any Lease each fifth year thereafter, the tenant shall provide the City with an inspection report of the leasehold property prepared by a licensed contractor, engineer or architect, licensed to do business in the State of California, attesting to the condition of the property and addressing all repairs, replacements and renewals needed to maintain the required state of condition of the property. Said assessments shall be used by the City as a basis for determining compliance with facility maintenance provisions in each Lease and to assist with the City's evaluation of their options at the termination of a Lease.

7.7 Ownership Transfer and Lease Assignment

In recognition of the City's continued investment into the Airport, which ultimately benefits any aeronautical activity thereon, a lease transfer or assignment fee equal to two (2) percent of the gross selling price shall be paid to the City in conjunction with any lease transfer or assignment. A transfer shall be construed as any transaction involving twenty-five (25%) percent or more of the ownership interest or stock in the leasehold entity. This transfer/assignment fee shall be paid at the time of closing and shall be allocated to the operating and maintenance costs of the Airport.

Any leaseholder must retain the same ownership structure, as well as a minimum of ninety percent (90%) of the same ownership interests, for a minimum of three (3) years after commencement of the Base Term or any options. If such ownership structure or ownership interest changes during the initial three-year period(s), the City shall have the right to void the existing lease agreement and negotiate a new agreement with the new or modified ownership entity at prevailing market terms for land and facilities.

7.8 Minimum Standards and Exclusive Rights

The City owns and operates the Airport, and receives Federal airport development assistance. In conjunction with the receipt of receiving Federal grants for airport improvements, the City assumes contractual grant obligations including compliance with the Federal Aviation Administration (FAA) Advisory Circular 150/5190-7, Minimum Standards For Commercial Aeronautical Activities effective August, 2006. Minimum Standards are developed to provide the threshold entry requirements for those persons desiring to provide commercial aeronautical services to the public at the Airport. The Minimum Standards are established based upon the conditions at the individual Airport or class of airport, the existing and planned facilities at the Airport, and the aviation role of the Airport. A prospective commercial aeronautical operator shall agree to offer the described minimum level of services in order to obtain an agreement, permit, or lease to operate on the Airport. In summary, the Airport's Minimum Standards establish the minimum requirements to be met by individuals and companies for the privilege of providing commercial aeronautical services at the selected Airport. All operators are encouraged to exceed the "minimum" in terms of quality of facilities and/or services.

The FAA policy on exclusive rights prohibits the creation or continuance of agreements at the Airport granting exclusive rights to a single commercial operator or service provider. The FAA concludes that the existence of an "exclusive right" aeronautical activity or a local monopoly at an airport restricts the public use of the airport through the absence of competitive enterprise. The City is prohibited from granting an exclusive right to a single operator the Airport, with a few exceptions. However, it should be noted that a single commercial operator does not represent the granting of an "exclusive right" or monopoly to that operator.

7.9 Rent Adjustments

All aeronautical leases, whether for unimproved or improved properties, shall be adjusted on an annual basis predicated upon the greater of three (3%) percent, or the corresponding change in the Consumer Price Index for All Urban Consumers (CPI-U) - San Francisco-Oakland-San Jose, or similar index, over the previous period.

All non-aeronautical leases, whether for improved or unimproved properties, shall be adjusted every three (3) years predicated upon the greater of three (3%) percent, or the corresponding change in the Consumer Price Index for All Urban Consumers (CPI-U) - San Francisco-Oakland-San Jose, or similar index, over the previous period.

SECTION VIII - COMPETITIVE REQUEST FOR PROPOSAL PROCESS

In order for the City to determine the level of market demand, the City maintains the right to seek competitive proposals at their discretion for property leases. The proposal process will include public notices and information and availability of proposal documents. All Requests for Proposals will be consistent with any and all applicable City policies, and a fair and objective evaluation process will be utilized to select the proposals that best meets the interests of the City's criteria as defined within the proposal documents.

8.1 No Exclusions of Existing Qualified Tenants

Current tenants will not be excluded from submitting competitive proposal.

8.2 Proposal Evaluations

Each Request for Proposal will contain specific information regarding the Airport property currently being considered, and all proposals will include requirements for detailed information from the respondents regarding:

- Qualifications
- Capital investment proposed
- Experience in services being offered
- Experience of management personnel
- Proposed services and products
- Financial ability

SECTION IX - APPLICABLE DOCUMENTS

All tenants and prospective tenants are encouraged to become familiar with Airport management documents, which can be obtained by contacting the Airport or City. The following lists of documents are recommended. However, it is recommended that a prospective tenant contact the Airport Manager for information on other pertinent policies regarding proposed tenancy and operations.

- Leasing Policy
- Airport Rules and Regulations
- Master Plan
- Minimum Standards