

Figure 9-5: Leasing Recommendations

Subject Area	Consultant Recommendations: Leasing	Suggested Implementation Tool	RAAC Position	Administration Position
Direct Leasing	Retain the current approach of encouraging tenants to develop and maintain improvements on the airport and tighten/better enforce requirements for their maintenance and appearance. ⁴	Staff develop; Council Ordinance	Concur 10/9, 10/15 as amended	Support.
Lease Duration	<ul style="list-style-type: none"> Develop and implement a graduated scale of lease terms that ties the duration of the land lease to the level of investment made (Note: The scale could be developed by the RAAC Leasing Task Force.) Provide tenants who make substantial investments in their premises during their lease with lease extensions that are based on the time during the lease when the improvement occurred and the level of investment, similar to the approach used by Alaska. 	Staff develop; Council Ordinance	Concur 10/9, 10/15 as amended	Cost of new leases should be based on market value. Oppose guaranteed lease extensions. However, new leases could be issued of a suitable duration to amortize the investment over the life of the lease. Provisions to be developed by City, not by RAAC Leasing Task Force.

⁴ A Leasing Policy Ordinance, provided in draft form in Appendix H, should be the document that codifies all leasing recommendations.

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Lease Rate Adjustments	<ul style="list-style-type: none"> Revise the boilerplate for leases and lease extensions to include a five-yearly review of the base rate for leases and annual adjustments based on the CPI to ensure that the city is receiving fair market value, in line with other similar airports in the region, for its property. 	Staff develop; Council Ordinance	Concur 10/9, 10/15 as amended	Support annual lease adjustments based on CPI and five-year review. These provisions should not be in boilerplate language of lease – vital part of lease.
Leasehold Reversion	<ul style="list-style-type: none"> Retain a clause for potential reversion in the lease boilerplate for the airport but provide tenants with the opportunity to get a new lease if certain criteria are met through an administrative process. Through coordination with tenants, develop a set of criteria for determining when the reversion clause will be invoked and under what conditions a new lease might be granted and apply them consistently to all tenants requesting new leases. Permit “grandfathering” of the new approach in existing leases where affected parties [tenant and City] agree to appropriate conditions. 	Staff develop; Council Ordinance	Concur 10/9, 10/15 as amended	Oppose lease provision allowing reversion of facilities to leaseholder. Strongly oppose grandfathering of reversion of facilities to holders of existing leases. Instead of reversion of facilities to lease holders, negotiate new lease of a duration that allows investment to be amortized over life of lease.

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Leasehold Reversion Continued	<ul style="list-style-type: none"> • Criteria for making that decision should include: <ul style="list-style-type: none"> · Effect on the ability of the airport to implement the current and any future Master Plans and related Airport Layout Plans. · Best and highest use of the land. · Interest of potential new (commercial) tenants in the land (avoiding unjust discrimination is the main issue here). · Interest of the existing tenant in making new investments in existing and/or new improvements. · Performance of existing tenant, conformity to existing and future airport rules and regulations and minimum standards. · Condition of existing improvements at the time the lease expires (e.g. if the building constitutes a hazard and cannot be rehabilitated with reasonable investment, the tenant should be required to remove the building). 			
Subleasing Policy	<ul style="list-style-type: none"> • Continue to require city written permission for subleases for aeronautical facilities that are used for commercial purposes. 	Council Ordinance	Concur 10/9, 10/15	Support
	<ul style="list-style-type: none"> • Do not allow private tenants of the city T-hangar to sublease their hangar other than for a short period of time under clearly defined extenuating circumstances. 	Council Ordinance	Concur 10/9, 10/15	Support
	<ul style="list-style-type: none"> • Allow any potential tenants who develop hangars for aircraft storage to rent hangar space without requiring additional written notification to the city.⁵ 	Council Ordinance	Concur 10/9, 10/15	Support only if rental of space does not result in change to nature or character of lease.

⁵ This assumes that the Airport Rules and Regulations will continue to preclude business activities such as commercial repairs in private hangars.

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Leasing New Sites	Provide a forum that includes the neighborhoods, for open, non-discriminatory competition for any sites that may become available (currently only the restaurant site is open for redevelopment).	Council Ordinance	Concur 10/9, 10/15	Opposed to decisions on leases being made by such forum. Such forum would only be advisory.
	<ul style="list-style-type: none"> • Develop and implement a system of priorities for allocation of available leaseholds. The factors to be considered include: <ul style="list-style-type: none"> · Conformity with FAA guidelines regarding non-discrimination. · Demand for aeronautical land for aeronautical use (If there is demand, it must be made available to aeronautical use). · Existing or future Master Plan or Airport Layout Plan direction for specific types of development in that area of the airport. · Clearly identified need for specific aeronautical services (this can be specified in an RFP for development of the leasehold). · If multiple areas become available, priority can be given to adjacent tenants in order to keep leaseholds contiguous. · Avoiding creation of a monopoly on any type of services provided whenever possible. 	Council Ordinance	Concur 10/9, 10/15	Oppose allocation of available leaseholds. Allow market to determine applicants for lease space. City decisions on use will be based upon consideration of benefits and impacts of proposals.
Lease Adjustments	<ul style="list-style-type: none"> • Conduct a periodic survey of the airport to verify leasehold boundaries. 	Staff scoping; Council budget action	Concur 10/15 as amended	Support
	<ul style="list-style-type: none"> • Conduct a lease /boundary survey to ascertain accurately the dimensions of each lease.⁶ 	Staff develop; Council approve	Concur 10/15	Support-possibly use GPS.

⁶ A survey would continue to be the norm if leasehold changes hands. The recommendation is for a one-time clarification of current lease boundaries.

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Lease Adjustments Continued	<ul style="list-style-type: none"> Amend all leases to remove public areas such as taxiways from leased sites and from payments; ensure that each tenant is paying for all the space they use; bring these “housekeeping” lease amendments all to City Council at same time. 	Staff develop; Council approve	Concur 10/15	Support
	<ul style="list-style-type: none"> Follow FAA guidance on building setbacks. 	Staff develop; Council approve	Concur 10/15	Support for new construction.
	<ul style="list-style-type: none"> Consider revising setback standards and making them consistent so that leased space is at least one aircraft-depth wide in front of premises in all cases. 	Staff develop; Council approve	Drop ⁷	Drop
Lease Administration	<ul style="list-style-type: none"> Adopt a Leasing Policy ordinance that sets forth all policy guidelines for tenants and prospective tenants on how leaseholds at the airport will be managed. 	Council Ordinance		Support
	<ul style="list-style-type: none"> Revise the Airport Rules and Minimum Standards (1989); initiate a process to revise the Airport Minimum Standards to make them more complete and adopt formally. 	Council budget action; staff scoping. Ultimately, ordinance	Concur 10/8	Support, but must not violate federal rules.
Environmental Provisions	<ul style="list-style-type: none"> Include a clause in all lease contracts that makes tenants responsible for ensuring compliance with all local, state, and federal environmental laws, including those related to hazardous materials, on their leasehold and on the airport’s public areas. 	Staff develop; Ordinance	Concur 10/15	Support

⁷ There is only one building for which the property line is at the edge of the taxiway. There could be an issue with FAA if publicly funded ramps in front of hangars were changed to private ownership.

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Environmental Provisions Continued	<ul style="list-style-type: none"> Include a clause in all lease contracts that requires tenants to provide assurance of compliance with all environmental laws at the (reasonable) request of the City. The assurance is to be in a form acceptable to the City and may include an environmental audit or assessment from a source that is acceptable to the City at the tenant's expense. Require tenants to provide notice and pay for analysis by acceptable experts before taking actions whose impacts would trigger SEPA in a case where the actor (or permitter) is a public agency. 	Staff develop; Ordinance	Hanson will work with tenant members of RAAC to clarify and develop recommendation.	Support, however this item is not in scope of Hanson contract

Source: Hanson Professional Services, Inc.