

Developing an Airport Leasing Policy

Best Management Practices for General Aviation Airports

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Federal Aviation
Administration



Objective

- **Relationship between Land-use and Leasing**
- **FAA's Role in Airport Leasing**
- **Framework for an Airport Leasing Policy**
- **Best Management Practices in Airport Leasing**
- **Basic Airport Management tools**



Airport Land-Use Plan

A good land-use plan for an airport will enable an airport manager to develop efficient, compatible, environmentally acceptable, functional, and aesthetically pleasing facilities



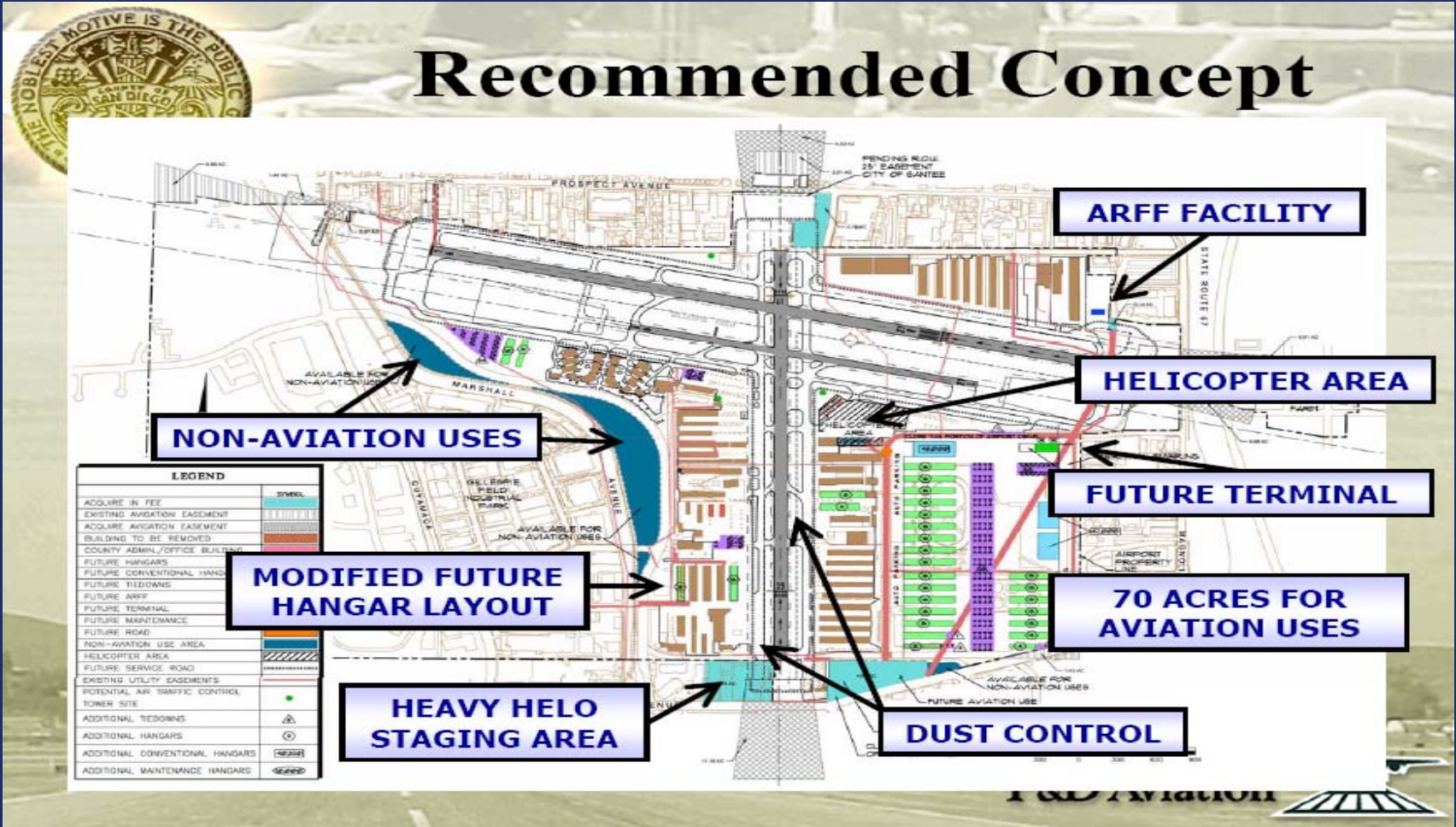
Airport Layout Plan Title 49 U.S.C. Section 47107(a)

- **Conformance to Design Standards and Plan**
- **Identifies proposed allocation of airport land to specific operational and support functions**
- **Adverse impacts on safety, utility or efficiency of airport must be eliminated**



Proposed Airport Layout Plan

Recommended Concept



Airport Leasing Policy

- **Supports well-organized and comprehensive approach to leasing**
- **Encourages transparency and consistency**
- **Reduces ad-hoc decision-making which leads to inadvertent noncompliance**
- **No policy is a policy**
- **FAA looks at the effects of the policy rather than sponsor's intentions**



FAA Role in Airport Lease Review

- **Sponsor's compliance with Federal Obligations**
- **Sponsor Rights and Powers to operate the airport**
- **Full Disclosure of Terms and Conditions that may violate Federal Obligations**
- **No Explicit FAA approval of lease**



Types Of Leases

Space/Ground Lease

- Airport Terminal
- Hangar/Cargo facility
- Concession/Retail
- Commercial Office Building



Basic Lease Requisites

- **Property Rights Transfer**
- **Contract for Use of the Property**
- **Written form**
- **Firm, flexible and binding**



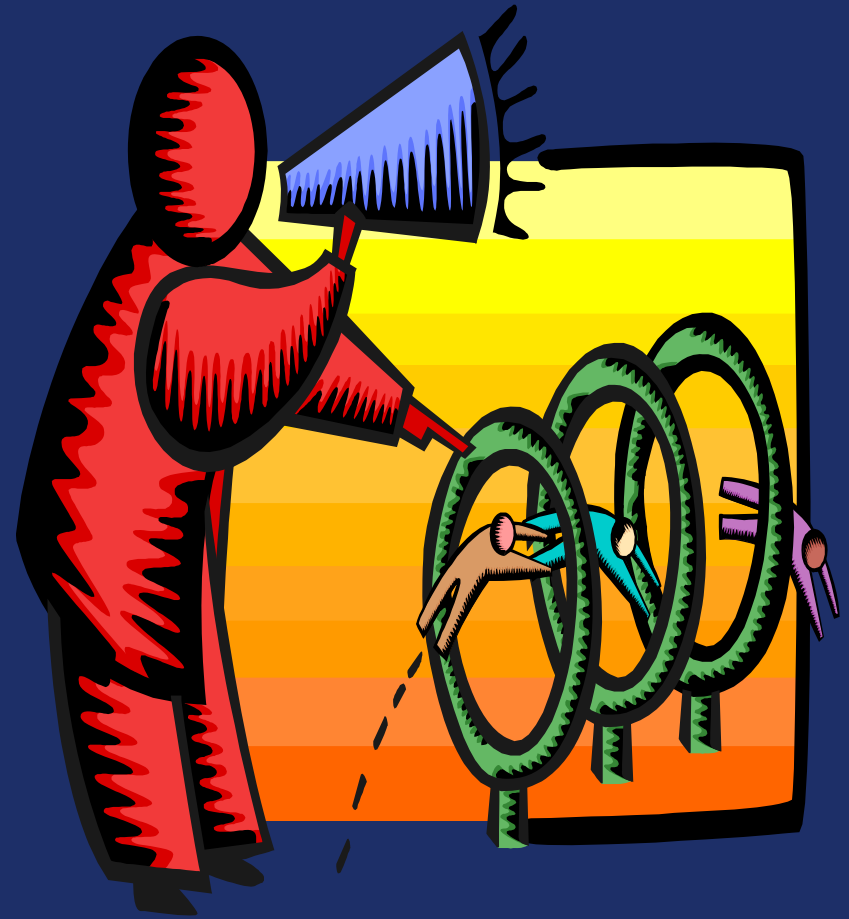
Sponsor's Leasing Objectives

- Maximize Airport Revenue
- Minimize Airport Financial Obligations in Leased Areas
- Fulfill Customer Service Goals
- Attract Private Investment in stead of Airport Debt



Three Leasing Relationships

- Financial
- Legal
- Operational



Leasing Policy

Financial Relationship

- Rates and charges consistent with federal policy
- Rent – right to occupy and recover landlord's cost
- Retail Percentage vs. Square foot cost
- Appraisal to determine market value
- Off airport charge – cost of infrastructure needed, access fee and flowage fee



Leasing Policy

Legal Relationship

- **Written Agreement**
- **Term**
- **Description of Premises**
- **Standardized Agreement per type of user**
- **Lease subordinate to Sponsor's Federal Obligations**
- **Capital Lease Term limited to Amortization**
- **Non-capital leases should be 3 to 5 years**
- **Options/First Right of Refusal Avoided**



Leasing Policy(cont'd)

Legal Relationship

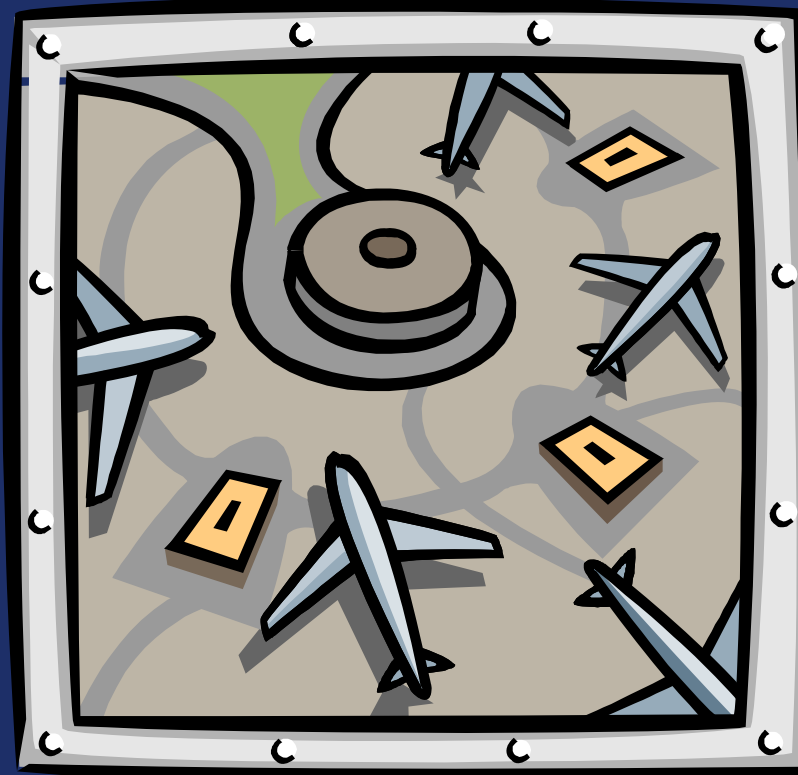
- **Assignment and Transfer on prior approval**
- **Subleasing on prior approval**
- **Rights upon Termination**
- **Right to Relocate the Tenant**
- **Federal Grant Assurance Obligations**
- **Subordination**



Leasing Policy

Operational Relationship

- **Tenant's Uses of Premises, Rights and Obligations Defined**
- **Minimum Commercial Aeronautical Standards**
- **Tenant and Airport's Maintenance Obligations defined**
- **Utility Obligations defined**



Federal Grant Assurances

- 5. Rights and Powers
- 19. Operations & Maintenance
- 22. Economic Nondiscrimination
- 23. Exclusive Rights
- 24. Fee & Rental Structure
- 29. Airport Layout Plan



Legal Relationship Term Objectives

AIRPORT'S

- **Good Dependable Service**
- **Reliable Income Stream**
- **Full Market Return on Invested Capital**
- **Expectation of Ownership of Improvements and charging market rates**

TENANT'S

- **Good Customer Base**
- **Repay all Loans**
- **Recoup Invested Capital**
- **Profit**
- **Options, Extension, Renew, First Right of Refusal or Assign**

Legal Relationship Term Objectives

- Airport should have a policy for minimum term without investment
- FAA doesn't generally support long term leases beyond the life of the asset.
- Ideally a new lease should support new leasehold improvements –not continuous extensions

