



KALAMAZOO/BATTLE CREEK INTERNATIONAL AIRPORT

General Aviation Leasing Policy
for the
Kalamazoo/Battle Creek International Airport

Approved by
Kalamazoo County Aeronautics Board of Trustees

November 9, 2023

General Aviation Leasing Policy

LEASING POLICY

This Policy provides a framework governing leasing and rental decisions as they relate to development of general aviation and new leasing agreements.

As outlined in FAA Order 5190.6, airport lease agreements usually reflect a grant of three basic rights or privileges – (1) the right for the licensee or tenant to use the airfield and public airport facilities in common with others so authorized; (2) the right to occupy as a tenant and to use certain designated premises exclusively; and (3) the commercial privilege to offer goods and services to airport users. In consideration for those rights granted, the airport may impose a fee to recover the costs of providing the facilities.

DEFINITIONS

The words or phrases defined (and identified by use of a capital letter) in the Airport's Primary Guiding Documents (including, but not limited to, General Aviation Leasing Policy, and Airport Rules and Regulations), whenever used in this Agreement, shall be construed as defined therein unless (from the context) a different meaning is intended or unless a different meaning is specifically defined and more particularly ascribed to the use of such words or phrases.

GENERAL

Description

The Kalamazoo/Battle Creek International Airport Aeronautics Board of Trustees ("Aeronautics Board"), as Operator of the Kalamazoo/Battle Creek International Airport ("Airport") does hereby establish the following Leasing Policy for the Airport:

- The Leasing Policy is intended to provide potential and current Tenants an understanding of the policies, processes, and rates used by the Aeronautics Board when leasing property at the Airport.
- The Aeronautics Board approved this policy taking into consideration: the role and continued development of the Airport; the range, level, and quality of aeronautical products, services, and facilities currently being provided at the Airport; the future prospects for, and the anticipated development of, the Airport and the community, and; the promotion of fair competition at the Airport.

The Policy sets forth the parameters for leasing Airport buildings and/or land and has been established for the following purposes:

- To foster a spirit of partnership with its Tenants, while fulfilling duties as steward of vital public assets and resources;
- To make Airport property available on fair and reasonable terms without unjust discrimination;
- To retain effective management controls over the use of scarce Airport assets, to ensure land is developed at its highest and best use, and to seek to remove obstacles to such controls when opportunities arise;
- To maintain a rent and fee structure with the goal of financial self-sustainability per the FAA Grant Assurances and the Airport's Rates and Charges Policy;

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- To ensure that leased parcels are actually developed for use and not leased for anticompetitive reasons to prevent development;
 - To ensure that available capacity neither materially exceeds, nor materially falls short of the reasonable needs of the community served by the Airport;
 - To ensure compliance with applicable laws, regulations, policies, executive orders, guidelines, and requirements.

Administration and Policy Oversight

While the Aeronautics Board has the ultimate policy-making authority in this regard, the Airport Director or his/her designee shall interpret and enforce this Leasing Policy.

This Leasing Policy is not intended to, and does not, waive, modify or in any way limit or preclude the exercise of any rights the Aeronautics Board may have under existing law and/or Agreements, and all such rights are and shall be expressly reserved.

Variances and Deviations

The Aeronautics board, at its full discretion, reserves the right to authorize variances or deviations from this Leasing Policy. Such variances or deviations may include waiving or modifying certain criteria or requiring Tenants or Operators to meet additional criteria. All requests for variances or deviations shall be made in writing in a form described by the Board.

Lease or License Agreement

The Aeronautics Board requires all Persons to obtain an Agreement, in a form approved by the Board, prior to engaging in any business, commercial and/or private development activity on the Airport. All commercial activities must be authorized by the Board.

Additionally, to ensure the Airport's financial sustainability, it is also the Aeronautical Board's policy to establish market value land and facility rental rates and make amendments to the rates at periodic intervals, in order to assure the Airport rental rates reflect inflation or other market driven changes.

All Agreements shall be prepared by the Board's staff and legal counsel and shall include customary provisions included in the Board's other similar Agreements.

Fees and Rents

The fees and rents as outlined in the most recent approved version of the Airport's Rates and Charges hereinafter set forth shall be used in developing new written Agreements and shall also apply, to the extent possible, to all Tenants and users of Airport facilities, subject to periodic adjustment under existing leases and other Agreements.

Maintenance and Improvements

Tenants are required to always maintain their lease improvements over the course of the lease agreement. Major improvements may be conducted to the building and to assist in capitalizing

on those improvements, the Tenant may negotiate a lease term extension. The Airport Board may grant the lease term extension if they deem it appropriate.

REQUIREMENTS FOR LEASE EXTENSIONS ON EXISTING IMPROVEMENTS

Upon the expiration of the Original Term and any granted extensions, unless sooner terminated in accordance with the Agreement, the Tenant has the following options, unless otherwise indicated within the existing Agreement:

1. Extension. All Tenants with Agreements expiring between January 1, 2024 and December 31, 2029 may be offered one (1) additional final five (5) year lease. The new lease will be non-transferable.
2. Remove Improvements. Tenant shall remove the Improvements owned by the Tenant and return the affected portion(s) of the Leased Premises to its original condition.
3. Transfer Ownership to Aeronautics Board. If agreed to by the Aeronautics Board, in lieu of removal, at Tenant's option, Tenant may transfer the ownership (or title) of the Improvements (specifically designated by the Aeronautics Board) to the Aeronautics Board at no cost to the Aeronautics Board.
 - 3.1. Provided the Tenant has been in good standing with the Board, the Board may offer a Right of First Lease to the Tenant at Fair Market Value. Lease rent shall include all ground, building and maintenance expenses.
 - 3.2. The Aeronautics Board is not obligated to purchase Improvements at the expiration of any Agreement.
4. Holdover. Board may elect to continue the Agreement with the Tenant on a month-to-month basis (where holdover provisions allow).
5. New Lease Agreement Capital Improvements. Tenant may request a new lease Agreement with a pledge of Capital Improvements extending the life of the building, which may include but not be limited to replacing exterior siding (including on the door skin), roof, hangar door operator and other mechanical components. Lease terms will be determined by investment. The request for Capital Improvements must go to the Airport Director, and be approved by the Aeronautics Board and all work must be completed prior to the expiration of the Agreement.
6. Lease Reversionary Deferral Option. Tenant may also request a new Agreement without making Capital Improvements. Tenant would maintain ownership and be responsible for all taxes, maintenance, and upkeep. Fair market value for ground and building rent would be required with up to a five (5) year term limit on the Agreement.

REQUIREMENTS FOR NEW DEVELOPMENT

The term (length) of a new Agreement for new development shall be established considering the amount of Tenant investment in physical/fixed improvements on the Airport. Subject to any

applicable Regulatory Measures, the maximum term for a ground lease will be as follows:

Aeronautical Related Facility	Total Years Including Extensions
less than \$300,000	15
\$300,000 to \$599,999	20
\$600,000 to \$999,999	25
More than \$1,000,000	35

*Amounts based on construction costs of \$200 per square foot for new hangar construction.

Leasehold Development with Apron Access

Due to the cost and limited availability of aircraft parking aprons at the Airport, the goal of the Airport is to provide access to a publicly funded apron frontage to only those businesses that require the use of an apron and that provide aeronautical services to the public.

All leaseholds located along publicly funded aircraft parking aprons shall be subject to additional review. Any new lease with public apron access or projected to have public apron access will be required to demonstrate both the need for the publicly available apron and the aeronautical services they will provide for the public. A determination shall be made by the Airport Director that apron access is necessary and that no other options are available for construction. Tenants requesting additional apron space for construction will be required to prove to the Airport why construction off apron is not an option.

The associated Lease shall define the use and shall include a termination clause, for cause, in the event Tenant changes the use to something that no longer requires apron access.

At no time will Tenants be allowed to reserve apron space for future development.

All buildings constructed along aprons shall be fifty (50') feet back from the publicly funded apron and that setback space shall be part of the leasehold, subject to additional restrictions, and maintained by the Tenant. New connections from the structure to the aircraft parking apron may be funded by the Airport, and the Improvements shall be special assessed back to the Tenant over a an agreed upon period not to exceed twenty (20) years.

REQUIREMENTS FOR ALL LEASES

The following requirements are applicable to all General Aviation Lease Agreements.

End of Lease

Ground Agreements shall provide that, when the terms with current Tenants expire, the Improvements shall be removed, or they will revert to the Aeronautics Board. If the Aeronautics Board elects to continue leasing the property after expiration, it may solicit proposals or negotiate a new Agreement; in either case calling for rent at the then Market Rate for both the ground and any Improvements on the leasehold and incorporating other terms consistent with this Policy.

Tenant Responsibilities

All new Agreements shall require the Tenant to be responsible for, including but not limited to: insurance, taxes, janitorial, landscaping, lawn maintenance, pavement upkeep, snow removal, trash removal, all other maintenance, utility costs, etc.

Rental Rates

All rental rates established in Airport Agreements shall be Market Value as determined by Airport staff or a professional appraisal. All appropriate factors, including comparable terms of other similar facilities on the Airport and/or other similar facilities at other comparable Airports in the region, shall be considered in establishing Market Value.

Rent Adjustments

All rents shall be adjusted to Market Value rent every five (5) years throughout the Original Term of all Agreements and any Renewal Terms. In the intervening years, rent shall be annually adjusted based on the percentage change in the Consumer Price Index (CPI) (see Exhibit A).

Sublease and Assignments

Certain approved Commercial Aeronautical Operators may sublease any portion of their leased space, but only with the prior written consent of the Board through a Board approved Operator Permit. Tenants may not assign their Agreements, whether by operation of law or otherwise, without the prior written consent of the Board. Any such sale, assignment, or transfer without Lessor's prior express written consent shall be null and void and, at Lessor's option, shall constitute a default or breach of their Agreement.

Leasehold Mortgages

Tenants may not grant leasehold mortgages without prior written approval of the Board, and approval may be granted, conditioned, delayed, or denied at the Board's discretion. If the Board consents, the leasehold mortgage may secure only the indebtedness that is invested in improvements to the leasehold and may not burden the fee title to the real property.

Development, Improvements, Construction and Alterations

Tenant shall not make any Improvements (including any changes or modifications, additions, or deletions) to the Leased Premises without the prior express written consent of the Board.

Tenants will be required to comply with Development Guidelines, including guidelines regarding signage, and to obtain all required development and construction permits and approvals, including those of the Board as described in the Agreement.

All Tenant-constructed alterations, improvements and/or deletions, including but not limited to, offices, hangars, access roads, access taxiways, vehicle parking areas and Aircraft parking areas, shall be in accordance with Development Guidelines established by the Board and in accordance with applicable federal, state and local codes, ordinances, laws, rules and

regulations. Tenant shall not be permitted to proceed with any construction or remodeling on the premises leased/assigned without first obtaining advance written approval of plans and

specifications for such work from all applicable agencies, including the Airport Director.

1. Notice of Proposed Construction Alteration Form. Prior to making any Improvements, the Tenant shall submit to the Airport Director for review and approval, detailed plans, designs, and specifications, including cost estimates, a project schedule, and a list of the contractors selected by Tenant to make the approved Improvements. If applicable, the Tenant shall complete and include Federal Aviation Administration 7460-1 Notice of Proposed Construction Alterations form.
2. Regulatory Compliance. The approved Improvements shall comply with applicable Regulatory Measures including, but not limited to, CFR Title 14 Part 77 Safe, Efficient Use, and Preservation of the Navigable Airspace. The Tenant shall procure all building, fire, safety, and other permits necessary in connection with the approved Improvements from federal, state, and local agencies having jurisdiction.
3. Leasehold Development Requirements. Within sixty (60)-days after notification by the Aeronautics Board of its approval, the Tenant shall commence work on the approved Improvements to the Leased Premises in accordance with the conditions of the Aeronautics Board's approval. The Tenant shall be fully liable to the Aeronautics Board for any damage resulting from the work on or associated with the approved Improvements. All deliveries of materials and supplies shall be made through the access points and via routes designated by the Airport. In the event the Tenant does not commence work on the Improvements within the allotted time or does not complete improvements within six (6) months of the planned completion date, the Aeronautics Board may elect to revoke approval and the Leasehold and associated improvements will revert to the Aeronautics Board.
4. Liens for Improvement Cost and Expenses. All work completed shall be at the Tenant's sole cost and expense, free and clear of liens for labor and material, and the Tenant shall indemnify the Aeronautics Board and Kalamazoo County.
5. Performance Bond. The Tenant shall furnish its Performance Bond in the form acceptable to the Aeronautics Board in the amount of 100% of its total construction costs to guarantee completion of the Improvements.
6. Claims. The Tenant shall pay all claims lawfully made against it by its contractors, subcontractors, material men, and workmen, and all claims lawfully made against it by other third persons arising out of or in connection with the performance of any work on or associated with the approved Improvements and shall cause its contractors and subcontractors to pay all such claims lawfully made against them. The Tenant shall also pay all liens held by subcontractors and provide Airport with proof of payment of excise tax.

No Unauthorized Use

All Commercial uses and certain Non-Commercial uses of Airport properties shall be permitted only pursuant to an Agreement in accordance with this Policy, consistent with applicable rents, charges, or revenue formulas established by the Aeronautics Board.

Tenants may not use their facilities for Commercial Activities unless pursuant to an Operator

Permit with the Board.

Prohibited Activities

Airport land or Improvements shall not be occupied or used for any activity that, in the sole discretion of the Airport Director, is contrary to the safe and efficient operation of the Airport including any activity that jeopardizes the safety of the public, Aircraft, or property located at the Airport.

“Through-the-Fence” activities are discouraged by the Federal Aviation Administration and it is the Board’s policy to permit no new through-the-fence activities.

REQUIREMENTS FOR AIRPORT OWNED STRUCTURES

The following requirements are applicable to Airport owned structures that are leased.

New Agreements

Unless otherwise agreed to by contract, all new Agreements for hangars, buildings, or other facilities owned by the Airport shall require the Airport to be responsible for insurance, landscaping, lawn maintenance, parking lot upkeep, snow removal, and all other maintenance, and utility costs.

Rental Rates

All rental rates established in Airport Agreements shall be Market Value as determined by Airport staff or a professional appraisal. All appropriate factors, including comparable terms of other similar facilities on the Airport and/or other similar facilities at other comparable Airports in the region, shall be considered in establishing Market Value.

Rent Adjustments

Rent may be adjusted by the Aeronautics Board periodically under consideration of current market rates, Consumer Price Index (CPI), and current Airport rates and charges.

Sublease and Assignments

Tenants may not sublease or assign an Agreement.

Commercial Activities

Tenants may not use their facilities for Commercial Activities unless pursuant to an Operator Permit with the Aeronautics Board.

EXHIBIT A

SAMPLE CPI ADJUSTMENT

Annual Rent for the first year of the Original Term of this Agreement is:

$$5,700 \text{ sq ft @ } .30 = 1,710.00$$

Example of CPI Adjustment:

CPI for Current Period	136.0
Less CPI for Previous Period	129.9
Equals Index Points Change	6.1
Divided by Previous Period CPI	129.9
Equals	.047
Results Multiplied by 100	.047 x 100
Equals Percent Change	4.7%

Next Year Rent = Base Rent (.30/sq ft) X Percent Change in CPI-U Index (4.7%)

$$\text{Next Year Rent} = .30 \times 4.7\% = .31$$

$$5,700 \text{ sq ft @ } .31 = 1,790.37$$

/sq ft) X Percent Change in CPI-U Index (4.7%)