



Airport Leasing Practices

Airport Advisory Board

Summary

- Airport Development Objectives
- Grant Assurances
- Core Lease Elements
 - Premises
 - Term
 - Construction of Improvements
 - Rent
 - Maintenance and Operations
 - End of Term
- Other Lease Components
- Lease Process
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Airport Leasing and Development Objectives

Take full advantage of development opportunities

- To benefit the sponsor
- To benefit tenants and users
- To benefit the surrounding community

Maximize Airport Revenue

- To ensure safe operability
- To ensure long term self-sustainability

Implement Airport Vision, as defined in:

- Master Plan
- Infrastructure plans
- Business plans
- Other operational and economic objectives

Grant Assurances

Airport must agree with 39 assurances to receive federal grant funding

Grant Assurances	Description
5 and 31	Ensure that the airport sponsor does not enter into any agreement that will inhibit its ability to provide the core services of a public-use airport.
6 through 8	Ensure that the airport sponsor accounts for the existing plans, interests, and concerns of both the surrounding community (particularly local planning agencies) and current airport users prior to entering into an airport development or leasing agreement.
20, 21, 29, and 38	Ensures compliance with FAA land management requirements, focusing primarily on safety, planning, and airport standards.
22, 24, and 39	Impose guidelines as to how the airport sponsor must interact with commercial and noncommercial tenants on the airport, and are important practices in establishing a fair and equitable business environment

Core Lease Elements

Premises

Term

Construction
of
Improvements

Rent

Operations
and
Maintenance

Reversion

Leased Premises

Leasehold Survey

- Defines leasehold boundaries
- Confirms size and dimensions

Leasehold Authority

- Lessee is responsible for entirety of the leasehold
- Airport retains right of access, with limitations

Use

- Use of Leased Premises should be clearly defined
- Best practice = general description of the activities
- Applies to aeronautical and non-aeronautical activities

Lease Term

Length

- Must be “reasonable” and “not unjustly discriminatory”
- Long enough to allow tenant to amortize its investment, but not longer.
- Statutorily and regulatorily limited to no more than 50 years.
- Denton uses an evaluation matrix as a starting point in lease term discussions.

Extensions/Options

- FAA expects any extensions/options to be at sponsor’s discretion
- FAA expects extensions/options to be contingent on additional investment into the airport that aligns with the value of the lease option.
- Initial term and extensions cannot exceed 50 years.

Non-Capital Leases

- Apply to leases with no capital investment
- Term must be as short as possible/reasonable

Construction of Improvements

Improvement Approval

- Plans must be approved by the Airport to ensure compliance with site requirements, grant assurances, planning documents.
- Improvements must comply with city building codes, processes

Construction Timeline

- Construction begin and end on a date certain
- Phased construction permitted for larger or complex projects
- Airports may include penalties, incentives in construction timeline

Confirmation of Value

- Value of leasehold improvements directly influences term
- Lease document states a minimum level of capital investment
- Lessee must confirm capital investment at end of construction

Lease Rent

Base Rent

- Must be reasonable and not unjustly discriminatory
- Denton uses fair market value via appraisal
- Applied monthly, quarterly, or annually

Rent Escalation

- FAA recommends for leases with 5 years or more
- Denton adjusts based on CPI every two years

Maintenance and Operations

Maintenance Responsibility

- Lessee bears full responsibility for leasehold maintenance
- Proper maintenance ensures quality building during and after term of lease.
- Airport has the right, with limitations, to inspect leasehold for maintenance compliance

Maintenance Requirements

- Ongoing maintenance required under lease
- Condition assessments at intervals during lease term
- Lessee must correct deficiencies identified in assessment

End of Lease Term

Improvement Reversion

- At end of lease, Improvements revert to Airport
- Airport may enter into new lease at fair market value for land and improvements

Improvement Removal

- Can be required in lease
- Can be conditional, i.e. if improvement has reached the end of useful life.

Mid-Term Purchase of Improvements

- Airport may purchase interest in improvements prior to lease expiration
- May allow airport to strategically redevelop location

Other Lease Components

Lessee Rights

- Ingress/egress
- Quiet enjoyment
- Signage
- Approved alterations, additions to improvements
- Transfer, subletting

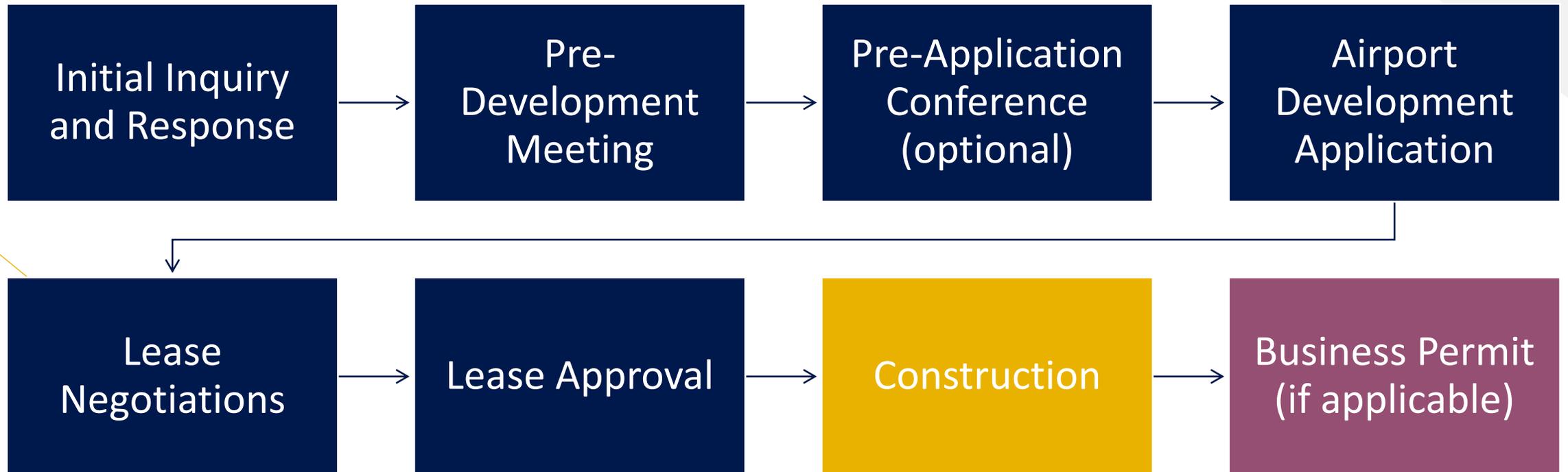
Lessor Rights

- Access to leased premises
- Compliance enforcement
- Insurance requirements
- Close airport as necessary

Compliance with

- Federal, state, and local law
- Minimum operating standards
- Rules and regulations

Leasing Process



Next Steps

- Develop Leasing Policy
 - Formalizes:
 - Development Principles and Objectives
 - Approach to setting term and rent
 - Requirements for lease agreements
 - Ensures:
 - Clarity on leasing and development standards
 - Consistency between leases
 - Alignment between leases and other Airport policy and planning documents
 - Bring to AAB for discussion and recommendation, approval by Council
- Update Lease Documents/Guides to conform to Policy (as needed)