Developing an Airport Leasing Policy

Best Management Practices for General Aviation Airports

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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

- ARFF FACILITY
- HELICOPTER AREA
- FUTURE TERMINAL
- 70 ACRES FOR AVIATION USES
- DUST CONTROL
- HEAVY HELO STAGING AREA
- MODIFIED FUTURE HANGAR LAYOUT
- NON-AVIATION USES
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

<table>
<thead>
<tr>
<th>AIRPORT’S</th>
<th>TENANT’S</th>
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<tr>
<td>• Good Dependable Service</td>
<td>• Good Customer Base</td>
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<tr>
<td>• Reliable Income Stream</td>
<td>• Repay all Loans</td>
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<tr>
<td>• Full Market Return on Invested Capital</td>
<td>• Recoup Invested Capital</td>
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<tr>
<td>• Expectation of Ownership of Improvements and charging market rates</td>
<td>• Profit</td>
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<td>• Options, Extension, Renew, First Right of Refusal or Assign</td>
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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