Staff Summary

Corporate Hangar Ground Lease Agreement

Background

As part of the Blair Executive Airport corporate hangar development program, staff has prepared a new standard **Corporate Hangar Ground Lease Agreement** for use with privately financed corporate hangars constructed on Airport Authority-owned land.

The proposed agreement is not a wholesale departure from the Airport's existing leasing practices. Rather, it updates and consolidates provisions contained in the Airport's current land leases while addressing issues unique to the new corporate hangar development area, including the lot reservation process, one-time lot fee, construction timing, private development standards, leasehold financing, and disposition of privately owned improvements at the end of the lease term.

The proposed lease remains a **ground lease only**. The Airport Authority retains ownership of the land and common Airport infrastructure. The lessee constructs, finances, owns, and maintains the hangar, private apron, and other lessee improvements during the lease term.

Sources Used in Developing the Agreement

Staff developed the proposed agreement using several sources rather than relying on a generic airport lease form.

First, the Airport's **existing land leases**, particularly the current Suite D and Suite F agreements, were used as the starting point for Blair's established leasing practices. Those agreements already address many of the subjects carried forward into the proposed lease, including a 25-year initial term with potential five-year extensions, CPI-based rent adjustments, Authority approval of transfers, a right of first refusal, leasehold mortgage protections, construction approval, maintenance obligations, default remedies, and federal subordination requirements.

Second, staff relied heavily on the **Airport Authority's June and July 2026 discussions and actions establishing the corporate hangar program**. Those meetings established the reservation process, highest-and-best-use evaluation philosophy, Notice to Proceed process, construction timing expectations, and the separate financial purposes of the one-time lot fee and recurring ground rent. The Authority established an initial lot fee of $5.50 per square foot and annual ground rent of $0.15 per square foot, calculated on the lease area.

Third, the agreement was coordinated with the Airport's **Rules and Regulations, Minimum Standards, and incorporated Design Standards**. The intent is to keep detailed construction and operational requirements in those documents rather than duplicate them in every lease. The lease therefore establishes the contractual obligations while incorporating the Airport's technical and operational requirements by reference.

The drafting process also considered the Airport Authority's governing authority, the Airport Layout Plan and development program, FAA and State obligations applicable to airport property, and multiple staff and City Attorney reviews.

Key Differences from Previous Airport Land Leases

The principal differences are as follows:

- **One-time lot fee is formalized.** The new agreement expressly distinguishes the one-time Lot Fee from recurring Ground Rent. The reservation deposit is credited toward the Lot Fee, and the remaining balance must generally be paid before the Notice to Proceed is issued. Previous leases used different financial arrangements; for example, the current Suite D lease contains a one-time $2.25-per-square-foot lot fee and $0.12-per-square-foot annual ground rent.
- **Ground rent begins with the Notice to Proceed.** The proposed lease may be executed before Airport infrastructure is ready, but Ground Rent does not begin until the Authority authorizes construction through the Notice to Proceed. This avoids charging a developer ground rent while the Airport is not yet able to make the site available for development.
- **Annual CPI adjustments replace the older three-year adjustment cycle.** Existing leases generally adjust rent every three years based on CPI. The proposed form adjusts Ground Rent annually, with a 5% annual cap unless otherwise specified. At each renewal, rent is reset to then-current market ground rent before CPI adjustments resume.
- **Construction requirements are more clearly tied to a Notice to Proceed.** Signing the lease does not authorize construction. Before issuing the Notice to Proceed, the Authority may require payment of the Lot Fee, insurance, financial assurance, governmental and FAA approvals, approved plans, and coordination of necessary infrastructure. Substantial Completion is then tied to a defined development schedule.
- **Construction security is flexible rather than automatically requiring a full performance bond.** The Authority may require financial assurance appropriate to the specific project's risk, including a bond, letter of credit, escrow, completion guaranty, or other approved security.
- **Ownership of private improvements is expressly defined.** The new agreement clearly distinguishes between the Authority's ownership of the land and common Airport infrastructure and the lessee's ownership of its hangar, private apron, and other improvements during the Term.
- **End-of-term treatment is more flexible.** Previous leases generally provide that tenant improvements become Authority property upon termination unless they are sold or assigned to an Authority-approved third party. The proposed agreement instead gives the Authority several options at the end of the Term: negotiate a new market-rate ground lease, approve a sale to a qualified successor who enters into a new lease, exercise its right of first refusal, purchase or accept the improvements, require removal, or allow the improvements to become Authority property. No lessee or successor is guaranteed another lease.
- **Transfer and lender provisions are clarified.** The new agreement preserves Authority approval of assignments and the Authority's 75-day right of first refusal, while organizing mortgagee notice, cure rights, foreclosure, and estoppel provisions into a single article. These concepts existed in the older leases but are stated more clearly and consistently in the proposed standard form.
- **Default procedures are simplified and standardized.** The proposed lease provides a 10-day notice-and-cure period for monetary defaults and 30 days for nonmonetary defaults,

with additional reasonable time when a cure cannot reasonably be completed within 30 days and the lessee is diligently pursuing it.

Staff Recommendation

Staff believes the proposed Corporate Hangar Ground Lease provides a more consistent and administratively workable framework for the new corporate hangar development program while preserving many of the protections and business concepts already used in the Airport's existing leases.

The agreement is intended to provide reasonable certainty to a private party making a substantial investment in Airport property while preserving the Airport Authority's ownership of the land, operational control of the Airport, compliance with federal and State obligations, and long-term discretion regarding future use of Airport property.