

Page	Paragraph Title	Current Policy	Proposed Changes/Updates (BOLD)
5	Aeronautical Commercial Hangar Lease	This type of commercial lease agreement is utilized when a commercial operator proposes to lease improvements (e.g. hangar, building, etc.) that are owned by the Airport for commercial aeronautical use. Generally the term for this type of lease is five (5) years. A lease term greater than five (5) years may be granted in cases where a commercial operator commits to make new capital investments in the improvements or on the Airport property. The Airport will utilize the formula referenced in the Capital Investments section of this policy to determine the lease term.	This type of commercial lease agreement is utilized when a commercial operator proposes to lease improvements (e.g. hangar, building, etc.) that are owned by the Airport for commercial aeronautical use. Generally, the term for this type of lease is five (5) years. A lease term greater than five (5) years may be granted in cases where a commercial operator commits to make new capital investments in the improvements or on the Airport property. <u>If tenant elects a 5-year term and subsequently leases for additional term effectively creating a term longer than 5 years, the Capital Investment Requirement shall apply retroactively to the total of initial term, and the new term. Therefore, additional term shall require Capital Investment for entire effective term.</u>
6	Non-Aeronautical Improvement Lease	This type of commercial lease agreement is utilized when a commercial operator proposes to lease and use Airport owned improvements (e.g. office, industrial building, etc.) for commercial non-aeronautical use. Generally the term for this type of lease is five (5) years. New capital investment in improvements is required to qualify for a lease term greater than five (5) years. The Airport will utilize the formula referenced in the Capital Investments section of this policy to determine the lease term. Rental rates for non-aeronautical use are generally higher than non-aeronautical rates.	This type of commercial lease agreement is utilized when a commercial operator proposes to lease and use Airport owned improvements (e.g. office, industrial building, etc.) for commercial non-aeronautical use. Generally, the term for this type of lease is five (5) years. New capital investment in improvements is required to qualify for a lease term greater than five (5) years. The Airport will utilize the formula referenced in the Capital Investments section of this policy to determine <u>a lease term greater than five (5) years.</u> Rental rates for non-aeronautical use are generally higher than non-aeronautical rates. <u>If tenant elects a 5-year term and subsequently leases for additional term effectively creating a term longer than 5 years, the Capital Investment Requirement shall apply retroactively to the total of initial term, and the</u>

			<u>new term. Therefore, additional term shall require Capital Investment for entire effective term.</u>
6	Industrial/Office Lease	This type of commercial lease agreement is utilized when a commercial operator proposes to lease and use a defined portion of an Airport-owned improvement (e.g. office or industrial building) in common with other Tenants of the improvement. Generally the term for this type of lease is five (5) years. Rental rates for non-aeronautical use are generally higher than aeronautical rates	<u>Multi-tenant</u> Industrial/Office Lease This type of commercial lease agreement is utilized when a commercial operator proposes to lease and use a defined portion of an Airport-owned improvement (e.g. office or industrial building) in common with other Tenants of the improvement. Generally, the term for this type of lease is five (5) years, <u>or less depending on the discretion of the Airport.</u> Rental rates for non-aeronautical use are <u>fair market value and typically</u> higher than aeronautical rates. rents” or similar?
7	Procedures In Commercial Leasing – Lease Execution	<p>Lease is sent to Lessee for signature.</p> <p>Lease is sent to County Council and then to the Director of Transportation and Public Works for signatures.</p> <p>A Sonoma County Board of Supervisor’s agenda item is prepared and it is scheduled no earlier than six weeks from the date of request.</p> <p>The Sonoma County Board of Supervisors approve or deny the lease during a regularly scheduled meeting. If approved, the lease is executed by the Chair of the Board.</p>	<p>Lease is sent to Lessee for signature.</p> <p>Lease is sent to County Council and then to the Director <u>Sonoma Public Infrastructure</u> for signatures.</p> <p>A Sonoma County Board of Supervisor’s agenda item is prepared, and it is scheduled no earlier than six weeks from the date of request.</p> <p>The Sonoma County Board of Supervisors approve or deny the lease during a regularly scheduled meeting. If approved, the lease is executed by the Chair of the Board.</p>
8	Rates and Charges	Every lease will provide for annual rent increases. During the process of negotiating lease terms, a prospective tenant will be permitted to choose between two methods for calculating annual rent	<u>All leases include an annual rent increase provision of 4% annually, subject to airport discretion.</u>

		increases during the term of the lease: (a) annual consumer price index (CPI) increases based upon the San Francisco, Oakland and San Jose all consumer index with each increase at a minimum of two (2) percent and a maximum of six (6) percent regardless of the CPI increase; or (b) an annual four (4) percent increase.	<u>Long-term leases are subject to a Market Rent Reset every ten (10) years of term. Market Rent shall be the fair market value at the time of the reset.</u>
9	Term: New Tenant	The minimum term allowable for a commercial lease is five (5) years. The maximum term allowable (including all extensions and options) for all leases at the Airport shall be no more than forty (40) years in duration. FAA views most ground leases with a term of thirty (30) to thirty-five (35) years as a sufficient duration. ⁷ California law also restricts the length of lease terms for airport property.	The minimum term allowable for a commercial lease (<u>excluding Multi-tenant Industrial/Office</u>) is five (5) years. The maximum term allowable (including all extensions and options) for all leases at the Airport shall be no more than forty (40) years in duration, <u>inclusive of all option periods</u> . FAA views most ground leases with a term of thirty (30) to thirty-five (35) years as a sufficient duration. ⁷ California law also restricts the length of lease terms for airport property.
10	Term: Established Tenant	<p>Tenant's commitment and demonstrated ability to make substantial new capital investment is required to qualify for a lease term greater than five (5) years;</p> <p>The option regarding the current site improvements on the lease premises, since all site improvements transfer to Airport ownership at the end of the lease. The three options are: (a) leasing the site improvement(s) from the County; (b) the payment for the present value of the site improvement(s); or (c) the payment for the present value of the postponement of the County's Reversionary Interest in the site improvement(s) from the end of the previous lease.</p>	<p>Tenant's commitment and demonstrated ability to make substantial new capital investment is required to qualify for a lease term greater than five (5) years; <u>If tenant elects a 5-year term and subsequently leases for additional term, effectively creating a term longer than 5 years, the Capital Investment Requirement shall apply retroactively to the initial term, and the new term. Therefore, additional term shall require Capital Investment for entire effective term.</u></p> <p>The option regarding the current site improvements on the leased premises, since all site improvements transfer to Airport ownership at the end of the lease. The three options are: (a) <u>a new modified gross lease or triple net lease of the site and improvement(s) from the County at current market rent</u>; (b) payment <u>of the current market value of the improvement(s) with a new</u></p>

			<p><u>ground lease rate as established in the published Rates & Charges. Market value of the improvements shall be considered Capital Investment for the purpose of compliance with the Capital Investment Requirement;</u> or (c) <u>intended for unique instances and at Airport discretion, an extension of the existing ground lease with payment of the present value of postponement of the County's Reversionary Interest in the site improvements. Option C shall not provide a total lease term beyond 50 years total, inclusive of the existing lease term with all option periods and the proposed extension. Payment of present value reversionary interest is not applicable to the Capital Investment Requirement.</u></p>
11	Capital Investment	<p>A formula has been adopted by the County, which may be updated from time to time, for determining the length of a ground lease for aeronautical and non-aeronautical users of Airport property. As of the adoption of this Policy, in addition to the payment of rent for leased property, \$50,000 of new capital investment per acre during the proposed lease term shall be required of each tenant in exchange for the grant of each one-year term of a ground lease. This formula applies to construction of new improvements and to new capital expenditure(s) on existing infrastructure located on the leasehold. It does not include expenditures for normal maintenance or deferred maintenance and repair of improvements. The County may update this formula from time to time to reflect current market conditions. Updates and revisions to the formula</p>	<p>A formula has been adopted by the County, which may be updated <u>every three (3) years with an effective date of July 1</u>, for determining the length of a ground lease for aeronautical and non-aeronautical users of Airport property. As of the adoption of this Policy, in addition to the payment of rent for leased property, <u>\$75,000</u> of new capital investment per acre during the proposed lease term shall be required of each tenant in exchange for the grant of each one-year term of a ground lease. This formula applies to construction of new improvements and new capital expenditure(s) on existing infrastructure located on the leasehold. It does not include expenditures for normal maintenance or deferred maintenance and repair of improvements. The County may update this formula <u>every three (3) years</u> to reflect current market conditions <u>and increases in construction</u></p>

		<p>will be approved by the Board of Supervisors in the Airport's Rates and Charges schedule. Examples of investments in permanent facilities located on the leasehold premises include, but may not be limited to the following:</p> <ul style="list-style-type: none"> ○ Creating an addition, physical enlargement or expansion; ○ Creating an increase in capacity, productivity or efficiency; ○ Rebuilding an improvement after the end of its economic useful life; ○ Replacing a major component or structural part of the property (not caused by deferred maintenance and repair); ○ Adapting property to a new or different use; or ○ Fixing a defect or design flaw. <p>All leasehold improvements constructed on the Airport will be owned by the tenant during the term of the lease and will become the property of the County at the end of the lease term.</p> <p>The County may, in its sole discretion, consider funding a portion of a tenant's proposed capital investment during the term of a lease. Each scenario will be evaluated on its own merits and the County will determine the amount, term and interest rate charged for funding of said capital investment. Nothing in this Commercial Lease Policy will bind or obligate the County to fund a capital investment for any lease.</p> <p>Leases will provide a clear timeline establishing dates when the construction of improvements and</p>	<p><u>costs.</u> Updates and revisions to the formula will be <u>based on the Board of Supervisors approved methodology, accounting for increases in the California Construction Cost Index.</u></p> <p>Examples of investments in permanent facilities located on the leasehold premises include, but may not be limited to the following:</p> <ul style="list-style-type: none"> ○ Creating an addition, physical enlargement or expansion; ○ Creating an increase in capacity, productivity or efficiency; ○ Rebuilding an improvement after the end of its economic useful life; ○ Replacing a major component or structural part of the property (not caused by deferred maintenance and repair); ○ Adapting property to a new or different use; or ○ Fixing a defect or design flaw. <p>All leasehold improvements constructed on the Airport will be owned by the tenant during the term of the lease and will become the property of the County at the end of the lease term.</p> <p>The County may, in its sole discretion, consider funding a portion of a tenant's proposed capital investment during the term of a lease. Each scenario will be evaluated on its own merits and the County will determine the amount, term and interest rate charged for funding of said capital investment. Nothing in this Commercial Lease Policy will bind or obligate the County to fund a capital investment for any lease.</p>
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12	Construction: Local Requirements	<p>All construction of leasehold improvements will conform to the Airport's Development Standards, the Airport's Minimum Standards and all applicable development/construction standards administrated through the County's Permit and Resource Management Department (PRMD). All construction (new and alterations), shall be approved in advance by the Airport Manager. Tenant shall complete the Airport's form, Tenant Construction Approval (on file with the Airport), and obtain all required approval signatures prior to beginning any construction. Any new or remodeled leasehold improvements constructed, will be owned by the tenant during the lease term and will become the property of the County at the end of the lease term.</p>	<p>All construction of leasehold improvements will conform to the Airport's Development Standards, the Airport's Minimum Standards and all applicable development/construction standards administrated through the County's <u>consolidated land use planning and development permitting agency known as Permit Sonoma</u>. All construction, <u>alteration, improvements, and repairs</u> shall be approved in advance by the Airport Manager. Tenant shall complete the Airport's form, Tenant Construction Approval (on file with the Airport), and obtain all required approval signatures prior to beginning any construction. Any new or remodeled leasehold improvements constructed, will be owned by the tenant during the</p>

			lease term and will become the property of the County at the end of the lease term.
14	Insurance	A tenant's failure to maintain required insurance coverage shall constitute a violation of lease terms.	A tenant's failure to maintain required insurance coverage shall constitute a violation of lease terms and may result in lease termination.
15	Percentage Rent	In addition to building or ground rent, any tenant conducting a commercial activity on the Airport will be required to pay percentage rent. This requirement also applies to any sub-tenant or non-leasing entity conducting any type of commercial activity on the Airport. The percentage rent rate will be determined by the Airport Manager and will be dependent upon the type of commercial activity performed at the Airport, and whether that activity is aeronautical or non-aeronautical. Percentage rent for Concessions will be detailed in the Airport's Concession Policy.	<p>In addition to building or ground rent, any tenant conducting a commercial activity on the Airport will be required to pay percentage rent. This requirement also applies to any sub-tenant or non-leasing entity conducting any type of commercial activity on the Airport. The percentage rent rate will be determined by the Airport Manager and will be dependent upon the type of commercial activity performed at the Airport, and whether that activity is aeronautical or non-aeronautical. Percentage rent for Concessions will be detailed in the Airport's Concession Policy.</p> <p><u>"Commercial Activity" shall mean any and all activity conducted by the Operator or its affiliates, subtenants, licensees, contractors, or any other parties operating on or from the Premises that involves the exchange, sale, lease, rental, provision, or other disposition of goods, services, or any other item of value for compensation, consideration, or the expectation of compensation—whether monetary or otherwise. This includes, but is not limited to, retail sales, service transactions, equipment or vehicle rentals, food and beverage operations, advertising or sponsorship agreements, storage or parking fees, commissions, and any other form of direct or indirect revenue generation. The term applies regardless of whether such activity is conducted in-person, online, or through a third party, and</u></p>

			<u>regardless of whether the activity occurs on the Premises or elsewhere, if it originates from, is facilitated by, or uses the Premises in any way. No commercial activity shall be exempt from reporting or percentage rent obligations unless expressly exempted in writing by the Airport.</u>
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