

<b>Tulahoma Municipal Airport Authority Policy</b>	Document No: Policy 05	Page: 1 of 2
<b>Ground Lease Agreements</b>	Effective Date: 14 Oct 2010	Revision: 4

**1.0 Purpose**

To define the Tullahoma Municipal Airport Authority (TAA) policy on requesting a ground lease agreement.

**2.0 Scope of Application**

This applies to either improved or un-improved ground space owned by the City of Tullahoma and managed by the TAA and which is designated for the construction of new hangars or aviation related business operations.

**3.0 References**

City of Tullahoma Building Codes.  
TAA Minimum Development Standards

**4.0 Definitions**

4.1 Aircraft – an FAA recognized vehicle designed for air travel, which has wings and one or more engines. This includes airplanes, sail planes, rotor craft and lighter than air craft.

4.2 Aircraft hangar – a building designed to house one or more aircraft.

4.3 Aviation related business – a business whose main purpose is directly tied to aviation. Such businesses include aircraft manufacture, aircraft maintenance / overhaul facilities, aircraft parts suppliers, aircraft upgrade activities (avionics, interiors, etc), engine repair facilities, etc.

4.4 Ground lease agreement – lease agreement with an individual or commercial entity for a lot(s) where either an aircraft hangar or aviation related business operation is either located or is to be constructed.

4.5 Final lease rate – lease rate that applies when a hangar / building is completed or is occupied, whichever occurs first.

4.6 Rate prior to construction – lease rate that applies prior to and during construction of a hangar or business facility.

**5.0 Policy**

5.1 Ground lease agreements shall only be approved for the purpose of leasing of existing hangar facilities, building new or additional aircraft hangars, or building of aviation related business facilities on TAA managed property.

5.2 Any / all construction shall conform to the requirements of the City of Tullahoma Building Codes.

5.3 Ground lease agreements to a specific named party shall not exceed 50 years total (per Tennessee law), with interim terms set by the TAA. Interim terms with a maximum of up to 20 years for new construction are considered the norm. An option for an additional 20 years may be considered upon request and shall be based on such prevailing terms and conditions that may prevail at the time of option exercise. Special circumstances (such as a large up front payment or payment in kind donation) may warrant different interim terms, but in no case shall the total lease period exceed 50 years total. At the conclusion of the lease period, any and all improvements shall either be removed from airport property, approved for sale to a third party or become the property of the City of Tullahoma.

5.4 The TAA Executive Director shall maintain a master waiting list for personnel / companies desiring to enter into a ground lease agreement.

5.5 Individuals or corporate entities desiring to enter into a ground lease agreement shall submit their written request to the TAA Executive Director. The Executive Director shall present the request to the TAA Board of Directors for approval at the next scheduled meeting.

5.6 Ground lease agreements shall be offered based upon the date of the written request to the TAA, with the longest waiting individual / company on a list offered space first.

5.7 At each monthly meeting, the TAA shall review and approve any requests for a ground lease agreement. The Executive Director shall then immediately notify the individual(s) / companies who have until the next scheduled TAA Board meeting to sign a lease agreement. Should the individual / company fail to sign a lease agreement, the space shall be offered to the next person / company on the list and the declining individual / company must reapply in writing and will move to the bottom of the waiting list.

5.8 If construction of a hangar or aviation related business facility is required, construction shall begin within two (2) years from the date of lease signing. If construction has not begun by this date, the lease shall become null and void, with any / all rent previously paid declared non-refundable to the lessee.

5.9 Ground lease agreements that include new construction shall specify two (2) payment rates:

5.9.1 Rate prior to construction completion. This rate shall be one half (1/2) of the rate specified in paragraph 5.9.2.

5.9.2 Final lease rate.

5.10 Initial payment is due at lease signing, with subsequent payments in accordance with the applicable lease agreement. All lease agreements entered into after the approval of this policy shall specify that all rent payments are due and payable in advance and that late payment penalties will be assessed and compounded monthly until rent payments are made current.

5.11 Transfer of an existing ground lease agreement from one individual / company to another is prohibited. If the sale of existing facilities is desired, this shall be accomplished in accordance with Policy 6, Sale of Privately Owned Hangars, and a new lease agreement with the TAA must be executed. In this situation, approval of the new lease agreement will require proof that the existing hangar / facility meets required City of Tullahoma Fire Codes.

5.12 All ground lease agreements shall include an annual inflation rate adjustment clause that is the same rate as the official U.S. Government's Consumer Price Index (CPI) inflation rate index for the previous calendar year. Such Index to be used shall be the one for all items for the United States city average (CPI-U) as determined and published by the United States Department of Labor, Bureau of Labor Statistics, based on "All Items" calculation method. This rate shall apply only to the rate specified in paragraph 5.9.2 above. The CPI calculation will be done in October of each calendar year with the new lease rate effective on 1 January of the following year. The Fixed Base Operator contract CPI adjustment will be in accordance with that contract.

5.13 Prior to the end of the calendar year, the TAA Executive Director shall do a competitive market survey (per square foot) for ground lease pricing for airports within a 100 mile radius of Tullahoma. This information shall be presented to the TAA Board of Directors at the January meeting, at which time a revised lease pricing rate for new ground lease agreements will be set for the remainder of the calendar year. This rate may vary by location on the Airport based on availability of utilities and other infrastructure.

## **6.0 Description of Revisions**

Deletes requirement to post waiting list for ground lease agreements.