

OKLAHOMA CITY
DEPARTMENT OF AIRPORTS

WILL ROGERS WORLD AIRPORT
COMMERCIAL LEASING STANDARDS

Oklahoma City Airport Trust

Approved May 26, 2010

I. INTRODUCTION

The Will Rogers World Airport ("Airport") is the primary commercial airport serving the greater Oklahoma City region and central Oklahoma market areas. The Airport is owned by the City of Oklahoma City ("City") and is leased to and governed by the Oklahoma City Airport Trust ("Trust") pursuant to a Lease Agreement and Trust Indenture dated April 1, 1956.

The Trust, as the governing agency controlling the Airport, is responsible for leasing the Airport land according to Local, State, and Federal law including, but not limited to, the guidelines and grant assurances of the Federal Aviation Administration ("FAA"), the Oklahoma City Municipal Code, and Resolutions adopted by the Trust. It is the policy of the Trust to lease property on Airport for aviation purposes as a first priority. If there is non-aviation purpose that can be identified for a site available for lease, the Trust will consider non-aviation or interim proposals.

The Trust desires to enhance the economic strength and stability of the Airport and the region through sustainable and compatible development. Airport property, which does not have airfield access and is not currently needed for direct aviation development, may be developed for FAA approved commercial uses, including offices, industrial facilities, retail, and similar facilities to generate non-airline related revenues to enhance the overall revenues of the Airport, and thereby promoting the growth of air service and ensuring the Airport remains self sustaining.

To support aviation and non-aviation commercial development opportunities for Airport properties, the Trust has developed a comprehensive Airport strategic development plan ("Land Use Plan") for Airport property commonly referred to as the "East Side Development Area" and designated on the map attached hereto as Exhibit A.

II. LAND LEASING POLICIES

In order to respond consistently to the various aviation and non-aviation commercial development requests pertaining to Airport property, including the property located in the East Side Development Area, the Trust has established a Land Leasing Policy for Airport property ("Policy"). A copy of the Policy is available from Airport staff.

The Policy reflects the land leasing priorities of the Trust and forms the basis for the protocols, policies and procedures for the use and lease of Airport properties. The Policy, Minimum Standards, and the Commercial Standards (as described below) are formally adopted by the Trust. The Trust has the right and authority to modify, amend, or change any provision of any or all of these leasing policies and therefore any developers/tenants/users/lessees ("Lessees") interested in development opportunities at the Airport should consult with Airport staff. These policies and standards are not intended to be all inclusive. Any Lessee of Airport property shall be subject to additional federal, state, and local laws, codes, ordinances, lease provisions and other similar regulatory measures, including the Airport's rules and regulations.

A. Land Use Classifications

The Policy sets forth the priority for leases of Airport property based on the land use classifications, generally described as follows:

- **Direct Aviation.** Aviation use, including base infrastructure and other facilities or amenities for passenger air service, general aviation, aircraft maintenance, aircraft manufacturing, commercial air cargo and other direct aviation facilities requiring access to the airfield.
- **Direct Aviation Support.** Aviation or concurrent commercial use, including facilities for companies providing logistics, materials, cargo, and certain warehousing/distribution operations; and providing such aviation support services for direct aviation users including the passengers, employees, agents and contractors, guests, and the tenants of the Airport.
- **Indirect Aviation.** Concurrent commercial use, including offices, industrial facilities, retail, and similar facilities which do not have airfield access, on land not currently needed for direct aviation development. The primary purposes for these areas is to ensure adequate noise buffer and to retain the property for future direct aviation uses if required, and to provide goods and services for the direct aviation users, including the passengers, employees, agents, contractors, guests, and the tenants of the Airport.

- **Non-aviation.** Concurrent commercial use, including offices, industrial facilities, retail, and similar facilities which do not have airfield access, on land not currently needed for direct aviation development. The primary purposes for these areas is to ensure adequate noise buffer and to ensure land development and uses compatible to direct aviation uses if required to generate non-airline related revenues to enhance the overall revenues of the Airport, and thereby promoting the growth of air service, and ensuring the Airport remains self sustaining.

B. Minimum Standards for Direct Aviation Uses

The Policy reflects the promulgation and adoption by the Trust of the Minimum Standards for Aeronautical Users and Leasing of Land and ("Minimum Standards") at the time the Policy was adopted. The Minimum Standards apply to the development and use of Airport property for aeronautical activities (as same are defined therein) and to the leasing of land and facilities for Direct Aviation uses, (including general aviation, aircraft manufacturing, aircraft maintenance, and other direct aviation facilities requiring access to the airfield, but excluding commercial air cargo) and qualifying Direct Aviation Support uses of Airport property. These standards may be amended by the Trust from time to time. A copy of the current Minimum Standards is available from Airport Staff and shall be incorporated by reference into all applicable lease documents.

C. Commercial Leasing Standards for Concurrent Commercial Uses

The Policy reflects the promulgation and adoption by the Trust of these Commercial Leasing Standards ("Commercial Standards") to apply to the development and use of Airport property for certain non-aviation uses and to the leasing of land and facilities for Direct Aviation Support, Indirect Aviation and Non-Aviation uses, and for the specific Direct Aviation use for the leasing of land and facilities for commercial air cargo. These Commercial Standards, which may be amended by the Trust from time to time, are intended to provide information regarding the lease of Airport property for non-aviation uses; however, the specific terms and conditions for the leasing of Airport property will be contained in the individual lease or contract provided by the Trust and may include by reference the Commercial Standards. All concurrent commercial leases may be subject to individual approval of the Federal Aviation Administration ("FAA").

III. STANDARD REQUIREMENTS FOR COMMERCIAL USES

A. PROCUREMENT PROCESSES

The Trust may use a combination of direct negotiation and competitive proposal processes for concurrent commercial development of Airport property. The procurement method will be selected at the discretion of the Trust.

1. Direct Negotiation

Direct negotiation may be utilized by the Trust subject to compliance with FAA regulations, the Policy, and these Commercial Standards. The ability to complete a direct negotiation will be based on several factors determined at the discretion of the Trust including, but not limited to, the qualifications for Lessee as determined by the Trust based on the Lessee's business plan, site plan, financial plan, marketing plan (if development is speculative), references and experience, and other information that may be of particular interest to the Trust, (e.g. jobs creation plan, environmental plan, etc.). Any person wishing to acquire the use of land or establish or use any facility on the Airport for concurrent commercial uses shall be furnished a copy of these Commercial Standards, as amended from time to time, and shall thereupon make application in writing, filed with the Director of Airports, setting forth in detail the information requested by the Trust in the Airport's lease application. Every applicant for permission to enter into a lease for concurrent commercial uses at the Airport shall satisfy the Trust (through its authorized representative, the Director of Airports) that they meet the requirements of the Trust for the specific use contemplated.

2. Competitive Processes

Different methods in the competitive process may be used by the Trust for the development of Airport property, and can include, but are not limited to, Statements of Interest, Requests for Qualifications, and Requests for Proposals. General factors comprising selection criteria may include, but are not limited to:

- The demonstrated quality of planned development.
- Compatibility with Airport expectations for services provided to the Airport guests and the public.
- Degree of benefits including economic benefits, returned to the Airport.
- Financial feasibility of project pro forma.
- Development team member's professional qualifications.
- References for the proposer.
- Experience with similar types of development, leasing and property management.
- Demonstrated ability to access and obtain private equity and debt.
- Presentation of confirmed commercial users/lessees and/or ability to market to local, regional and national commercial users/lessees.
- Demonstrated experience and financial strength to complete the project on budget and on schedule.
- The proposed project approach.

In considering every application or proposal for concurrent commercial development or other activities, the Trust shall give due consideration to whether or not such proposed activity would be wasteful or uneconomical duplication of facilities and, therefore, detrimental to the public interest.

B. LEASE AND CONTRACT CLAUSES

Upon the approval of any such application as submitted or modified, or upon the award based on a proposal, the Trust shall cause to be prepared a suitable lease or contract agreement setting forth the specific terms and conditions of the land and/or facility use. The Trust has established standard lease provisions ("Standard Lease Provisions") to be used in lease and contract agreements. A copy of the Standard Lease Provisions is available from Airport staff. Notwithstanding the Standard Lease Provisions, the lease or contract agreement shall contain the specific terms, rights, obligations, and conditions for the lease of Airport property.

C. RATES AND CHARGES FOR COMMERCIAL DEVELOPMENT

The *FAA Compliance Program* (Order 5190.6B), dated September 30, 2009, sets forth guidance with respect to airport rates and charges. It provides that rates charged for non-aviation use of the Airport must be based on fair market value. All uses of the Airport which are not defined by the FAA as aviation uses are considered to be non-aviation uses and subject to this requirement. In addition to non-aviation uses, the Trust may impose rents based on fair market values for aviation commercial air cargo developments. The rate methodology is not intended to restrict the Trust's ability to make reasonable distinctions among the various Lessees at the Airport on a case by case basis, which may result in different fees between such Lessees. For any given development, such Lessee may be afforded an incentive and/or may be assessed facility rents, additional rents, and percentage rents, as such additional charges are described herein.

Fair market value based rents will be based on appraisals obtained by the Trust for the specific type of commercial development of Airport property as applicable.

1. Commercial Ground Rent

- Individual properties (improved or unimproved) will be subject to appraisals obtained by the Trust for the determination of the high and low values per square foot of land ("Fee Value Range"). The determination of the specific fee value for the property within the Fee Value Range shall be made by the Trust based on the type of development and the qualifications of the Lessee, ("Fee Value"). The determination of the Fee Value for individual properties will be made on a case by case basis.
- A ground rental rate equal to 10% of the Fee Value selected within the Fee Value Range will be established, ("Commercial Ground Rental Rate").
- The initial annual ground rent is determined by multiplying the Commercial Ground Rental Rate with square footage of the leased property ("Commercial Ground Rent").

- Commercial Ground Rent may be escalated every year during the term of the contract on a percentage or on a set amount basis, as determined by the Trust.
- Commercial Ground Rents may be subject to increases based on new fair market value appraisals conducted on a periodic basis throughout the term.
- Retail uses in commercial developments may be subject to percentage rents in addition to the Commercial Ground Rent.
- Certain Lessees may qualify for specific incentives applied to the Commercial Ground Rent.

2. Commercial Facility Rent

- Individual facilities owned by the Trust will be appraised for the determination of the value on a case by case basis, ("Appraised Actual Cash Value").
- Facility rental rate will be established annually equal to a percentage of not less than 4% of the Fee Value ("Facility Rental Rate").
- The initial annual facility rent is determined by multiplying the Facility Rental Rate with square footage of the facility ("Facility Rent").
- Facility Rents may be escalated every year on a percentage basis of not less than 2% of the annual rental for the previous year or such other amount, as determined by the Trust.
- Facility Rents may be subject to increases based on new appraisals conducted on a periodic basis throughout the term; however, the maximum interval between appraisals shall not exceed five (5) years.
- Annual facility Maintenance Rent (structural maintenance) shall be charged annually at the rate calculated as two percent (2%) of the Appraised Actual Cash Value.

3. Commercial Additional Rent

- Individual properties (improved or unimproved) leased for concurrent commercial purposes may be subject to additional fees and charges imposed by the Trust for all similarly situated commercial users or aviation operators.
- Certain commercial developments will be assessed additional rents (Infrastructure Improvement Rent and Common Area Maintenance Fees) based on the individual leased property.

4. Rent Commencement Date

Unless otherwise specifically set forth in the lease or contract agreements, the Commercial Ground Rent, Commercial Facility Rent (if applicable), and all applicable Additional Rents will commence on the Effective Date of the lease or contract agreement.

D. GOVERNMENT RENTS

Government facilities serve a significant public, community purpose, and the ground rental rates and other rates and charges for government leases on Airport property will be determined on a case by case basis. The designation of a current or potential user of Airport property as a governmental entity and whether such Lessee will occupy such property for government purposes shall be determined in the sole discretion of the Trust. The methodology for establishing the governmental rates and charges shall be the same methodology as set forth in the Minimum Standards for direct aviation uses or these Commercial Standards for concurrent commercial uses, as applicable. However, in consideration of the public, community purpose provided by the governmental entity, the Trust may offer a ground or facility rental rate that is distinct from commercial or aviation rates for similarly situated property or uses at the Airport.

E. INFRASTRUCTURE IMPROVEMENT RENT

To the extent Airport revenues are used to construct roadways, water, sanitary sewer, drainage, (and on a case by case basis aircraft ramp paving or other aviation infrastructure), or other base infrastructure improvements ("Trust Funded Infrastructure") the Trust will amortize such cost and recover the cost over time as Infrastructure Improvement Rent.

For the East Side Development Area, the Trust anticipates the recovery of such infrastructure investment through a pro-rata share method. Under this method, the Trust will pay the costs for installing required infrastructure and as development occurs, the Lessees will be assessed a pre-determined fee for the infrastructure then in place based on the square footage leased by such Lessee.

The Infrastructure Improvement Rent shall be based upon the cost of the installation of the applicable Trust Funded Infrastructure, amortized pursuant to then current amortization methods utilized by the Trust for the Airport for similar infrastructure, and divided by the total leasable square footage projected for the East Side Development Area. The actual leased property within the East Side Development Area shall be allocated the pro rata cost per square foot per year, to be paid to the Trust on a monthly basis as Infrastructure Improvement Rent. The amount and duration of the Infrastructure Improvement Rent applicable to individual leased property shall be based on the percentage of the number of square footage contained in the individual leased property to the total leasable square footage projected for the East Side Development Area.

The Infrastructure Improvement Rent for any individual leased property may change from time to time during the term of the ground lease, based upon the cost of additional Trust Funded Infrastructure installed in the East Side Development Area over time.

F. COMMON AREA MAINTENANCE FEE

All Lessees with leased property located in the East Side Development Area shall pay a fee for the maintenance of all common areas, including the utility corridors, ("Common Areas") designated by the Trust from time to time for the East Side Development Area. This fee, (the "Common Area Maintenance Fee") shall be based upon the amortized cost of the installation of all Common Area improvements, and the estimated annual maintenance of all Common Areas divided by the total leasable square footage in the East Side Development Area. The actual leased property within the East Side Development Area shall be allocated the pro rata cost per square foot per year, to be paid to the Trust on a monthly basis as Common Area Maintenance Fees. The amount of the Common Area Maintenance Fee applicable to individual leased property shall be based on the percentage of the number of square footage contained in the individual leased property to the total leasable square footage projected for the East Side Development Area.

The Common Area Fee shall change from year to year based upon budgeted costs. In addition, the Trust may at its discretion, charge special assessments or year-end assessments to cover unanticipated costs incurred during the applicable year.

G. INCENTIVES

The Trust may consider certain incentives as appropriate when developing specific project business deals for development of Airport property ("Incentive"). The type of Incentive and the duration of an Incentive will be determined on a case by case basis, in the sole discretion of the Trust. Factors such as stimulating commercial development on Airport property, job creation, direct and indirect economic benefit for the Airport and the City, and type of proposed development will all be factors considered in the development of a specific Incentive.

The Incentive program is for the sole benefit of the Trust and while the Trust will not unjustly discriminate between like Lessees, the Trust in its sole discretion will determine whether or not to apply an Incentive to any specific development. Furthermore, the Trust may modify any component of the incentive program for the benefit of the Airport operations at any time. Additional incentives may be provided by economic development agencies and taxing jurisdictions based on the criteria established by such entities.

H. LEASE TERM

To allow the Trust the greatest flexibility in making land use decisions over time, the primary term of commercial leases are generally limited to the shortest term possible, especially for interim uses, typically 20 years, but in no event longer than 40 years. When necessary, fixed-term leases are granted for the minimum number of years to allow a Lessee to amortize, and receive a reasonable return on, the Lessee's investment in leasehold improvements. Extensions of term beyond the timeframe to amortize improvements may be negotiated subject to the additional investment or other considerations.

I. EXTENSIONS TO EXISTING LEASES

A lease extension or optional renewal period(s) may be granted to a Lessee who has fully complied with all terms and conditions of the lease or contract agreement, including timely payment of rents, and if granting an extension would be in the best interests of the Trust. Existing Lessees may also submit a request for a new lease six (6) months prior to the end of their lease or contract agreement. The Trust is not obligated to accept such a request, but will consider all proposals, evaluating them in light of the following criteria:

- Existing/proposed use must be consistent with Airport Layout Plan, Airport Master Plan, Airport Land Use Plan, and other relevant land use planning documents.
- Lessee must be in good standing under all leases and contracts with the Trust at the Airport.
- New capital investment shall apply to qualify for a term in excess of the current termination date will be based on standards as adopted by the Trust.
- Trust shall determine whether or not the public interest would be better served by allowing the lease to expire so that potential new tenants may participate in a competitive selection process.
- If the developments on the site are to revert to Trust ownership at the end of the primary lease term, the Trust may choose to retain ownership of the facilities and lease the improvements back to the lessee with the extended lease term, or if a lease is extended prior to the expiration of its term, the Trust may require payment for the present value of the postponement of Trust's reversionary interest in the leasehold improvement.

It is the practice of the Trust to negotiate lease and contract agreement extensions when it is in the best interest of the Airport or when a surplus of land is available for lease and there is no written notice of interest by third parties in the particular parcel of land covered by the expiring lease or contract agreement.

IV. DEVELOPMENT REQUIREMENTS FOR COMMERCIAL USES

A. CONSTRUCTION OF LEASEHOLD IMPROVEMENTS

The ground lease or contract will include the specific development requirements for the construction of leasehold improvements for Airport property. Unless otherwise specifically designated otherwise, all leasehold improvements will be owned by the Lessee during the term of the lease and will revert to the ownership of the Trust at the end of the primary lease term.

In addition, any structure or facility to be constructed or placed upon said Airport shall be constructed in a manner to conform to all safety regulations of the State of Oklahoma and the City of Oklahoma City, and shall be in compliance with the requirements of current building codes and fire regulations of the City of Oklahoma City, the FAA design standards, and specifically the requirements set forth in the Trust adopted Development Standards Manual, ("Development Standards"). A copy of the Development Standards is available from Airport staff. Any construction once commenced will be diligently prosecuted to completion.

A performance bond may be required to guarantee the timely construction of required leasehold improvements. A potential Lessee that has a conceptual approval from the Trust has no more than ninety (90) days for due diligence period prior to entering a lease with the Trust for the land. The 90-day period should include filing a site plan/conditional use applications, completing an environmental Phase 1 audit if desired, and submitting an FAA airspace study. If development does not occur in a timely fashion (normally 18 months), the performance bond and all rights to leasing the property may be forfeited. Exceptions may be allowed by the Trust in its sole discretion.

B. INFRASTRUCTURE FOR EAST SIDE DEVELOPMENT AREA

The Trust will construct roadways, sanitary sewer, water distribution lines, and other base infrastructure improvements associated with the East Side Development Area, and as appropriate other Airport property, on an as needed basis based on the infrastructure development phasing as anticipated in the Airport's Land Use Plan. Future ground rents and other revenues paid to the Trust for leases in the East Side Development Area will be dedicated by the Trust to help fund future infrastructure requirements. Water, sanitary sewer, and other base infrastructure will be included in the City's infrastructure system for maintenance and repair. Roadway improvements will be owned and maintained by the Trust. Gas, electricity, telephone, telecommunications and other utilities will be provided by private companies directly to the Lessee at Lessee's expense.

C. COMMON AREA FOR EAST SIDE DEVELOPMENT AREA

1. Common Area Improvements

The Trust will install, maintain, improve, and beautify, or cause to be maintained, improved, and beautified, the Common Area in a desirable manner for the benefit of the Lessees.

2. Right of Way Improvements

Lessees will be required to install and maintain the irrigation system and landscape materials set forth in the Airport's Development Standards and/or design criteria in the applicable right of way area adjacent to their leased premises. The required maintenance activities of the Lessee shall include, but not be limited to, mowing of lawns, trimming of hedges, replacement of dead, diseased or unsightly landscaping, removal of weeds from planted areas, and appropriate pruning of plant materials. The applicable right of way area is defined as that area that lies between the Lessee's boundary of the applicable leased premises and the back of a roadway curb.

D. AVIATION INFRASTRUCTURE

If the Trust is required to construct airfield improvements or other base infrastructure (taxilanes, ramps, etc.) to support a lease for commercial development, such infrastructure will be maintained and repaired by the Trust. The recovery of such costs shall be dependent on the type of improvements to support such development, and the specific lease terms of the development agreement or lease with the Lessee.

V. TRUST AUTHORIZATION

These Commercial Leasing Standards have been adopted by the Trust for the benefit of the Airport staff in establishing the parameters for leasing the Airport land, and shall not be construed for the benefit of third parties. The Trust may modify, amend, or change the terms and conditions set forth in these Standards at any time in its sole discretion.

