

# CITY AND BOROUGH OF SITKA

A COAST GUARD CITY

## MEMORANDUM

**To:** Mayor Eisenbeisz and Assembly Members

**From:** John Leach, Municipal Administrator 

**Date:** November 8, 2023

**Subject:** Sitka Airport Lease Terms and Renewal Analysis

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### **Executive Summary**

Lease ADA-50103 (as amended), dated June 1, 1997, was executed between the City and Borough of Sitka (CBS) and the State of Alaska for Lot 3A, Block 600 consisting of 65,445 square feet, and lot 5, Block 600 consisting of 12,261 square feet for a total of 77,706 square feet of land for the term starting July 1, 1994 and expiring on June 30, 2024.

In partnership with the State, the CBS has been planning a major terminal improvement project at the Sitka airport for quite some time. An FAA Terminal Project Grant application must be submitted by mid-December 2023 to fund this project. The project is planned to be a \$43M project including the TSA portion.

The FAA will not move forward with the grant until the CBS renews their lease and cooperative agreement with the State of Alaska

### **Business Case Analysis and Fiscal Note**

#### **Introduction:**

The Sitka Airport, officially known as Sitka Rocky Gutierrez Airport, is a critical transportation hub in Southeast Alaska. With a single asphalt runway measuring 6,500 feet in length, it accommodates a substantial volume of air traffic. In terms of annual operations, the airport consistently handles thousands of aircraft movements, both commercial and general aviation. The Sitka Airport serves as the primary gateway to the city and borough, connecting it to major Alaskan cities like Anchorage and Juneau, as well as offering convenient access to the region's breathtaking natural landscapes, drawing tourists and outdoor enthusiasts alike. Its operations are a testament to its pivotal role in ensuring connectivity, accessibility, and economic growth for the City and Borough

of Sitka.

The primary objective of this business case analysis is to assess the financial viability of the CBS entering into a new lease agreement with the State of Alaska for the space housing the Sitka airport's terminal building. This comprehensive analysis will not only evaluate the potential economic benefits but also scrutinize the associated risks. One critical risk involves the potential loss of a significant FAA grant earmarked for terminal improvements should the CBS decide against renewing the lease with the State of Alaska. Additionally, the analysis will delineate the supplementary operational costs incurred due to demands imposed by the State of Alaska. Furthermore, it will address the risk of sublessees opting out of their leases with the CBS due to escalated fees introduced by the FAA and the State of Alaska. By examining these crucial aspects, this analysis aims to provide a well-rounded perspective to inform the CBS's decision-making process regarding the Sitka Airport lease.

The forthcoming analysis will consider the stipulations presented in the State of Alaska's lease proposal while excluding any potential introduction of new fees imposed by the CBS during the lease's duration. It is important to note that any new fees introduced within this lease agreement are mandated by the State of Alaska to ostensibly align with FAA requirements.

Financial Projections (current state):

Revenue:

At present, the funding for airport terminal operations primarily relies on revenue generated from terminal rentals and a driver facility charge, as outlined in Sitka General Code (SGC) 4.17. Although the CBS does collect passenger facility charges (PFC), it's important to note that these charges are earmarked exclusively for debt service payments. It's worth acknowledging that PFCs may not consistently cover the entirety of the annual debt service costs, necessitating the use of funds from other terminal operations to bridge the financial gap. This dynamic highlights the complex financial structure underpinning the airport's terminal operations.

The following is a financial summary of the last five years of terminal operating revenue:

TERMINAL REVENUE	2019	2020	2021	2022	2023
Driver Facility Charges	\$ 61,211.88	\$ 56,517.90	\$ 26,765.59	\$ 53,136.40	\$ 72,077.33
Terminal Leases	\$464,160.72	\$424,721.73	\$459,908.54	\$418,972.06	\$429,759.71
<b>Total Terminal Revenue</b>	<b>\$ 525,372.60</b>	<b>\$ 481,239.63</b>	<b>\$ 486,674.13</b>	<b>\$ 472,108.46</b>	<b>\$ 501,837.04</b>

Expenses:

The following is a financial summary of the last five years of terminal operating expenses:

TERMINAL EXPENSE	2019	2020	2021	2022	2023
Utilities	\$ 87,060.54	\$ 90,548.12	\$ 90,498.65	\$ 96,994.70	\$ 110,310.08
Heating Fuel	\$ 15,167.50	\$ 17,031.41	\$ 18,968.62	\$ 36,518.76	\$ 37,571.16
Telephone	\$ 4,303.04	\$ 4,445.12	\$ 4,259.34	\$ 4,234.02	\$ 4,226.45
Insurance	\$ 9,366.22	\$ 11,210.02	\$ 15,897.55	\$ 16,615.40	\$ 18,761.23
Supplies	-	-	-	\$ 850.48	
Bldg Repair & Maint	\$ 64,758.84	\$ 68,938.42	\$ 68,244.00	\$ 74,562.96	\$ 74,430.24
Contracted/Purchased Serv	\$ 80,023.95	\$ 82,005.61	\$ 80,797.83	\$ 81,782.04	\$ 87,502.86
Interdepartment Services	\$ 112,616.63	\$ 111,013.06	\$ 95,374.66	\$ 87,756.32	\$ 95,435.93
Advertising		-	-		\$ 494.00
Rent-Equipment	\$ 494.92	\$ 11,202.93	\$ 16,025.68	\$ (4,874.19)	\$ 881.94
Credit Card Expense	\$ 1,047.30	\$ 891.75	\$ 1,569.63	\$ 2,042.06	\$ 1,566.00
Average Debt Service Not Covered by PFCs		\$ 97,474.87	\$ 197,480.64	\$ 10,165.15	\$ 61,098.53
<b>Total Operating Expense</b>	<b>\$ 374,838.94</b>	<b>\$ 494,761.31</b>	<b>\$ 589,116.60</b>	<b>\$ 406,647.70</b>	<b>\$ 492,278.42</b>

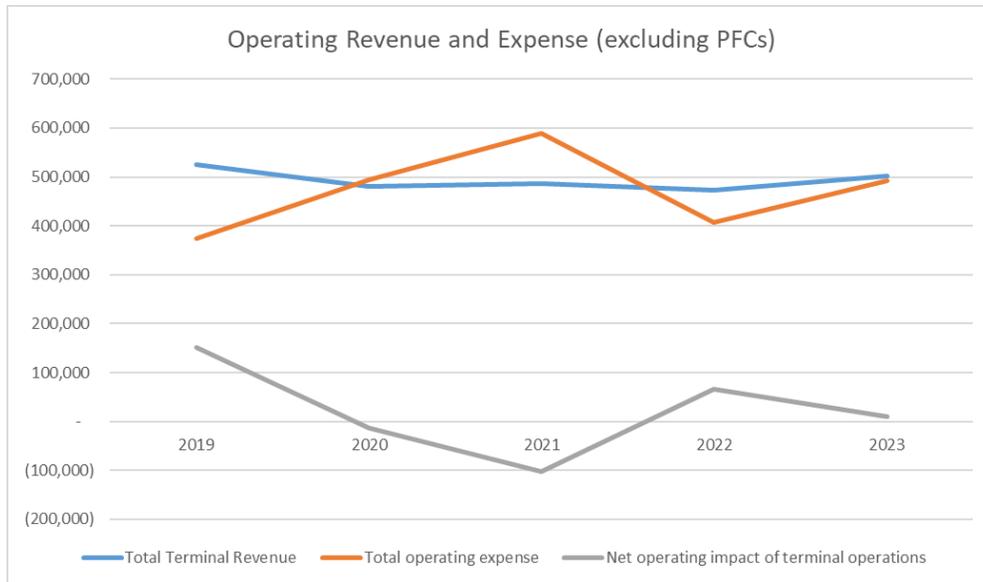
### Capital Expenses:

The total project expense, including the TSA portion of the project is \$43 million, with most of the funding coming from federal grants. BIL grants require a 6.25% match and TSA funding requires a 5% match. In addition, there are small portions of the work that are ineligible for federal or for funding by PFC-backed bonds:

Source	Grant	Match (PFC generated bonds)	Match (non-PFC backed bonds)
TSA	\$ 5,522,739.65	-	\$ 290,670.50
BIL-Phase 1 A	\$ 18,054,925.79	\$ 1,203,661.72	\$ 311,181.89
BIL-Phase 1 B	\$ 5,422,813.26	\$ 361,520.88	\$ 93,463.76
BIL-Phase 2	\$ 11,307,774.83	\$ 753,851.66	-
	\$ 40,308,253.53	\$ 2,319,034.26	\$ 695,316.15

To ensure the long-term sustainability and operational integrity of the Sitka Airport, it's crucial to address the investments required for capital improvements that may not be fully covered by future grants. These encompass major replacements and refurbishments such as HVAC replacement, needed every 12 to 20 years at an estimated cost of \$100,000, roof replacement required every 25 to 35 years with an estimated cost of \$1.5 million, window replacement every 20 to 30 years at a projected cost of \$250,000, and interior finishes refurbishment every 30 years, estimated at \$200,000. Additionally, exterior finishes refurbishment, required every 15 to 30 years, exceeds \$200,000, and flooring replacement, needed every 10 to 20 years, is projected to cost over \$500,000. Furthermore, investments should also account for other essential equipment and systems, such as TSA equipment and communications equipment.

Net Impact to Fund (current state):



**Risk Assessment:**

**Market Demand and Competition:**

Alaska Airlines has a longstanding history as a sublessee and poses minimal risk of vacating the Sitka airport. On the other hand, Delta Airlines operates seasonally in Sitka, primarily during the summer months, as a strategic move to compete directly with Alaska Airlines for morning gate space in Seattle.

Several smaller local airlines have relocated from the Sitka airport terminal building and have since set up their operations in alternative structures and hangars on the airport premises, which are not under the CBS lease agreements.

**Economic and Regulatory Risks:**

The rising cost of concessions, particularly impacting sublessees like Runway 29 and The Nugget, will necessitate a pass-through expense to consumers. Sitka already contends with a high cost of living, and the compounding effects of inflation combined with these additional pass-through expenses on goods and services could lead to a scenario where sublessees may face a significant loss of business. This situation could potentially become severe enough to force these sublessees to consider closing their operations, therefore decreasing available revenue to the CBS for airport operations.

New operational requirements imposed on the CBS by the State of Alaska may compel the CBS to raise sublease rents. The prospect of elevated sublease rates, in turn, creates the risk of sublessees vacating their premises. The delicate balance between maintaining affordability for businesses and ensuring the airport's economic sustainability is a critical consideration in lease negotiations.

## Environmental Risks:

The Sitka airport faces occasional disruptions in commercial air traffic due to adverse weather conditions, particularly high winds and rough seas, which can result in runway washouts, necessitating repairs. It's crucial to note that these repairs fall under the jurisdiction of entities like the FAA, FEMA, or the State of Alaska, rather than the CBS. Sitka is also prone to tsunami risks due to seismic activity, although the likelihood of landslides affecting airport operations is low. However, the growing concern lies in the potential impact of rising sea levels on the airport's continued operation, making it a noteworthy consideration for its long-term sustainability.

In addition to the mentioned challenges, the Sitka airport experiences disruptions caused by major snow and ice events during the winter season. These adverse weather conditions can lead to flight delays and cancellations, impacting the airport's operations. Furthermore, low visibility and turbulence, which are not uncommon in this region, also pose challenges for safe and efficient air travel. These environmental factors, combined with the previously mentioned risks, highlight the complex array of factors that can affect the reliability of the Sitka airport's operations.

## Proposed Lease and Current Sublease Agreements:

### Proposed Lease Terms and Conditions:

- The rent for the Premises is \$16,862.20 per year, calculated at the rental rate of \$0.217 per square foot per year ( $\$0.217 \times 77,706 \text{ square feet} = \$16,862.20$ ).
- Lessee will pay the Lessor an annual concession fee of:
  - 5% of the Lessee's (and/or Sublessee's) gross sales of all lodging services; and
  - 6% of the Lessee's (and/or Sublessee's) gross sales of food and non-alcoholic beverages; and
  - 8% of the Lessee's (and/or Sublessee's) gross sales of goods and merchandise; and
  - 12% of the Lessee's (and/or Sublessee's) gross sales of all alcoholic beverages
- All concession fees imposed by this shall be calculated based only upon the portion of the Lessee's combined gross sales for lodging services, food and non-alcoholic beverages, and goods and merchandise in a calendar year exceeding \$50,000, or in excess of a proportional amount for any partial calendar year at the beginning or end of the concession.
- Lessee will keep the Premises and all improvements on the Premises neat and presentable.
- All structures on the Premises must be painted, finished, or covered with a permanent exterior surface and be maintained in good condition by the Lessee.
- All paving on the Premises is the responsibility of the Lessee, including any paving on the apron within the leased Premises. Lessee will keep all paving neat and presentable and must keep it maintained in good condition at the sole expense of the Lessee.

- At no cost to the Lessor, the Lessee will provide for all maintenance and services at the Premises necessary to facilitate the Lessee's use of the Premises.
- The Lessee further agrees to comply with all reasonable decisions and directions of the Lessor's Airport management personnel regarding maintenance and general use of the Airport by the Lessee.
- At no cost to the Lessor, the Lessee will provide for and maintain all utilities at the Premises necessary to facilitate the Lessee's use at the Premises except that installation of a drinking water well on the premises is prohibited where local water utility service is available.
- At no cost to the Lessor, the Lessee will be responsible for plowing, removing and disposing of snow from the Premises to a Lessor-approved location, or providing suitable storage within the boundaries of the Premises in accordance with all applicable federal and state laws.
- Lessee agrees to coordinate its snow removal activities on the Airport with the Lessor's Airport personnel.
- Lessee agrees not to allow an accumulation of snow on the Premises that would
  - cause interference with adjoining leaseholders or other users of the Airport;
  - damage Airport fencing; or
  - not comply with security or safety operations under Article VIII (Operations) of this Lease.
- The Lessee will coordinate any Airport security matter with the Lessor. If the Airport is operated under 49 CFR Part 1542 (Airport Security) and 14 CFR Part 139 (Airport Certification), the Lessee will comply with all applicable requirements of the Lessor's Airport Security Program, Airport Certification Manual, and Airport Emergency Plan. Upon written notice from Lessor, Lessee will, at its sole expense, promptly correct any violation or omission under the Airport Security Program or Airport Certification Manual within the time specified in the notice.
- If the Transportation Security Administration (TSA), the Federal Aviation Administration (FAA) or any other federal, state or local government agency fines or otherwise imposes a monetary penalty on the Lessor or requires the Lessor to remediate or mitigate any condition for a violation of a statute, ordinance, or regulation, and if the violation is caused by or based on, all or in part, an act or omission by the Lessee or someone acting on the Lessee's behalf, the Lessee will reimburse the Lessor for the amount of the fine or penalty, the Lessor's costs incurred to remediate or mitigate the condition, and any legal or other associated costs incurred by the Lessor in responding to the violation. The Lessee will reimburse the Lessor for fines, penalties or costs, paid within 30 days after receipt of written notice from the Lessor.
- The Lessee is required to provide vehicle, equipment, and aircraft parking space, snow storage, and drainage on the premises adequate for the Lessee's activities on the premises or confine parking to such other places on the Airport as designated in writing by the Lessor.

Current Sublease Agreements:

The following is a summary of projected sublease revenue for fiscal year 2024 (FY24):

LESSEE	TYPE	MONTHLY RENT	REVENUE SHARING	ESTIMATED ANNUAL RENT	TERM
Alaska Airlines	Aeronautical	\$ 23,091.82	\$ -	\$ 277,101.84	Expired
Avis Rent A Car	Car Rental	\$ 531.57	\$ -	\$ 6,378.84	February 2024
Avis Rent A Car	Car Rental	\$ 544.70	\$ -	\$ 6,536.40	February 2024
Delta Airlines	Aeronautical	\$ 3,584.93	\$ -	\$ 43,019.16	Expired
Nugget Restaurant	Consession-Restaurant	\$ 5,321.25	\$ -	\$ 63,855.00	Temporarily Extended
Runway 29, LLC	Consession-Retail	\$ 1,663.05	\$ -	\$ 19,956.60	July 2024
TSA	Security	\$ 884.98	\$ -	\$ 10,619.76	January 2025
United Parcel Service	Service	\$ 1,015.88	\$ -	\$ 12,190.56	February 2024
<b>Total Sublease Revenue</b>		<b>\$ 36,638.18</b>		<b>\$ 439,658.16</b>	

## Financial Analysis:

### Net Present Value (NPV):

Under the terms proposed in the lease, and while keeping our operating revenue unchanged (without increasing fees, lease rates, or adding new charges), the Net Present Value (NPV) of cash flows over a 55-year lease period amounts to a negative \$16.1M. This analysis is based on several key assumptions, including an annual lease inflation rate of 1.5%, a discount rate of 5%, an average annual revenue of \$65,000 from the Driver Facility Charge as specified by code, no head fee imposed on Alaska Airlines or Delta Airlines, consistent enplanement figures at 94,648 (CY22), parking responsibilities being retained by the State, and the absence of security fees charged to the TSA for airport security facilitation.

### Sensitivity Analysis:

#### Alternative Scenario 1:

In order to achieve a break-even scenario over the 55-year lease term, the CBS would be required to levy a \$9.00 head fee (with a 0.1% annual escalator) on all future enplanements throughout the lease's duration. This strategy would involve foregoing fees in other areas. As a result, the NPV of cash flows would show a modestly positive figure at \$43K. However, it's important to note that annual cash flows would start to trend into the negative territory starting in the year 2046.

#### Alternative Scenario 2:

If the CBS were to implement a \$5.50 head fee (with a 0.1% annual escalator) on airlines for all future enplanements throughout the lease term and manage to secure an extra \$350,000 per year (with a 1.5% annual escalator) in revenue, it would result in a positive NPV of cash flows amounting to \$2.2M. However, it's important to note that annual cash flows would start to shift into negative territory beginning in 2054. The prospect of achieving this additional revenue is somewhat challenging, and while various sources could contribute to it, reaching the targeted \$350,000 may be quite ambitious. Potential sources of additional revenue could include raising the Driver Facility Charge on car rentals, securing TSA funds through the TSA Reimbursable Agreement Program, or imposing permit fees on taxis and shuttles for airport pick-up and drop-off services.

Alternative Scenario 3:

Should the CBS opt to implement a \$5.50 head fee (with a 0.1% annual escalator) on airlines for all future enplanements over the lease term, assume control of airport parking operations, and introduce a pricing structure of \$2.00 per hour for short-term parking and \$8.00 per day for long-term parking, the Net Present Value (NPV) of cash flows would amount to \$6.9M. It's worth noting that annual cash flows would not turn to a net negative until 2059. Revisiting parking rates every 5-10 years could result in remaining cash flow positive throughout the term of the lease and could also provide the CBS with sufficient revenue to complete necessary capital improvements. This analysis is based on several key assumptions:

- Agreement by Alaska Airlines and Delta Airlines to the \$5.50 head fee for all passengers accessing the secure area and baggage belt.
- The provision of funding by TSA through the TSA Reimbursable Agreement Program.
- Taxis and shuttles being exempt from charges for pickup and drop-off, promoting availability while confining them to a designated operating area. This approach may be revisited if parking usage significantly declines.
- Allocating 50% of all parking revenue for lot maintenance and payment to the contracted operator.
- Anticipating short-term parking occupancy at 50% and long-term parking occupancy at 75%.

<b>Short Term Parking Revenue</b>					
Spaces available			145		
	Occupancy rate	25%	50%	75%	100%
Price Per Hour					
\$ 0.50		\$ 158,775.00	\$ 317,550.00	\$ 476,325.00	\$ 635,100.00
\$ 1.00		\$ 317,550.00	\$ 635,100.00	\$ 952,650.00	\$ 1,270,200.00
\$ 2.00		\$ 635,100.00	\$ 1,270,200.00	\$ 1,905,300.00	\$ 2,540,400.00
\$ 3.00		\$ 952,650.00	\$ 1,905,300.00	\$ 2,857,950.00	\$ 3,810,600.00
\$ 4.00		\$ 1,270,200.00	\$ 2,540,400.00	\$ 3,810,600.00	\$ 5,080,800.00
<b>Long Term Parking Revenue</b>					
Space Available			68		
	Occupancy Rate	25%	50%	75%	100%
Price Per Day					
\$ 3.00		\$ 18,615.00	\$ 37,230.00	\$ 55,845.00	\$ 74,460.00
\$ 4.00		\$ 24,820.00	\$ 49,640.00	\$ 74,460.00	\$ 99,280.00
\$ 5.00		\$ 31,025.00	\$ 62,050.00	\$ 93,075.00	\$ 124,100.00
\$ 6.00		\$ 37,230.00	\$ 74,460.00	\$ 111,690.00	\$ 148,920.00
\$ 7.00		\$ 43,435.00	\$ 86,870.00	\$ 130,305.00	\$ 173,740.00
\$ 8.00		\$ 49,640.00	\$ 99,280.00	\$ 148,920.00	\$ 198,560.00

### Recommendation:

Based on a comprehensive financial analysis and risk assessment, it is my firm belief that Alternative Scenario 3 represents the most advantageous choice for the CBS, its residents, and the enduring sustainability of the Sitka airport. It is paramount to recognize that embarking on this airport improvement project and forging a lease agreement with the State of Alaska commits the CBS to the long-term operation of an airport. While this endeavor may lead to operational efficiencies and an influx of additional revenue through the inclusion of the Seaplane Base within the Airport Terminal Fund, it's crucial to acknowledge that paying for parking is a standard practice at the majority of airports throughout the United States. In order to ensure that our airport continues to thrive as a strategic and viable business opportunity, we may need to embrace the reality that free parking may become a thing of the past.

### Implementation Plan:

To put this plan into action, the CBS should consider taking the following steps before June 30, 2024:

1. Execute the grant agreement with the State of Alaska to unlock federal funding for the Sitka Airport Terminal Building Project.
2. Finalize a fresh lease agreement with the State of Alaska, formalizing the operation of the Sitka Airport Terminal Building.
3. Craft updated subleases with all sublessees, incorporating any new fees and lease rates as outlined in the plan.
4. Recruit or secure contracts for the appropriate personnel, including an Airport Terminal Manager, Security Personnel, and Maintenance Personnel.
5. Establish an agreement with the State of Alaska, allowing the CBS to assume parking management responsibilities once the State has implemented a program, selected a contractor, and completed the necessary infrastructure installations.

### Recommendation

I strongly recommend that the Assembly carefully review the findings of the financial analysis and risk assessment and provide guidance to the Municipal Administrator regarding the execution or rejection of the State's draft airport lease. It's important to note that the alternative scenarios, involving fees and subleases, should be integrated separately, and should not be included within the master airport lease with the State. This approach ensures a clear and strategic delineation of terms and conditions, offering flexibility and adaptability for the CBS as it moves forward with the Sitka Airport lease negotiations.

Encl: Draft Sitka Airport Lease from State of Alaska  
Lease Terms Sheet and Summary from State of Alaska

**STATE OF ALASKA  
DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES**

**SITKA AIRPORT**

**ADA-50930**

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**STATE OF ALASKA  
DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES**

**SUCCESSIVE LAND LEASE**

**SITKA AIRPORT**

**ADA-50930**

The State of Alaska, Department of Transportation and Public Facilities (DOT&PF) (Lessor), and the City & Borough of Sitka (Lessee), enter into this lease (Lease), including exhibit(s) and signature page(s), and agree as follows:

**MAILING ADDRESS AND CONTACT INFORMATION**

**LESSOR**

Alaska Dept of Transportation & Public Facilities  
Statewide Aviation Leasing, Southcoast Region Office  
Mailing: PO Box 112505, Juneau AK 99811-2505  
Physical: 6858 Glacier Hwy, Juneau, Alaska 99801

Phone: (907) 465-6893  
Fax: (907) 465-1395  
Email: sharyn.augustine@alaska.gov

**LESSEE**

City & Borough of Sitka  
100 Lincoln St  
Sitka AK 99835-7540

Phone: (907)747-1812  
Fax: (907) 747-7403  
Email: administrator@cityofsitka.org

The Lessee will provide the Lessor with any change to the Lessee's mailing address, phone, fax or email contact within 30 days of the change.

**RECITALS**

1. Lease ADA-50103, dated June 1, 1997, was executed between the Lessee and Lessor for Lot 3A, Block 600 consisting of 65,445 square feet of land for the term starting July 1, 1994 and expiring on June 30, 2024; and
2. Supplement 1, Lease ADA-50103, effective October 1, 2014, amended the Authorized Uses under the Lease; and
3. Supplement 2, effective August 1, 2023, amended the Premises description to include Lot 5, Block 600; and
4. On June 30, 2024, Lease ADA-50103 expires and the Lessee wishes to continue leasing the Premises with no lapse in occupancy.

**ARTICLE I  
PREMISES**

- A. The Lessor leases to the Lessee, and the Lessee leases from the Lessor, the following described property (Premises), located on the Sitka Airport (Airport), in Sections 34 & 35,

Township 55S, Range 63E, Copper River Meridian, within the Sitka Recording District, First Judicial District, Alaska:

Lot 3A, Block 600, consisting of approximately 65,445 square feet of land and Lot 5, Block 600, consisting of approximately 12,261 square feet of land for a total of 77,706 square feet of land, as shown on Exhibit A, Pages 35 & 36 of this Lease.

- B. Except as may be provided in this Lease, the Lessor makes no specific warranties, express or implied, concerning the title or condition of the Premises, including its survey, soils, wetlands, access, and suitability for any use including those authorized by this Lease, the application of any local, state, or federal laws or restrictions that may limit Lessee's intended use of the Premises, the Premises' environmental condition, the presence of artifacts or sites of archeological or historical significance, or the presence or absence of Hazardous Substance in, on, and under the surface. The Lessee takes the Premises on an "as is" basis and without warranty, subject to any and all of the covenants, terms, and conditions affecting the Lessor's title to the Premises.

## **ARTICLE II** **TERM**

The term of this Lease is fifty-five (55) years, beginning July 1, 2024, and ending July 1, 2079. All rights and liabilities under this Lease become effective on the first day of the term of this Lease.

## **ARTICLE III** **USES AND RIGHTS**

### **A. AUTHORIZED USES**

1. The Lessor authorizes the Lessee to use the Premises for the following uses only:
  - a. Operation of a public airline terminal building and purposes commonly associated with a public airline terminal at airports in the United States, including aircraft parking, loading, servicing and unloading; baggage and cargo processing; passenger ticketing, screening and waiting; retail outlets and services offered to passengers at the Airport including restaurants and eating facilities, gift shops & other concessionaires and rental car ticketing counters; processing of mail, courier services, freight forwarding and offices & retail space in support of these operations. All subleases are subject to Paragraph (2) of this Section.
  - b. Management, operation and maintenance of the Airport terminal sidewalks and curbside (including the pickup & drop-off lane of the road) directly outside the terminal building, including monitoring of temporary parking, management of vehicles dropping and picking up passengers and maintaining safety & security of sidewalks and curbs.

2. Aeronautical users must be given space priority in the Terminal. If aeronautical users are in need of space at the Terminal and Lessee is not able to otherwise provide adequate and/or suitable space, Lessee is required to instruct non-aeronautical users of the Terminal to vacate part or all of the premises so as to provide the aeronautical user with adequate and suitable space. All non-aeronautical subleases executed by the Lessee must contain this condition. Furthermore, despite having aeronautical sublessees operating in aeronautical areas of the terminal building (including the outside secured areas and hardstands on the Premises), as a public airline terminal building, the Lessee will ensure it is open to *all* airline or air taxi companies wishing to use it (Lessee may charge fair and customary fees for the use of the terminal building facilities as applicable). All subleases, including aeronautical subleases, executed by the Lessee must contain this condition.
3. Continuous Performance: Unless authorized in writing by the Lessor, the Lessee will perform its authorized uses on the Premises on a continuous basis, uninterrupted by any period of nonuse or business closure over 90 consecutive days or 120 aggregate days within any lease year of the term of this Lease. The Lessee will give the Lessor written notice when not performing its authorized use, such as closing its business, for more than 30 consecutive days. The notice will provide an estimated return and start-up date. This provision does not apply to any period during which the Lessee is unable to perform its authorized use as a result of an act or directive of the Lessor or other governing body, or as a result of Airport closure, a disaster, or loss of Lessee's buildings due to fire.

#### B. RESERVED RIGHTS OF LESSOR

1. The Lessor reserves the right to grant to others privileges not specifically granted to the Lessee. The privileges granted to the Lessee in this Lease are the only privileges granted to the Lessee by this Lease.
2. The Lessor reserves the right to make grants to third parties or reserve to the Lessor easements or rights of way through, on, or above the Premises. The Lessor will not grant or reserve any easement or right of way that unreasonably interferes with the Lessee's authorized uses of the Premises.
3. The Lessor reserves the right of ingress to and egress from the Premises and the right to enter any part of the Premises, including buildings, for the purpose of inspection or environmental testing at any reasonable time. Except in the case of an emergency, all inspections and environmental testing will be coordinated with the Lessee and will not unreasonably interfere with the Lessee's authorized uses of the Premises.
4. There is hereby reserved to the Lessor, its successors and assigns, for the use and benefit of the public, a right of flight for the passage of aircraft in the airspace above the surface of the Premises. This public right of flight will include the right to cause in the airspace any noise inherent in the operation of any aircraft used for navigation or flight through the airspace or landing at, taking off from, or operation on the Airport.

C. PROHIBITED USES

Unless specifically authorized by this Lease or by the Lessor in writing, the following uses of the Premises are prohibited:

1. Any use of the Premises other than those authorized in this Lease.
2. The establishment or maintenance of any kind of living quarters or residence on the Premises.
3. The outside storage on the Premises of junk, trash, solid waste, debris, salvage aircraft or vehicle parts, nonoperational support equipment, or unused or damaged equipment or material.
4. The disposal on the Airport of waste materials generated by the Lessee, including Hazardous Substance, slash, overburden and construction waste.
5. The stripping, wasting, or removing from the Premises of any soil, gravel, trees, or other state-owned material.
6. Erecting structures or allowing growth of natural objects that would constitute an obstruction to air navigation, or allowing any activity on the Premises that would interfere with or be a hazard to the flight of aircraft, or interfere with air navigation or communication facilities, serving the Airport.
7. Any activity that violates, or would cause the Lessor as owner and operator of the Airport to violate, local, state, or federal law.

**ARTICLE IV**  
**RENTS AND FEES**

A. RENT

1. The rent for the Premises is \$16,862.20 per year, calculated at the rental rate of \$0.217 per square foot per year ( $\$0.217 \times 77,706$  square feet = \$16,862.20), payable annually in advance of the first day of each year of the term of this Lease as specified in Article II (Term). Any additional fees are specified elsewhere in this Lease. All payments required by this Lease must be made in U.S. dollars.
2. In addition to the rent amount stated in Paragraph 1, the Lessee will pay the Lessor an annual concession fee of:
  - a. 5% of the Lessee's (and/or Sublessee's) gross sales of all lodging services; and
  - b. 6% of the Lessee's (and/or Sublessee's) gross sales of food and non-alcoholic beverages; and

c. 8% of the Lessee's (and/or Sublessee's) gross sales of goods and merchandise.

All concession fees imposed by this Paragraph shall be calculated based only upon the portion of the Lessee's combined gross sales for lodging services, food and non-alcoholic beverages, and goods and merchandise in a calendar year exceeding \$50,000, or in excess of a proportional amount for any partial calendar year at the beginning or end of the concession.

3. In addition to the rent amount stated in Paragraph 1 and the concession fees payable pursuant to Paragraph 2, the Lessee will pay the Lessor an annual concession fee of 12% of the Lessee's (and/or Sublessee's) gross sales of all alcoholic beverages. The exclusion for the first \$50,000 in gross sales applicable to the concession fee imposed by Paragraph 2 shall not apply to the concession fee applicable to the sale of alcoholic beverages imposed by this Paragraph 3.
4. The exclusion for the first \$50,000 in gross sales applicable to the concession fee imposed by Paragraph 2 shall apply only once per lease and not once for each sublease. It is the Lessee's responsibility to collect statistics from each sublessee and calculate them together for one submission at the end of the reporting period.
5. Concession fee payments are due in arrears on the thirty-first day of January each calendar year of the term of this Lease for the previous calendar year or 31 days following the suspension, termination or expiration of this Lease. Each payment must be accompanied by an annual Certified Activity Report (CAR) stating the Lessee's (and/or Sublessee's) gross sales for the previous year. The reports must separately state the Lessee's (and/or Sublessee's) gross sales derived from lodging, food and non-alcoholic beverages, goods and merchandise, and alcoholic beverages on or from the Premises.
6. CARs are due:
  - a. whether or not any sales are made; and
  - b. whether or not combined gross sales of lodging, food and non-alcoholic beverages and goods and merchandise exceed \$50,000.
7. CARs required by this Article must be made on a form satisfactory to the Lessor, such as the form shown in Exhibit B of this Lease, or in a similar format acceptable to the Lessor.
8. Upon sale of merchandise and services which the Lessee is authorized by the terms of this Lease to sell whether for cash or credit, the fees due the Lessor under the terms of this Lease will immediately be vested in and become the property of the Lessor, and the Lessee will be responsible for those fees until they are delivered to the Lessor.
9. In order to provide a satisfactory basis for determining payments due the Lessor hereunder, the Lessee must accurately and contemporaneously document in the Lessee's records all information required under this Lease.

- a. Lessee must establish and maintain books and records (including electronic data, text files and supporting data and documents) regarding the Lessee's activities that are subject to certified activity reporting under this Lease, in accordance with generally accepted accounting principles. Lessee's books and records must enable Lessee to accurately report and the Lessor to easily verify the payment due the Lessor hereunder.
  - b. Lessee must submit to the Lessor annually a special purpose financial statement, certified as true and correct and signed by an independent certified accountant or the Lessee's chief financial officer. The financial statement must
    - i. reflect the Lessee's gross sales during the year and for which CARs are required under this lease; and
    - ii. certify whether the Lessee is maintaining accounting records in accordance with the lease.
10. Upon request, Lessor, or its authorized representatives, may inspect or audit the Lessee's books, records, and supporting data upon request at any time during regular business hours. Lessee shall either transport the necessary books and records to a location on the Airport for inspection and copying or allow the audit to be performed at the location where the Lessee maintains the books and records. In addition, the Lessor may, upon reasonable notice, require the Lessee to give an auditor designated by the Lessor access to relevant books and records where and as the Lessee maintains the documents.
11. If the Lessee elects to have the audit performed at a location off Airport, where the Lessee maintains the records, the Lessee shall pay the Lessor, within 30 days of the billing date, the audit costs the Lessor incurs, which may include round trip air and ground transportation from the auditor's duty station to the location where the Lessee maintains the books and records, and per diem at the State of Alaska rate for each day of travel and on-site audit work. Audit costs do not include salary and benefit costs of an auditor.
12. Lessee shall pay, within 30 days of the billing date, any underpayment disclosed by an audit plus:
- a. interest at the rate provided in AS 45.45.010 from the date payment was required to be made for the relevant activity had it been accurately and timely reported; and
  - b. if the underpayment is more than \$5,000 in any fiscal year, all audit costs that the Lessor incurs, plus salary and benefit costs of the auditor.
13. If an audit determines that the Lessee overpaid for the audit period, the Lessor shall credit the Lessee's account the amount of overpayment.
14. When the Lessee is required to pay under Paragraphs 10 or 11b of this Section, the Lessor will bill the Lessee for the costs incurred and the billing will be supported by a

copy of the travel authorization form then currently in use by the State of Alaska (Lessor).

15. Lessee shall preserve and keep accessible all books and records, however recorded or stored, for the 5 years after the last entry of information into the respective book or record; notwithstanding the minimum period of time set out in this Paragraph, if the Lessor objects to any report or statement submitted by the Lessee, the Lessee shall preserve all books and records until the objection is resolved or for the period of time described in this Paragraph, whichever is longer.
16. Payments due under this Lease must be made by check, bank draft, or postal money order made payable to the State of Alaska and delivered to Finance Revenue Section, Department of Transportation and Public Facilities in person or by courier at 3132 Channel Drive, Juneau, Alaska or by US Postal Service (mail) at PO Box 112500, Juneau, Alaska 99811-2500, or electronically via credit card on an internet site designated by the Lessor or any other address the Lessor may designate in writing.
17. Beginning the day payment is due, all unpaid rents, charges, and fees required under this Lease will accrue interest at the rate of 10.5% per annum. Interest on disputed amounts will not be charged to the Lessee if the dispute is resolved in the Lessee's favor.
18. In addition to the accrued interest, the Lessor will charge a late notice fee established under 17 AAC 45, as amended, for failure to pay when due a payment of rent or submit a CAR and pay the concession fee, as applicable, by the date required in the Lease. The late notice fee established under 17 AAC 45 is currently \$50 for the first notice, \$100 for the second notice, and \$200 for the third and any subsequent notice.
19. Lessee acknowledges that Lessor's billing statements are provided only as a courtesy. The Lessee is obligated to pay all rents and fees when due, with or without a billing statement.
20. Any rent, charge, fee, or other consideration which is due and unpaid at the expiration, termination, or cancellation of this Lease will be a lien against the Lessee's property, real or personal.

#### B. RENT OR RENTAL RATE ADJUSTMENT

1. During the first year of the term of this Lease, the Lessor may not change the rent payable under this Lease. At any time after the end of the first year of the Lease term, the Lessor may, in its sole discretion, increase or decrease the rent provided that the Lessor may not change the rent more than once in any 12-month period. Any change is effective 30 days after the date of the Lessor's notice of rent adjustment. If the Lessee believes that the changed rent exceeds the fair market rent for the Premises, the Lessee may protest to the Lessor according to 17 AAC 45.297.

2. The Lessee must pay the changed rent beginning on the effective date stated in the Lessor's rent adjustment notice and continue paying the adjusted rent throughout the protest process.
3. The Lessor has no obligation to appraise the Premises under any circumstances.

**ARTICLE V**  
**SURVEY, IMPROVEMENTS AND PERFORMANCE BOND**

**A. SURVEY**

The Lessee agrees, at its sole expense, to cause the Premises to be surveyed by a Land Surveyor registered in the State of Alaska, and to place suitable permanent markers at the corners and at other appropriate locations such that others can readily identify the leased Premises. The Lessee further agrees to complete the survey and submit a plat of the survey to the Lessor by no later than July 1, 2025, or prior to the commencement of any construction or development on the Premises, whichever event occurs first. The plat and the survey must conform to the Lessor's survey plat requirements, which should be obtained from the Lessor before survey work starts. Lessor will review the submitted plat and either approve the plat or require additional information. If there is a significant difference between the approved survey plat and the lease lot description in this Lease, the Lessor and Lessee agree to supplement the Lease to conform to the approved survey plat and adjust the rent of the Premises accordingly.

**B. IMPROVEMENTS**

1. Lessor acknowledges improvements currently exist on the Premises, for which the term under this Lease is based pursuant to 17 AAC 45, with an aggregate cost or investment of at least \$375,000.
2. The Lessee must first obtain the Lessor's written approval in the form of the Lessor's approved Airport building permit before beginning any land development, construction or demolition of any improvements on the Premises, or before beginning any alterations, modifications, or renovation of existing structures on the Premises. The Lessee must submit to the Lessor drawings of the proposed development, alteration, modification, or renovation in sufficient detail for the Lessor to understand and evaluate the project and its scope. Further, the Lessee will submit to Lessor evidence of the Lessee's compliance with the FAA Code of Federal Regulation (CFR) Title 14, Part 77 (14 CFR Part 77).
5. Approval of any construction, alteration, modification, or renovation will not be withheld unless the Lessee does not demonstrate adequate financial resources to complete the project, the project plans, specifications, and agency approvals are incomplete; the proposed project would result in a violation of applicable statute or regulation; the proposed project would interfere with or is incompatible with the safety, security,

maintenance, or operation of the Airport; the proposed project is inconsistent with sound airport planning; the proposed project is inconsistent with the terms of the lease; the project plans do not make sufficient provision for drainage, aircraft, vehicle, and equipment parking, or for snow storage; or the proposed project does not conform with generally recognized engineering principles or applicable fire or building codes or the project must be denied under 17 AAC 45.010(g).

6. No new hangar, building or other permanent structure may be constructed or placed within twenty (20) feet of any boundary line of the Premises without Lessor's prior written approval. In addition, no building or other permanent structure may be constructed or placed on the apron side, taxiway side, landing strip side or runway side of the Building Restriction Line (BRL) (as shown on Exhibit A, Page 36 of this Lease).
7. All construction on the Premises must be neat, presentable, safe, and compatible with the use of the Premises as determined by the Lessor.
8. Prior to any demolition of any structure(s) on the Premises, Lessee will deliver to Lessor a scope of work that, at a minimum, lists the structure(s) that are to be demolished and the timeframe for demolition and removal of the debris from the Airport. Lessor will review Lessee's scope for demolition and issue Lessee written approval for the work to be done.
9. The Lessee is solely responsible for compliance with all local, state, and federal laws and requirements. The Lessor's approval of any construction, alteration, modification, renovation, or demolition shall not constitute a warranty by the Lessor that the Lessee has complied with all such laws or requirements.
10. If required, the Lessee agrees to erect or modify a security fence, according to standards approved by the Lessor around the sides of the Premises necessary to maintain the Airport security program. The fence may be tied to the Lessor's Airport security fence. The fence around the Premises must be constructed at the sole expense of the Lessee and must be maintained by the Lessee in an attractive condition and according to standards approved by the Lessor.
11. Within ninety (90) days after completion of construction or placement of improvements upon the Premises, the Lessee will deliver to the Lessor 1) photographs (digital format preferred) of all aboveground improvements and 2) a copy of an as-built drawing, acceptable to the Lessor, showing the location and dimensions of the improvements, giving distances to all Premises' boundaries. If the Lessee constructs underground improvements, the Lessee will appropriately mark the surface of the land with adequate surface markers. The type, quantity, and distance between such markers will be subject to written approval of the Lessor.
12. If Lessee's improvements are damaged or destroyed, Lessee will cause the improvements to be repaired or rebuilt, and restored to normal function within two (2) years of the destruction or damage. Failure of the Lessee to rebuild or restore the improvements will be cause for Lessor to:

- a. unilaterally reduce the term of the Lease so that the total term from the beginning of the Lease is consistent with the cost or value of the undamaged improvements remaining on the Premises, using the table in 17 AAC 45; or
- b. grant an extension of time for the Lessee to complete the repair, reconstruction, or replacement of damaged or destroyed improvements on the Premises for good cause shown by the Lessee and upon a finding by Lessor that the action would be consistent with the best interest of the state.

13. If Lessee's improvements are damaged to the extent that more than 50% of the space is unusable and the damage occurs within five years of the expiration of the term of this Lease, Lessee may terminate this Lease by giving thirty (30) days written notice, after removing the damaged improvements and restoring the Premises to a clean and neat physical condition acceptable to the Lessor.

**C. PERFORMANCE BOND**

The Lessee may be required to submit a performance bond, deposit, personal guarantee, or other security if the Lessor determines that such security is necessary or prudent to ensure compliance with any provision of this Lease or completion of construction or remediation within the time period set under Section B of this Article or completion of any additional or subsequent construction or remediation. The Lessor will determine the form and amount of the security considering the compliance under the provision or nature and scope of the construction or remediation and the financial responsibility of the Lessee.

**ARTICLE VI**  
**OWNERSHIP AND DISPOSITION OF IMPROVEMENTS**

**A. OWNERSHIP OF PERMANENT IMPROVEMENTS**

Permanent improvements on the Premises, excluding Site Development Materials, constructed, placed, or purchased by the Lessee remain the Lessee's property as long as this Lease remains in effect, including any period of extension or holdover with the consent of the Lessor.

**B. DISPOSITION OF SITE DEVELOPMENT MATERIALS**

The Lessee acknowledges that, once placed by the Lessee, the removal from the Premises of Site Development Materials can damage the Premises, adversely affect surface water drainage patterns, and destabilize adjacent structures. When placed on the Premises by the Lessee, Site Development Materials, including building pads, parking areas, driveways, and similar structures:

- a. become a part of the realty and the property of the state;
- b. unless otherwise directed by the Lessor, must be maintained by the Lessee throughout the term of this Lease, including any extensions and periods of holdover; and
- c. may not be removed by the Lessee without the prior written approval of the Lessor.

**C. DISPOSITION OF PERSONAL PROPERTY AND PERMANENT IMPROVEMENTS OTHER THAN SITE DEVELOPMENT MATERIALS**

1. Unless the Lessor otherwise directs under Paragraph 5 of this Section, when this Lease expires, terminates, or is cancelled and is neither extended nor followed by a successive lease, the departing Lessee may do one or more of the following:
  - a. remove Lessee-owned Permanent Improvements from the Premises, remediate any Contamination for which the Lessee is responsible, and restore the Premises to a clean and neat physical condition acceptable to the Lessor within 60 days after the expiration, cancellation, or termination date of this Lease;
  - b. with written approval from the Lessor, sell Lessee-owned Permanent Improvements to the succeeding lessee, remove all personal property, remediate, any Contamination for which the Lessee is responsible under 17 AAC 45 and leave the Premises in a clean and neat physical condition acceptable to the Lessor within 60 days after notice from the Lessor that the Lessor has approved an application for a lease of the Premises by another person or such longer period specified in the notice, but in no event more than 180 days after the expiration, termination, or cancellation date of this Lease;
  - c. elect to have the Lessor sell Lessee-owned Permanent Improvements at public auction under Paragraphs 2 and 3 of this Section, remediate any Contamination for which the Lessee is responsible under 17 AAC 45, and restore the premises to a clean and neat physical condition acceptable to the Lessor. If the Lessor sells Permanent Improvements under this Paragraph for removal from the Premises, the departing Lessee's obligation under this Paragraph continues until the Premises are remediated and restored to a clean and neat physical condition acceptable to the Lessor after the improvements have been removed.
2. If the departing Lessee elects to have the Lessor sell Lessee-owned Permanent Improvements at public auction per this Section, the Lessee shall, within 30 days after the expiration, cancellation, or termination of this Lease:
  - a. submit to the Lessor a written request and authorization to sell the Permanent Improvements by public auction;
  - b. provide to the Lessor an executed conveyance document transferring clear title to the Permanent Improvements to the successful bidder at the public auction, along with authorization to the Lessor, as agent for the Lessee for purposes of the sale

only, to endorse the name of the successful bidder on the conveyance document upon receipt of payment of the successful bid price; and

- c. before the date of the public auction, remove all personal property, remediate any Contamination for which the Lessee is responsible under 17 AAC 45 and leave the Premises in a neat and clean physical condition acceptable to the Lessor.
3. When selling Lessee-owned Permanent Improvements at public auction for the departing Lessee, the Lessor will establish the terms and conditions of the sale as provided under 17 AAC 45. The Lessor shall pay the Lessee any proceeds of the sale of the Permanent Improvements, less the administrative costs of the public auction and any financial obligation the Lessee owes to the Lessor under this Lease. Payment will be made within a reasonable time after the Lessor completes the sale transaction and receives the proceeds, but not to exceed 60 days. If all or a portion of the Permanent Improvements do not sell at public auction, the Lessee will remove those Permanent Improvements, remediate any Contamination for which the Lessee is responsible under 17 AAC 45 and restore the Premises to a clean and neat physical condition acceptable to the Lessor within 60 days after the auction.
4. If the Lessee shows good cause to the Lessor and if it is not inconsistent with the best interest of the state, the Lessor will grant an extension of time that is sufficient to allow the Lessee to remove or sell Lessee-owned Permanent Improvements, remediate any Contamination for which the Lessee is responsible and to restore the Premises to a clean and neat physical condition acceptable to the Lessor under this Section.
5. The Lessor will, by written notice, direct the departing Lessee to remove Lessee-owned Permanent Improvements from the Premises, to remediate, consistent with applicable law, any Contamination for which the Lessee is responsible under 17 AAC 45 and to restore the Premises to a clean and neat physical condition acceptable to the Lessor if the Lessor determines in writing:
  - a. that the continued presence of the Permanent Improvements on the Premises are not consistent with either
    - i. the applicable provisions of 17 AAC 45 and of any other statute or regulation, including any relating to noise or Airport land use; or
    - ii. any written Airport program or plan required for compliance with applicable federal or state law;
  - b. that the continued presence of the Permanent Improvements on the Premises is not in the best interest of the state; or
  - c. that the Permanent Improvements present a hazard to public health or safety.
6. The departing Lessee to whom the Lessor has issued direction under Paragraph 5 of this Section shall comply with the Lessor's direction within 60 days after issuance of the direction and at no cost to the Lessor. If the departing Lessee shows good cause to the

Lessor, continues to work diligently to comply with Lessor's direction, and if it is not inconsistent with the best interest of the state, the Lessor will allow in writing a longer period that is sufficient to allow the Lessee to comply with the Lessor's direction. A departing Lessee who fails to comply with a direction issued by the Lessor under Paragraph 5 of this Section, shall, within 30 days of being billed by the Lessor, reimburse the Lessor for any costs reasonably incurred by the Lessor, including legal fees and administrative costs, to enforce the Lessor's direction or to remove and dispose of unremoved Lessee-owned improvements, remediate any Contamination for which the Lessee is responsible under 17 AAC 45 and restore the Premises.

7. If the departing Lessee does not timely remove or sell the Lessee-owned Permanent Improvements on the Premises in accordance with the requirements of this Section, any remaining Permanent Improvements and any remaining personal property of the departing Lessee will be considered permanently abandoned. The Lessor may sell, lease, demolish, dispose of, remove, or retain the abandoned property for Airport use as the Lessor determines is in the best interest of the state. The departing Lessee shall, within 30 days after being billed by the Lessor, reimburse the Lessor for any costs reasonably incurred by the Lessor, including legal and administrative costs, to demolish, remove, dispose, clear title to, or sell the abandoned property and to remediate and restore the Premises.
8. After the expiration, termination, or cancellation of the Lease, including any holdover under 17 AAC 45, the departing Lessee loses all right to occupy or use the premises without the express or implied consent of the Lessor. Except as the Lessor notifies the departing Lessee otherwise in writing, the Lessor consents to the departing Lessee's continued use and occupancy of the Premises to diligently accomplish the requirements of this Section. Until the departing Lessee relinquishes possession of and completely vacates the Premises under Paragraph 9 of this Section and notifies the Lessor in writing that it has relinquished and vacated the Premises, the departing Lessee shall perform the following as if the lease were still in effect,
  - a. pay rent to the Lessor;
  - b. maintain the premises;
  - c. provide the Lessor with evidence of each insurance coverage, if any, required under the Lease; and
  - d. cease using the premises other than to diligently accomplish the requirements of this Section, and to comply with the other requirements of the Lease.
9. A departing Lessee will not be considered to have relinquished possession and completely vacated the Premises until
  - a. the departing Lessee has
    - i. remediated, consistent with applicable law, any Contamination for which the Lessee is responsible under this Lease; and

- ii. restored the Premises to a clean and neat physical condition acceptable to the Lessor; and
- b. either
  - i. removed all of the Lessee's Permanent Improvements and personal property from the premises or sold the Permanent Improvements and personal property to a succeeding Lessee under the provisions of this Lease; or
  - ii. transferred title to the Lessee's Permanent Improvements and personal property that remain on the premises to the Lessor.

**ARTICLE VII**  
**MAINTENANCE, UTILITIES AND SNOW REMOVAL**

**A. MAINTENANCE**

1. Lessee will keep the Premises and all improvements on the Premises neat and presentable.
2. All structures on the Premises must be painted, finished, or covered with a permanent exterior surface and be maintained in good condition by the Lessee.
3. All paving on the Premises is the responsibility of the Lessee, including any paving on the apron within the leased Premises. Lessee will keep all paving neat and presentable and must keep it maintained in good condition at the sole expense of the Lessee.
4. At no cost to the Lessor, the Lessee will provide for all maintenance and services at the Premises necessary to facilitate the Lessee's use of the Premises.
5. The Lessee further agrees to comply with all reasonable decisions and directions of the Lessor's Airport management personnel regarding maintenance and general use of the Airport by the Lessee.

**B. UTILITIES**

At no cost to the Lessor, the Lessee will provide for and maintain all utilities at the Premises necessary to facilitate the Lessee's use at the Premises except that installation of a drinking water well on the premises is prohibited where local water utility service is available.

**C. SNOW REMOVAL**

1. At no cost to the Lessor, the Lessee will be responsible for plowing, removing and disposing of snow from the Premises to a Lessor-approved location, or providing

suitable storage within the boundaries of the Premises in accordance with all applicable federal and state laws.

2. Lessee agrees to coordinate its snow removal activities on the Airport with the Lessor's Airport personnel.
3. Lessee agrees not to allow an accumulation of snow on the Premises that would
  - a. cause interference with adjoining leaseholders or other users of the Airport;
  - b. damage Airport fencing; or
  - c. not comply with security or safety operations under Article VIII (Operations) of this Lease.

## **ARTICLE VIII** **OPERATIONS**

### **A. SECURITY AND CERTIFICATION**

1. The Lessee will coordinate any Airport security matter with the Lessor. If the Airport is operated under 49 CFR Part 1542 (Airport Security) and 14 CFR Part 139 (Airport Certification), the Lessee will comply with all applicable requirements of the Lessor's Airport Security Program, Airport Certification Manual, and Airport Emergency Plan. Upon written notice from Lessor, Lessee will, at its sole expense, promptly correct any violation or omission under the Airport Security Program or Airport Certification Manual within the time specified in the notice.
2. If the Transportation Security Administration (TSA), the Federal Aviation Administration (FAA) or any other federal, state or local government agency fines or otherwise imposes a monetary penalty on the Lessor or requires the Lessor to remediate or mitigate any condition for a violation of a statute, ordinance, or regulation, and if the violation is caused by or based on, all or in part, an act or omission by the Lessee or someone acting on the Lessee's behalf, the Lessee will reimburse the Lessor for the amount of the fine or penalty, the Lessor's costs incurred to remediate or mitigate the condition, and any legal or other associated costs incurred by the Lessor in responding to the violation. The Lessee will reimburse the Lessor for fines, penalties or costs, paid within 30 days after receipt of written notice from the Lessor.

### **B. AIRPORT OPERATIONS**

1. The Lessee shall comply with 17 AAC 45 and other applicable laws and orders that the Lessor or the Airport manager issues under AS 02.15.020(a) or under any other state or federal law; and instructions, requirements, and restrictions that the Lessor or the Airport manager has posted or indicated by sign, signal, or other control device, unless otherwise directed by an authorized person directing aircraft, vehicle, or pedestrian

traffic. The Lessee shall not hinder or obstruct another person, a vehicle, or an aircraft from lawful use of Airport property.

2. The Lessee is required to coordinate the Lessee's activities on the Airport with the Lessor and to abide by the Lessor's decisions and directives regarding snow removal, maintenance, and general use of the Airport by the Lessee, the Lessee's personnel, employees, and any person acting on behalf of or under the authority of the Lessee, and by the Lessee's sublessees, contractors, and guests, including customers and vendors.
3. The Lessee is required to comply with all applicable requirements imposed on the Airport or the Lessor by federal law to ensure that the Airport's or Lessor's eligibility for federal money or for participation in a federal aviation program is not jeopardized.

#### C. LESSEE'S CONTROL AND RESPONSIBILITY

1. The Lessee is required to assume full control and sole responsibility as between the Lessee and the Lessor for the activities of the Lessee, the Lessee's personnel, employees, and persons acting on behalf of or under the authority of the Lessee, anywhere on the Airport and for the activities of the Lessee's sublessees, contractors, and guests, including customers and vendors, on the Premises.
2. The Lessee is required to perform all operations authorized by the Lease in a manner that ensures the safety of people and the Airport, the protection of public health and the environment, and the safety and integrity of the Premises.
3. The Lessee is required to immediately notify the Lessor of any condition, problem, malfunction, or other occurrence that threatens the safety of the Airport, the safety of persons using the Airport, the public health or the environment, or the safety or integrity of the Premises.

#### D. RADIO INTERFERENCE

The Lessee will discontinue the use of any machine or device that interferes with any government operated transmitter, receiver, or navigation aid until the cause of the interference is eliminated.

#### E. WILDLIFE

The Lessee acknowledges that a concentration of birds or other wildlife on an airport constitutes a significant hazard to aircraft operations. The Lessee agrees to keep the Premises clean of fish slime, fish waste, or any other material or item that might attract birds or other wildlife. The Lessee accepts full responsibility to take all prudent measures to prevent attracting birds or other wildlife.

F. PARKING

The Lessee is required to provide vehicle, equipment, and aircraft parking space, snow storage, and drainage on the premises adequate for the Lessee's activities on the premises or confine parking to such other places on the Airport as designated in writing by the Lessor.

**ARTICLE IX**  
**ENVIRONMENTAL PROVISIONS**

A. HAZARDOUS SUBSTANCES

1. Lessee will provide notification to the Lessor of any Hazardous Substance stored, dispensed or handled on the Premises.
2. If Hazardous Substances are stored, dispensed or handled on the Premises, the Lessee agrees to have properly trained personnel and adequate procedures for safely storing, dispensing, and otherwise handling Hazardous Substances in accordance with all applicable federal, state, and local laws.
3. Lessee will promptly give the Lessor notice of proceedings to abate or discussions with federal or state regulatory agencies relating to the presence or release of a Hazardous Substance on the Premises or from the Lessee's operations on the Airport. The Lessee will allow the Lessor to participate in such proceedings or discussions.
4. If Lessee provides annual reporting to the Environmental Protection Agency (EPA) as a Small or Large Quantity Hazardous Waste Generator, or if a Notification of Regulated Waste Activities form is submitted to EPA, Lessee shall provide Lessor with a copy of the EPA submission.

B. ENVIRONMENTAL LIABILITY

1. The Lessee has the sole responsibility under this Lease to ascertain the environmental condition and presence of Hazardous Substance existing in, on, and under the surface of the Premises, and is conclusively presumed to have caused or Materially Contributed To any Contamination of or originating on the Premises except as identified in an Environmental Liability Baseline accepted by the Lessor.
2. The Lessee assumes financial responsibility to the Lessor for any Contamination in, on, and under the Premises and any Airport property affected by a release of a Hazardous Substance from the Lessee's operations (Affected Property), except for Contamination that is identified in an Environmental Liability Baseline. This is without prejudice to the Lessee's right to seek contribution or indemnity from either prior lessees of the Premises and Affected Property, or other potentially responsible parties except for the Lessor.

C. ENVIRONMENTAL INDEMNIFICATION

If Contamination of the Premises or other properties by a Hazardous Substance occurs from the Lessee's operations on the Premises that is not in Lessee's Environmental Baseline, the Lessee will indemnify, defend, and hold the Lessor harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities, or losses, including, but not limited to, sums paid in settlement of claims, attorney's fees, consultant fees, and expert fees, which arise during or after the term of this Lease as a result of such Contamination. This indemnification of the Lessor by the Lessee includes, but is not limited to, costs incurred in connection with any investigation of site conditions or any cleanup, remediation, removal, or restorative work required by any federal, state, or local governmental agency because of a Hazardous Substance being present in the soil or groundwater on or under the Premises or other properties affected by the Contamination.

D. REMEDIATION

1. In the event of a Hazardous Substance spill on the Premises, the Lessee will immediately notify the Lessor and the Alaska Department of Environmental Conservation and act promptly, at its sole expense, to contain the spill, repair any damage, absorb and clean up the spill area, and restore the Premises to a condition satisfactory to the Lessor and otherwise comply with the applicable portions of Title 17 and Title 18 of the Alaska Administrative Code.
2. In addition to any notices required by this Lease, the Lessee will immediately notify and copy the Lessor in writing of any of the following:
  - a. any permit, enforcement, clean up, lien, removal or other governmental or regulatory action instituted, completed, or threatened pursuant to any Environmental Law;
  - b. any claim made or threatened by any person against the Lessee or arising from the Lessee's operations authorized by this Lease, relating to damage, contribution, compensation, loss or injury resulting from, or claimed to result from, any Hazardous Substances in, on, or under the Airport; or
  - c. any report made to any environmental agency arising out of or in connection with any Hazardous Substances in, on, or removed from the Premises, including any complaints, notices, warnings or asserted violation.
3. Remediation and restoration of the affected area must meet all applicable state and federal laws and regulations and must meet the requirements of all governing regulatory authorities.

E. ACTION AGAINST POTENTIALLY RESPONSIBLE PARTIES

Nothing contained in this Lease shall restrict either the Lessor or the Lessee from seeking and obtaining cleanup efforts, costs, or damages from other potentially responsible parties for Contamination identified in the Environmental Liability Baseline.

F. ENVIRONMENTAL AUDIT

Lessee will provide Lessor all investigative data, test results, or reports as part of or in relation to any Environmental Assessment, characterization or audit which Lessee performs or causes to be performed after the starting date of this Lease. The Lessee will submit the data, result, or report to the Lessor within 60 days following the date on which it becomes available to the Lessee.

G. LESSOR'S RIGHT TO PERFORM ENVIRONMENTAL ASSESSMENT

Upon the cancellation, termination, or expiration of this Lease, or any time the Lessor has cause to believe the Premises may have been contaminated, or that Contamination of other property on the Airport may have originated on the Premises, the Lessor may perform an Environmental Assessment on the Premises or on potentially Affected Property to establish the presence and source of any Contamination and describe the environmental condition of the Premises or potentially Affected Property. If the Lessor performs such assessment before cancellation, termination, or expiration of this Lease, the Lessor shall minimize interference with the Lessee's operations while performing the assessment. The Lessor will assume the cost of the assessment if Contamination is not found on the Premises and no Contamination that originated on the Premises or caused by the Lessee or the Lessee's operations or activities is found on potentially Affected Property. If such Contamination is found on either the Premises or potentially Affected Property, the Lessee shall pay the costs of assessment and cleanup of any Contamination not included in an Environmental Liability Baseline.

**ARTICLE X**  
**LAWS, TAXES AND CLAIMS**

A. COMPLIANCE WITH LAW

1. This Lease is issued subject to all applicable requirements of state statutes and regulations in effect during the term of this Lease, including those related to the leasing of lands and facilities and the granting of privileges at state airports. All references to regulations contained in this Lease shall be construed to incorporate any amendments to those regulations. In the event any regulation referred to in this Lease shall be repealed, the reference shall be construed to incorporate any contemporaneously or subsequently adopted regulation addressing the same or similar subject matter.
2. The Lessee will comply with all applicable requirements imposed on the Airport or the Lessor by federal law to ensure that the Lessor's eligibility for federal money or for participation in a federal aviation program by the Airport or the Lessor is not jeopardized and with all orders issued by the Lessor.
3. At no expense to the Lessor, the Lessee will obtain all necessary licenses and permits, pay all taxes and special assessments lawfully imposed upon the Premises, and pay other fees and charges assessed under applicable law. Nothing in this Lease prevents

the Lessee from challenging any taxes or special assessments to the appropriate authority under applicable procedures.

4. The laws of the State of Alaska will govern in any dispute between the Lessee and Lessor. If a dispute continues after exhaustion of administration remedies, any lawsuit must be brought in the courts of the State of Alaska, in Juneau within the First Judicial District.

**B. CLAIMS**

The Lessee will promptly notify the Lessor of any claim, demand, or lawsuit arising out of the Lessee's occupation or use of the Airport or the Premises. Upon the Lessor's request, the Lessee will cooperate and assist in the investigation and litigation of any claim, demand, or lawsuit affecting the Airport or the Premises.

**ARTICLE XI**  
**INDEMNIFICATION AND INSURANCE**

**A. INDEMNIFICATION**

1. The Lessee will indemnify, save harmless, and defend the Lessor, its officers, agents, and employees from and against any and all liabilities, losses, suits, administrative actions, claims, awards, judgments, fines, demands, damages, injunctive relief or penalties (specifically including civil penalties assessed by the FAA, TSA, or any other federal agency) of any nature or kind to the full extent of the loss or obligation for property damage, personal injury, death, violation of any regulation or grant agreement, or any other injury or harm, including sums paid in settlement of claims, attorney fees, consultant fees, expert fees, or any other costs and expenses, directly or indirectly arising from, connected to or on account of this Lease as it relates to the Lessee, the Lessee's activities at or relating to the Airport, or any act or omission by the Lessee, or by any of its officers, employees, agents, contractors or sublessees.
2. The Lessee shall give the Lessor prompt notice of any suit, claim, action or other matter affecting the Lessor to which Paragraph 1 of this Section may apply, together with a copy of any letter by an attorney on behalf of a complainant, any complaint filed in court, and any notice or complaint by any regulatory agency. The Lessee shall also use counsel acceptable to the Lessor and the Alaska Department of Law in carrying out its defense obligations under this Paragraph, and the Lessor shall also have the right, at its option, to participate cooperatively in the defense of and settlement negotiations regarding any such matter, without relieving the Lessee of any of its obligations under this provision. These indemnity obligations are in addition to, and not limited by, the Lessee's obligation to provide insurance, and shall survive the expiration or earlier termination of this Lease.

3. Paragraph 1 notwithstanding, the Lessee shall not be obligated to indemnify the Lessor for liability for personal injury or property damage legally caused by the Lessor's own negligence, recklessness or intentional misconduct.

**B. INSURANCE**

The Lessee is not required to provide insurance coverage at the commencement of this Lease. However, if the Lessor determines the activity, construction, or operation of the Lessee under this Lease will expose the State of Alaska to a liability risk greater than the risk typically posed by the activity, construction, or operation of lessees that are not required to obtain insurance, the Lessor may require the Lessee to provide proof of insurance coverage in amounts determined by the Lessor.

**ARTICLE XII**  
**GENERAL PROVISIONS**

**A. LIENS**

The Lessee will keep the Premises and improvements placed on the Premises free of all liens for any obligations incurred by Lessee. The Lessee will pay all costs for labor and materials arising out of any construction or improvements by the Lessee on the Premises, and hold the Lessor harmless from liability for any liens, including costs and attorney fees. The Lessor does not recognize that it is in any way liable for any liens on the Premises or improvements placed on the Premises. This restriction does not prohibit the assignment of interest for security purposes if the Lessor approves the assignment in writing.

**B. CONDEMNATION AND RELOCATION**

If all or any part of the Premises is condemned by any authority or person vested with the power of Eminent Domain, including Lessor, the term of this Lease will end on the date the Lessee is required to surrender possession of the Premises under 17 AAC 45. The Lessor shall be entitled to all compensation from the condemning authority for the taking of the Premises. Nothing within this Lease will diminish Lessee's rights, if any, to receive compensation for improvements or personal property belonging to the Lessee and located on the Premises under applicable relocation laws.

**C. NOTICES**

All notices by either party required or permitted under this Lease shall be in writing sent by first class or higher priority mail, electronic transmission, or hand delivery, to the contact details set out on Page 1 of this Lease or any other contact details that the parties subsequently designate in writing. Unless otherwise agreed to in writing, the parties will also supply to the other party, as promptly as possible, and in any event, within 15 days after the involved party first receives or sends the same, copies of all claims, reports,

complaints, notices, liens or warnings, or asserted violations relating in any way to the Premises or the Lessee's use of the Airport.

D. MODIFICATION

Upon written notification to Lessee, the Lessor may modify this Lease to meet the revised requirements of federal or state grants or to conform to the requirements of any revenue bond covenant to which the Lessor is a party; provided that a modification may not cause the Lessee financial loss, or reduce the rights or privileges granted to the Lessee by this Lease, except that any such modification may substitute rights or privileges that are substantially similar or of comparable value.

E. VALIDITY OF PARTS

If any provision of this Lease is declared to be invalid by a court of competent jurisdiction, the remaining provisions will continue in full force.

F. INTERRELATIONSHIP OF PROVISIONS

All provisions of this Lease including exhibits, supplements, and addenda are essential parts of this Lease and are intended to be cooperative, provide for the use of the Premises, and describe the respective rights and obligations of the Lessor and Lessee. In case of a discrepancy, written dimensions govern over scaled dimensions unless obviously incorrect.

G. INTEGRATION AND MERGER

This Lease sets out all the terms, conditions, and agreements of the parties and supersedes any previous understandings or agreements regarding the Premises whether oral or written. No modification or amendment of this Lease is effective unless in writing and signed by both the parties.

H. EXECUTION BY THE PARTIES

This Lease is of no effect until the Lessee or a duly authorized representative of Lessee and the Commissioner of the Department of Transportation and Public Facilities or the Commissioner's designated representative has signed it.

I. CAPTIONS

The captions of the provisions of this Lease are for convenience only and do not define, limit, describe, or construe the contents of any provision.

J. ADDITIONAL INFORMATION

The Lessor may, from time to time, require the Lessee to provide such documentation as the Lessor may reasonably require establishing the Lessee's continuing qualification for this Lease.

K. RIGHTS OF CONSTRUCTION

This Lease is intended to make public property available for private use, while at all times protecting the public interest to the greatest extent possible. Following the rule that transfers of interest in public property are to be strictly construed in favor of the Lessor, all rights granted to the Lessee under this Lease will be strictly construed, and all rights of the Lessor and protections of the public interest will be liberally construed.

L. LESSEE ACKNOWLEDGEMENT

The Lessee acknowledges that the Lessee has read this Lease and fully understands its terms, that the Lessee has been fully advised or has had the opportunity of advice by separate legal counsel, and voluntarily executes this Lease. Lessee also acknowledges and agrees that the rule of interpretation under which a document is construed against the drafter will not apply to this Lease.

M. APPROVAL BY LESSOR

Any approval required of the Lessor by this Lease will not be unreasonably withheld. The Lessor's approval does not waive the Lessee's legal responsibility or liability to comply with all applicable federal and state laws and regulations.

N. DISCRIMINATION

The Lessee will not discriminate on the grounds of race, color, religion, national origin, ancestry, age, or sex against any patron, employee, applicant for employment, or other person or group of persons in any manner prohibited by federal or state law. The Lessee recognizes the right of the Lessor to take any action necessary to enforce this provision, including actions required pursuant to any federal or state law.

O. AFFIRMATIVE ACTION

If required by 14 CFR Part 152, subpart E, the Lessee will undertake an affirmative action program to insure that no person will be excluded from participating in any employment activities offered by the Lessee on the grounds of race, creed, color, national origin, or sex. No person may be excluded on these grounds from participating in or receiving the services or benefits of any program or activity covered by subpart E. The Lessee further agrees that

it will require its suborganization(s) provide assurance to the Lessor to the same effect that they will also undertake affirmative action programs and require assurances from their suborganization(s) as required by 14 CFR, Part 152, subpart E.

**P. TITLE VI CIVIL RIGHTS ACT AND DISADVANTAGED BUSINESS ENTERPRISE**

The Lessee will comply with all federal obligations as they relate to the following: Airport Concession Disadvantaged Business Enterprise, (ACDBE), Disadvantaged Business Enterprise (DBE) and Title VI of the Civil Rights Act. Lessee understands that language for these programs is not yet available, but when language is agreed upon by the relevant department of the State and the Federal agencies involved, Lessee agrees to Supplement this Lease with the additional required language for these programs. Further, Lessee will work collaboratively with the Lessor on reporting, updating and compliance efforts as they relate to the same.

**Q. QUIET ENJOYMENT & RIGHT OF INSPECTION**

The Lessee is entitled to quiet enjoyment of the Premises subject to the terms of this agreement and the Lessor's right of ingress to and egress from the Premises, including buildings, and the right to enter any part of the Premises for the purpose of inspection at any reasonable time, subject only to the Lessor's best efforts, except in the case of an emergency, to coordinate its inspection with the Lessee to minimize interference with the Lessee's activities on the Premises.

**ARTICLE XIII**  
**ASSIGNMENT OR SUBLEASE**

All provisions in this Lease extend to and bind the legal representatives, successors, and assigns of the parties. The Lessor's consent to one assignment, sublease, assignment of sublease or security interest will not waive the requirement of obtaining the Lessor's consent to any subsequent assignment or sublease. In the event of a conflict between this Lease and an assignment or a sublease, the terms of this Lease govern; a provision stating this priority must be included in each assignment or sublease, but is implied in all assignments whether stated or not.

**A. ASSIGNMENT**

1. Lessee shall obtain and follow Lessor's written assignment guidance and the requirements in 17 AAC 45.260, as amended.
2. The Lessee may not assign all or a portion of this Lease, including improvements, without the prior written consent of the Lessor. An assignment made contrary to the requirements of this Section is void.

3. A request for consent to an assignment must be submitted to the department in writing.
4. Any proposed assignment must be submitted to the Lessor for approval in three (3) copies, each bearing the original notarized signature of all parties.
5. An assignment must include a provision stating that the assignee accepts responsibility for all of the assignor's obligations under this Lease, including environmental liability and responsibility.
6. An assignee may not occupy the Premises before the Lessor consents to the assignment in writing.
7. Any single or cumulative transfer of more than 50 percent interest in a joint venture, partnership, limited liability company, corporation, or other dual or multi-party entity which is a Lessee under this Lease is an assignment of an interest subject to written approval by the Lessor.

**B. ASSIGNMENT FOR SECURITY PURPOSES**

1. The Lessee may not assign for security purposes all or a portion of or any interest in this Lease, including improvements, without the prior written consent of the Lessor. An assignment for security purposes made contrary to the requirements of this Section is void.
2. Lessee shall obtain and follow Lessor's written security assignment guidance and the requirements in 17 AAC 45.265, as amended.
3. A request for consent to an assignment for security purposes must be submitted in writing to the Lessor for approval.
4. A security assignment document must include provisions stating that:
  - a. If the security assignee takes possession or control of the Lease, either directly or through a sub-tenant, by foreclosure or otherwise, under the security assignment,
    - i. The security assignee accepts responsibility for all of the Lessee's obligations under the Lease, including environmental liability and responsibility, commencing as of the date the security assignee succeeds to the Lessee's interest under the Lease, and
    - ii. Except as provided in Paragraph 4c below, those obligations terminate as to the security assignee upon further transfer of the Lease by the security assignee;
  - b. The security assignee has an affirmative duty to notify the state in writing upon the reconveyance or release of the security interest; and

- c. Unless the security assignee “participates in management” of the Lessee (as defined in 42 U.S.C. 9601(20)(F)), the security assignee does not have environmental liability or responsibility for the period pre-dating the time when it took possession or control of the Leasehold. The security assignee does not have environmental liability or responsibility following a subsequent transfer of its entire interest in the Lease unless, by its direct actions, negligence, or failure to use due care, the security assignee
  - i. caused or contributed to a violation of any of the Lease terms relating to environmental law or hazardous substances;
  - ii. violated 17 AAC 45.045 or 17 AAC 45.050; or
  - iii. caused or contributed to actual financial damages to the Lessor due to the security assignee's breach of any environmental law.
5. Exercise by a security assignee of a power of sale or further assignment under a security assignment is subject to the consent of the Lessor with respect to any purchaser or assignee and shall be conditioned upon the purchaser or assignee accepting responsibility for all of the lessee’s obligations under this Lease, including environmental liability and responsibility.

#### C. SUBLEASE

1. Each provision of this Section applies to a sublease of all or a portion of the Premises, as well as to a further sublease of a sublease. A sublease made contrary to the requirements of this Section is void.
2. The Lessee may not sublease all or a portion of the Premises without the prior written consent of the Lessor. The consent of the Lessor under this Section is required for each sublease of all or any portion of the Premises.
3. Lessee shall obtain and follow Lessor’s written sublease consent guidance and the requirements in 17 AAC 45.270, as amended.
4. A sublease must include a provision that it is subject to all of the terms and conditions of this Lease governing the property being subleased. The Lessor reserves the right and authority to enforce the obligations of Article IV (Rents and Fees) of this Lease with respect to the sublessee’s operations against either the sublessee directly, or against the Lessee.
5. A sublessee may not occupy the Premises before the Lessor consents to the sublease in writing.
6. A sublease may not and does not relieve the Lessee of responsibility for providing the Lessor with evidence of any required insurance (if applicable) that meets the

requirements of this Lease, including coverage of the sublessee's operations on the Premises.

7. Consent to a sublease by the Lessor does not relieve or otherwise alter the obligations of the Lessee under this Lease.
8. A sublessee may not assign all or a portion of a sublease, including improvements, without the prior written consent of the Lessor and the Lessee under Section A of this Article. An assignment made contrary to the requirements of Section A of this Article is void.

#### **ARTICLE XIV** **DEFAULT BY LESSEE**

##### **A. EVENTS OF DEFAULT**

The occurrence of any of the following events shall constitute a default by Lessee under the terms of this Lease:

1. Lessee fails to pay when due the rents, charges, or fees specified in this Lease, including any increases made under this Lease.
2. Lessee's checks for payment of rents, charges, or fees are returned for insufficient funds; or if Lessee's credit or debit card is not accepted by the issuing financial institution.
3. Lessee uses or authorizes the use of the Premises for any purpose not authorized by this Lease.
4. Lessee fails to fully perform and comply with any provision in this Lease.
5. A court enters a judgment of insolvency against Lessee.
6. A trustee or receiver is appointed for Lessee's assets in a proceeding brought by or against Lessee.
7. Failure by Lessee to comply with any of the terms of this Lease, including, but not limited to, the land development and Permanent Improvement requirements under Article V (Survey, Improvements and Performance Bond), Section B (Improvements).

##### **B. REMEDIES**

In addition to any other remedy allowed by law, if any default by Lessee is not cured within 30 days of Lessee's receipt of written notice from Lessor, Lessor shall be entitled to pursue any or all of the following remedies:

1. Terminate this lease, in which case Lessee shall immediately vacate the Premises;
2. Without further notice to Lessee and without prejudice to any other remedies Lessor may have, enter and take possession of the Premises;
3. Commence legal proceedings to evict Lessee from the Premises; and
4. Recover from Lessee, by any legal means, all amounts owed by Lessee to Lessor under the terms of this Lease, with interest thereon at the rate provided for in AS 45.45.010(a).

C. COSTS AND ATTORNEY'S FEES

Lessee will pay all reasonable actual expenses, costs, and attorney's fees Lessor may incur, with or without formal action, to enforce, defend, or protect this Lease or Lessor's rights under this Lease, including any expense incurred with respect to environmental compliance, bankruptcy or any proceeding that involves Lessee, the Lease, the Premises, improvements or personal property on the Premises. Lessee will make payment within 30 days of the date of each notice from Lessor of any amounts payable under this provision.

D. REASONABLE CURE

1. In the case of a default that cannot be reasonably cured within 30 days, a notice of default issued by Lessor to Lessee under this Article is stayed if, within the 30-day notice period, Lessee begins and continues expeditious action to cure the violation. Lessor will determine if a violation cannot be reasonably cured within 30 days and what constitutes expeditious action.
2. In the case where, in Lessor's sole determination, Lessee's default is considered an imminent threat to the Airport, public health or safety, or the environment, Lessor will direct Lessee to stop the activity immediately and may reduce the period to cure the default, or Lessor may correct the default pursuant to Section E of this Article.

E. RIGHT OF LESSOR TO PERFORM

1. If, after 30 days following issuance of notice, Lessee fails or refuses to perform any action required by this Lease, Lessor will have the right, but not the obligation, to perform any or all such actions required by this Lease at the sole expense of Lessee. Lessor will not take action if Lessee begins and continues expeditious action to perform any action required by this Lease that cannot be reasonably completed within 30 days. Lessor will, at its sole discretion, determine what constitutes expeditious action and if an action cannot be reasonably performed in 30 days.
2. Lessee is required to pay, within 30 days of the billing date, any cost or damage that Lessor incurs to enforce or protect Lessor's rights under the Lease or due to any failure

of Lessee to comply with a provision of the Lease, including a cost to correct a violation under 17 AAC 45.; in this paragraph "cost" includes legal fees and administrative costs.

3. If Lessee fails or refuses to perform any action that has been deemed an imminent threat Lessor will have the right, but not the obligation, to perform any or all such actions required to expeditiously correct the imminent threat. If Lessor acts to correct a violation or omission by Lessee, Lessor may seek reimbursement from Lessee of all costs, plus interest at the rate provided in AS 45.45.010(a), that Lessor incurs in acting to correct the violation or omission, including site assessment costs, clean-up costs, collection costs, legal and administrative costs, applicable fines, and costs resulting from interference with or delay of Airport projects or operations.

F. WAIVER

A waiver by the Lessor of any default by the Lessee of any provision of this Lease will not operate as a waiver of any subsequent default. If the Lessor waives a default, the Lessor is not required to provide notice to the Lessee to restore or revive any term or condition under this Lease. The waiver by the Lessor of any provision in this Lease cannot be enforced or relied upon unless the waiver is in writing and signed on behalf of the Lessor. The Lessor's failure to insist upon the strict performance by the Lessee of any provision in this Lease is not a waiver or relinquishment for the future and the provision will continue in full force.

**ARTICLE XV**  
**HOLDOVER AND CONTINUED OCCUPANCY**

A. HOLDOVER

If the Lessor has not directed the Lessee to vacate the premises upon expiration of the Lease, then if the Lessee continues to occupy the premises in holdover after the expiration of the Lease, the holdover ends on the earliest of the following, regardless of any rents or fees accepted by the Lessor:

1. the date on which the Lessor and the Lessee execute a term extension for the Lease or a new Lease for the Premises; or
2. the date on which the Lessor or the Lessee terminates the holdover upon not less than 30 days' notice; or
3. the 180th day after the expiration of the Lease.

B. CONTINUED OCCUPANCY

If the Lessee continues to occupy the Premises in Holdover under this Article, the Lessee will continue to pay the Lessor rents and fees after the expiration, termination, or

cancellation of this Lease and to abide by the Lease obligations, including providing any required proof of insurance coverage, through the date Lessee relinquishes possession of and completely vacates the Premises. Lessor will consider the Premises vacated if:

1. The Lessee has remediated any environmental Contamination for which the Lessee is responsible; and
2. The Lessee has removed or otherwise disposed of any Lessee-owned permanent or removable improvements and personal property; and
3. The Lessee has restored the Premises to a neat and clean physical condition acceptable to Lessor.

#### C. AIRPORT CLOSURE

Pursuant to AS 02.15.070(b) and 17 AAC 45, the Lessor may abandon or temporarily or permanently close the Airport for aircraft operations if the Lessor finds that is in the best interest of the state.

1. If Lessor closes the Airport for aircraft operations for sixty (60) days or less, this Lease will remain in full force and effect without adjustment.
2. If Lessor closes the Airport for aircraft operations for more than sixty (60) days, but not permanently, and the Lessee's Lease is for aeronautical uses, the Lessee may either terminate the Lease in writing or retain the Lease and receive a fifty percent (50%) rent reduction or credit for that portion of the closure that exceeds sixty (60) days.
3. If Lessor permanently closes the Airport for aircraft operations the Lessee may terminate this agreement by written notice to Lessor or retain the Lease subject to any obligation of the Lessor to return management of the affected land to the State of Alaska Department of Natural Resources, any obligation of the state to return the affected land to the federal government or other public or private person or entity under a deed restriction, federal grant assurance, or other binding requirement, or any decision of the Lessor to sell or exchange the land or to put the land to other use.

#### D. DISASTERS

The Lessee or Lessor may cancel this Lease upon written notice to the other party if:

1. the Premises becomes unusable through no fault of either party and performance under this Lease becomes impossible; or
2. the Airport becomes unusable through no fault of either party and the performance under this Lease becomes impossible.

If the Lessee elects in writing that it will continue to operate after notice from Lessor to Lessee that the Airport has become unusable, the Lessee's obligations under the Lease will continue but Lessor is under no obligation to continue to perform. Causes for termination of the Lease under this provision include acts of God, the public enemy, and the United States.

E. NATIONAL EMERGENCY

If the federal government declares a national emergency, neither party may hold the other liable for any inability to perform any part of this Lease as a result of the national emergency.

**ARTICLE XVI**  
**FUELING OPERATIONS AND FUEL STORAGE**

A. SELF FUELING

Except as may be provided in this Lease, the Lessee shall not conduct Fueling operations on the Airport except Self-fueling, which shall be conducted only on the Premises or on the premises of a commercial Fueling facility.

B. FUEL STORAGE

1. If Fuel is stored on the Premises, the Fuel storage facility must be in compliance with 17 AAC 45 and installed and plumbed according to all Environmental Laws, 13 AAC 50, 14 CFR Part 139 (if applicable), and all comply with all applicable federal and state laws.
2. The Lessee will keep all equipment used in conjunction with the Lessee's Fueling operations on the Airport in a safe and properly functioning condition.
3. At any time, the Lessor has the right to inspect all Fueling equipment used by the Lessee on the Airport to determine if the Lessee's Fueling equipment and operations conform to the applicable laws, regulations, and codes. The Lessee, prior to any further Fueling operations, will accomplish any corrective action deemed necessary by the Lessor.
4. All Fueling operations must be in compliance with 17 AAC 45 and will meet current requirements for Fueling and fire safety as described in applicable federal and state laws and regulations.
5. If required under 40 CFR 112, Lessee agrees that before performing any Fueling function on the Airport, Lessee will maintain and submit to the Lessor a copy of the operator's Spill Prevention, Control, and Countermeasures Plan prepared under 40 CFR 112.

**ARTICLE XVII**  
**DEFINITIONS**

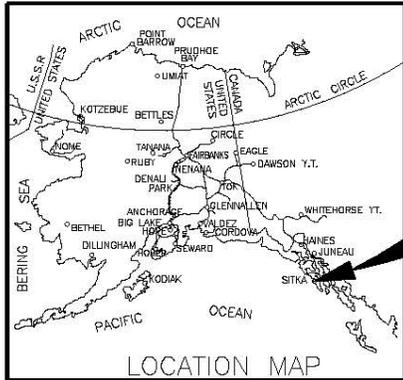
For the purposes of this Lease the following terms are defined as follows:

1. Certified Activity Report (CAR) -- a report of gross sales, Fuel deliveries, passenger and cargo volumes, number of landings, certificated maximum gross takeoff weight, or other information that a lessee, permittee, concessionaire, aircraft operator, or other Airport user must submit to the Lessor and certify as true and correct.
2. Contamination -- the unpermitted presence of any released Hazardous Substance.
3. Environmental Assessment -- means an assessment of property, prepared in a manner consistent with generally accepted professional practices, that is supported by reports and tests that determine the environmental condition of property and the presence, type, concentration, and extent of any Hazardous Substance in, on, and under the surface of the property.
4. Environmental Law --any federal, state, or local statute, regulation, ordinance, code, permit, order, decision, or judgment from a governmental entity relating to environmental matters, including littering and dumping, including 42 USC 7401-7671q (Clean Air Act); 33 USC 1251-1387 (Federal Water Pollution Control Act); 42 USC 6901-6992k (Resource Conservation and Recovery Act); 42 USC 9601-9657 (Comprehensive Environmental Response, Compensation, and Liability Act); 49 USC 5101-5127 (Hazardous Materials Transportation Act); 15 USC 2601-2692 (Toxic Substances Control Act); AS 46 (Alaska Water, Air, Energy, and Environmental Conservation Acts); and the provisions of 18 AAC (Environmental Conservation), implementing AS 46.
5. Environmental Liability Baseline -- a document based on an Environmental Assessment that identifies Contamination in, on, or under the surface of the Premises that was neither caused nor Materially Contributed To by the Lessee, nor assumed by the Lessee by reason of assignment. If an Environmental Assessment determines the presence of Contamination in, on, or under the surface of the Premises that was Materially Contributed To by the Lessee, the Environmental Liability Baseline will include only that portion of the Contamination not caused or Materially Contributed To by the Lessee or the Lessee's operations, nor assumed by the Lessee by reason of assignment.
6. Fuel -- any motor fuel or liquid heating fuel including gasoline, aviation gasoline, jet fuel, diesel fuel, kerosene, propane, and liquid natural gas.
7. Fueling -- delivering or dispensing Fuel, defueling and refueling, or any other transfer of Fuel on Airport property.
8. Hazardous Substance -- a substance that is defined under an Environmental Law as hazardous waste, Hazardous Substance, hazardous material, toxic, pollutant, contaminant, petroleum, petroleum product, or oil.

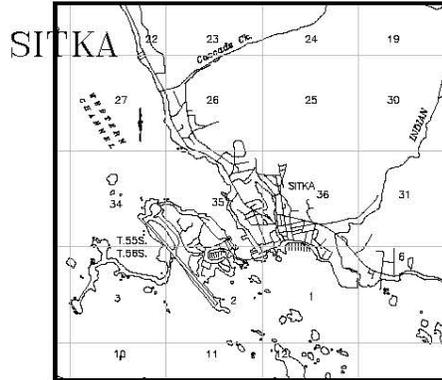
9. Lessor – The State of Alaska, Department of Transportation and Public Facilities’ employee or other person designated by the commissioner or a regional director to act for the department, including an Airport manager.
10. Materially Contributed To -- to play a substantial role in causing or increasing the release or migration of a Hazardous Substance in a reportable quantity as defined under an applicable Environmental Law.
11. Permanent Improvement -- a fixed addition or change to land that is not temporary or portable, including a building, building addition, a well associated with a building, and a Fuel tank of not less than 1,000 gallons capacity and affixed to a permanent foundation, but not site development work, Site Development Materials and items of ordinary maintenance, such as glass replacement, painting, roof repairs, door repairs, plumbing repairs, floor covering replacement, or pavement patching.
12. Self-fueling -- the dispensing of Fuel to an aircraft or vehicle for use by the aircraft or vehicle using fueling apparatus owned or leased by the owner or operator of the aircraft or vehicle.
13. Site Development Materials -- materials used for site development, including geotextile, fill, gravel, paving, and pavement reinforcement materials.
14. Temporary Improvement -- the installation, placement and/or construction of a building or structure that is temporary and relocatable, as determined by the Lessor.

**ARTICLE XVIII**  
**EXHIBITS**

- Exhibit A        Leased Premises (2 pages)
- Exhibit B        Concessions Certified Activity Rreport Example

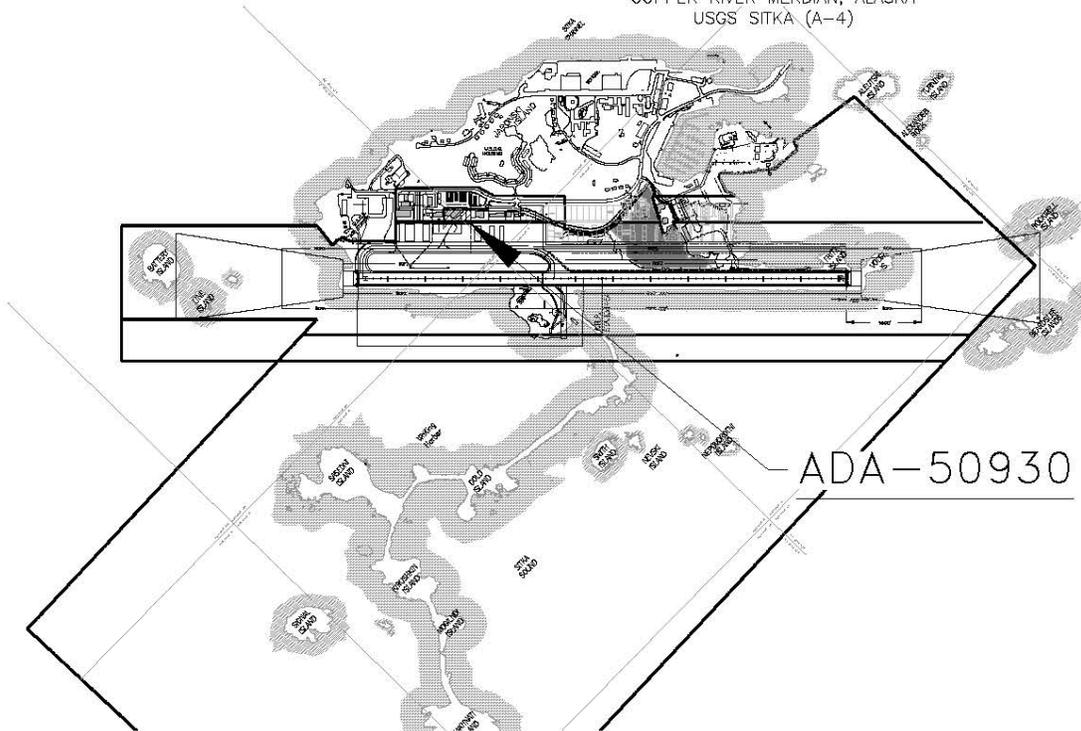


LOCATION MAP



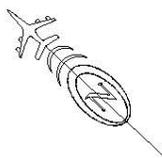
VICINITY MAP

NO SCALE  
 SEC. 35, T55S, R63E, SEC. 2, T56S, R63E  
 COPPER RIVER MERIDIAN, ALASKA  
 USGS SITKA (A-4)



ADA-50930

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STATE OF ALASKA DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES AVIATION LEASING	
LEASE ADA-50930	
LOT 3A & LOT 5 BLOCK 600	SITKA AIRPORT
DATE DRAWN: 04/25/2023	SCALE: 1" = 2500'
EXHIBIT A	PAGE 1 OF 2



EXHIBIT B:

**Department of Transportation and Public Facilities**  
STATEWIDE AVIATION LEASING

**CENTRAL REGION**

PO Box 196900  
Anchorage AK 99519-6900

**NORTHERN REGION**

2301 Peger Rd  
Fairbanks AK 99709-5316

**SOUTHCOAST REGION**

PO Box 112505  
Juneau AK 99811-2505

**AAC 17.45.127(i) CERTIFIED ACTIVITY REPORT - CONCESSION FEES**

**LEASE:**  **ADA#:**   
**BUSINESS:**  **AIRPORT:**   
**PERIOD:** Year Starting:  Ending:

**GROSS SALES**

	Total Sales	% of Gross Sales
(a) Food and Non-Alcoholic Beverages:	(a) \$ <input type="text"/>	(g) <input type="text"/> (a) ÷ (d)
(b) Goods and Merchandise:	(b) \$ <input type="text"/>	(h) <input type="text"/> (b) ÷ (d)
(c) Lodging (including living quarters and rental units):	(c) \$ <input type="text"/>	(i) <input type="text"/> (c) ÷ (d)
(d) TOTAL GROSS SALES: (a) + (b) + (c)	(d) \$ <input type="text"/>	
(e) Less AAC 17.45.127(i) annual allowance (or \$4,167 per month for partial years)	(e) \$ 50,000.00	
(f) TOTAL GROSS SALES AFTER ANNUAL ALLOWANCE: (d) - (e)	(f) \$ <input type="text"/>	

(If (f) = zero or less, then Total Concession Fees Due for Food, Goods & Lodging = zero)

**CONCESSION FEES ON GROSS SALES AFTER ANNUAL ALLOWANCE**

(j) Food and Non-Alcoholic Beverages:	6%	(j) \$ <input type="text"/>	(f) x (g)	x 0.06
(k) Goods and Merchandise:	8%	(k) \$ <input type="text"/>	(f) x (h)	x 0.08
(l) Lodging (incl living quarters and rental units):	5%	(l) \$ <input type="text"/>	(f) x (i)	x 0.05
(m) TOTAL CONCESSION FEES OWED FOR GROSS SALES: (j) + (k) + (l)		(m) \$ <input type="text"/>		

**CONCESSION FEES ON ALCOHOLIC BEVERAGES**

(n) Gross Sales of Alcoholic Beverages:	(n) \$ <input type="text"/>	12%
(o) CONCESSION FEES OWED FOR ALCOHOLIC BEVERAGES: (n) x 0.12	(o) \$ <input type="text"/>	

**TOTAL CONCESSION FEES DUE:** (m) + (o)

I hereby certify that I have remitted the Concession Fees accurately.

Name:   
 Signature:  Date:

IN WITNESS WHEREOF, the parties hereto have set their hands the day and year stated in the acknowledgments below.

\_\_\_\_\_  
AUTHORIZED SIGNATORY  
LESSEE \_\_\_\_\_ CITY & BOROUGH OF SITKA

STATE OF \_\_\_\_\_ )ss.  
\_\_\_\_\_ Judicial District )

THIS IS TO CERTIFY that on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_, before me, the undersigned, a Notary Public in and for the State of \_\_\_\_\_, or an agent duly authorized by law as such, personally appeared \_\_\_\_\_, known to me to be an officer of the above mentioned agency and who acknowledged before me that he or she executed the foregoing instrument freely and voluntarily for and on behalf of the agency, with full knowledge of its contents, and with full authorization by the agency to do so.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year above written.

\_\_\_\_\_  
Notary Public in and for the State of \_\_\_\_\_  
My Commission Expires: \_\_\_\_\_

STATE OF ALASKA  
DEPARTMENT TRANSPORTATION  
AND PUBLIC FACILITIES

STATE OF ALASKA )ss.  
First Judicial District )

THIS IS TO CERTIFY that on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_, before me, the undersigned, a Notary Public in and for the State of Alaska, or an agent duly authorized by law as such, personally appeared \_\_\_\_\_, known to me to be the \_\_\_\_\_, Southcoast Region, Statewide Aviation Leasing, Department of Transportation and Public Facilities, for the uses and purposes therein set forth and that she is authorized by said State of Alaska so to do.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal, the date and year first written above.

\_\_\_\_\_  
Notary Public in and for Alaska  
My Commission Expires: \_\_\_\_\_

Sitka Community and Stakeholders,

We want to inform you about a significant development regarding the lease for Lots 3A and 5, Block 600 at Sitka Rocky Gutierrez Airport. The City and Borough of Sitka (CBS) currently holds the lease for these properties and operates the airport terminal. The existing lease is set to expire in June 2024, and we have plans for substantial improvements to the terminal building.

The current lease ADA-50103 (as amended) is dated June 1, 1997, between the Alaska Department of Transportation and Public Facilities (ADOT&PF) and CBS with annual rent at \$15,308.08.

The current lease allows for the operation of a public airline terminal building and associated purposes commonly found at airports in the United States.

We are now considering a new lease, Lease ADA-50930, which would maintain the same property footprint and rental rate if approved before the next rental rate increase.

Yearly rental rate adjustments are required by FAA regulation. Rental rates must match fair market value established by a licensed appraiser. Sitka is currently being charged a rental rate well under the market value due to regulatory rental rate escalation control. Increases in yearly rental rates are not allowed to exceed 10% each year.

1. Updated Language: The new lease has been updated to align with [17 AAC 45](#), including clauses related to Prohibited Uses, Security, Airport Operations, and indemnification. Some sections of the current lease have been expanded or further detailed in accordance with 17 AAC 45.
2. Lease term: The new lease allows for a potential term of up to 55 years. A shorter-term lease can be requested.
3. Authorized Uses: The new lease more clearly defines the Lessee's responsibilities in managing the curb and roadside areas outside the terminal building.
4. Rent & Fees: The new lease introduces concession fees for sublessee's gross sales within the terminal building. Rates vary from 5-12%, with the first \$50,000 in gross sales exempt but still require to be reported.
5. Survey: The Lessee will be required to have the property surveyed by a Licensed Land Surveyor, with corner markers set and a plat approved by the Lessor. Final legal descriptions and rental amounts will be determined based on the approved survey plat.
6. Maintenance & Snow Removal: The responsibility for clearing snow on Harbor Mountain Road and Eagle Way, which was once part of the exchange for snow removal on the airfield/runway side, is no longer applicable because ownership of the roads has come under the ownership of CBS.
7. Environmental Provisions: The new lease includes more detailed environmental language to follow 17 AAC 45 including 45.045-055.
8. Insurance: The requirement to provide proof of insurance has been removed for the Lessee.
9. Discrimination and Affirmative Action: ADOT&PF staff are working to incorporate the current language as required for all Federal programs such as Disadvantaged Business Enterprise (DBE), Airport Concession Disadvantaged Business Enterprise (ACDBE), and [Title VI](#) (discrimination).
10. Assignments & Subleases: The new lease includes more detailed language.
11. Default by Lessee: Outlines the ways the lease can be terminated.

12. Fueling: Outlines the fueling of aircraft.
13. Definitions: Taken directly from 17 AAC 45.

## Lease Questions and Answers, and Relevant Information to Support Sitka Decision Making

### Parking:

*Is parking currently a part of the lease?*

- No, the lease is independent of the parking management within the short-term and long-term parking areas. ADOT&PF is handling parking at this time and is seeking a contractor to administer the parking duties along with associated parking fees.

*Why is ADOT&PF seeking a parking management contract at the Sitka Airport?*

- TSA curbside safety requirements and compliance to the terminal require airport operations to move in this direction.
- Need to improve ADA accessibility.
- Need to improve user experience and safety.

*What is ADOT&PF's plan to address the challenges above in the immediate future?*

- ADOT&PF is seeking a contractor to manage parking at the airport which includes parking fees.
- ADOT&PF will seek to extend long-term parking length once a contractor is in place.
- ADOT&PF is seeking to improve ADA accessibility through better parking management.

*Once a parking management contractor is secure, what options could CBS have in the future if they decided to assume the contract?*

- Flexibility to set parking rates and timeframes outside of ADOT&PF compliance requirements.
- Flexibility to review the financial viability for taking over parking once ADOT&PF has established a parking management contract and parking fees.
- CBS would have the option to set parking policy. (This could possibly include ideas such as validation for local users of concessionaires, or waivers of fees for employees to park the airport.)
- A potential revenue source to fund airport terminal operations.

### Snow Removal:

*What is the history associated with snow removal on the terminal lease lot related to the lease?*

- Section 12 of the Current Lease requires Lessee to provide for all services, including snow removal, as is necessary to facilitate use of the Premises. In correspondence about the Lease, there is reference to CBS plowing State-owned Harbor Mountain Road and Eagle Way in exchange for the State removing snow on the airfield side of the lease lot. Back in 1996, this was an acceptable exchange. However, since then, Harbor Mountain Rd and Eagle Way have come under the ownership of CBS and, therefore, since clearing snow on those streets is already the responsibility of CBS, there is now no exchange to be made.

*What are current lease lot operational practices?*

- The Lease requires all tenant snow be accommodated on the Lease lot, although many tenants choose to remove the snow, in order to make room on the lease lot.
- Alaska Airlines currently is pushing the snow within the lease lot to the lease lot boundary on the runway side of the airport.

- ADOT&PF then collects the snow at the lease lot line to make way for ground and air operations. (This is not required but the state is willingly providing this support. This support is being provided for all airport tenants at the Sitka Airport.)

*Are new lease stipulations capturing current practices?*

- The lease requires CBS to clear snow on their lease lot.
- CBS may continue to work with the sub-lessee for this practice.

*What potential agreement options could CBS seek to meet the lease stipulation?*

- Continue with the current air carrier (or sub lease) removing snow.

*Is ADOT&PF willing to support CBS with snow removal support?*

- Yes, the department is willing to continue to remove snow for all tenants at the runway lease lot line in Sitka as a good neighbor partner even though they are not required to do so.

### **Concessions Fees:**

*What are concessions fees?*

- Concession fees are payments made by the tenant (airlines, service providers, or other businesses) to the State for the right to practice specific facilities, services, or areas within the airport. These fees contribute to the overall revenue of the airport and help cover operational costs, infrastructure maintenance, and other expenses. Concession fees can take various forms, and the specific terms are typically outlined in the lease agreement between the State and the tenant.

*What are the new Lease requirements?(17 AAC 45.127(i))*

- Lessee will pay the Lessor an annual concession fee of:
  - 5%\* of the Lessee's (and/or Sublessee's) gross sales of all lodging services; and
  - 6%\* of the Lessee's (and/or Sublessee's) gross sales of food and non-alcoholic beverages; and
  - 8%\* of the Lessee's (and/or Sublessee's) gross sales of goods and merchandise; and
  - 12% of the Lessee's (and/or Sublessee's) gross sales of **all** alcoholic beverages
- \*These concession fees are chargeable on gross combined sales of food and non-alcoholic beverages, goods, and lodging in excess of \$50,000 in a calendar year, or in excess of a proportional amount for any partial calendar year at the beginning or end of the concession. This \$50,000 allowance applies only once per Lease and not once per sublease.

*Why charge concessions fees?*

- While at the time of the original signing there was no requirement for charging concession fees, concession fees are now required by law.
- The state and the lease holder cannot waive this requirement.

*Where do the funds go and why?*

- Federal Grant Assurances require all fees paid from Airport concessionaires stay on the Airport to assist with the maintenance and operations of the Airport.

- Contribute to the overall revenue of the airport and help cover operational costs, infrastructure maintenance, and other expenses.

**Funding of the airport terminal building as of November 2023:**

Funding opportunities being used with [Bipartisan Infrastructure Law](#) (BIL) funding.

	Federal (FAA)	Match (CBS)	Funding Year
<b>Phase 1A</b>	\$ 18,295,449	\$ 1,203,662	FFY 2024
<b>Phase 1B</b>	\$ 5,496,789	\$ 366,453	FFY 2024
<b>Phase 2</b>	\$ 11,357,945	\$ 757,196	FFY 2025
<b>Total</b>	\$ 35,150,184	\$ 2,327,311	

ADOT&PF applied to the competitive [Airport Terminal Program](#) (ATP) on October 12<sup>th</sup> for federal funding in the amount of \$2,151,303, to cover components within Phase 1B. Anticipate receiving a funding determination from FAA around March 2024.

Funding opportunities currently not being used: FFY25 and FFY26 Notice of Funding Opportunity (NOFO) are released annually, typically in October.

**Discrimination and Affirmative Action (Title VI):**

*Why is the lease adding Discrimination and Affirmative Action language?*

- Discrimination and Affirmative Action law was passed after the current lease, and now that it is law all participants excepting federal funding must comply with the law.

*What was the Law intended to do?*

- The purpose of the law is to ensure equal employment opportunities for applicants and employees. It is based on the premise that, absent discrimination, over time an employer’s workforce generally will reflect the demographics of the qualified available workforce in the relevant job market. These requirements are intended to ensure that applicants and employees have equal opportunity for recruitment, selection, advancement, and every other term and privilege associated with employment, without regard to their race, color, religion, sex, sexual orientation, gender identity, national origin, disability, or status as a protected veteran.