



Metropolitan Airports Commission

6040 - 28th Avenue South, Minneapolis, MN 55450 • 612-726-8100 • metroairports.org

December 20, 2021

RE: Update to Reliever Airport Commercial Lease Form

Dear Commercial Operator,

I am writing to you today to advise that MAC staff is in the process of updating the commercial lease form, which was last revised in 2012. This comes on the heels of our Aircraft Storage Lease revision, which the Commission adopted on November 20, 2021. While an updated form will not impact most commercial operators in the near term, it will be the form that will be used for any upcoming lease renewals.

The review is targeted towards minor updates, providing increased clarity of phrasing, updated regulatory references, and removing unnecessary lease language. There are, however, a limited number of changes that I would like to make you aware of.

Lease Renewal and Assignment Rights. The lease language has been clarified that a renewal or assignment will not be done while a tenant is in default of the lease.

Use of Lease Property. The lease language has been clarified to ensure that Tenant not use the Leased Property in a way that would void MAC or the Tenant's insurance. In addition, this provision was changed to prohibit uses of the Leased Property that were not disclosed to Tenant's insurer.

Rent. This section was revised to place an obligation on the tenant to expand the reporting of gross sales to better outline the exclusions taken to gross sales. The exclusions allowed to Gross Sales was revised to clarify the reportable legs of charter flights subject to percentage rent and to provide a cap on billed amounts for air ambulance flights, given the fact that the amount billed for these flights bears little resemblance to the amount collected for the respective flight.

Commercial General Liability Insurance. The required commercial general liability limits have been increased from \$1,000,000 per occurrence to \$2,000,000 per occurrence for all Commercial Tenants. The limits have not been increased in over ten years and the new lease must consider risk exposure over the next ten years.

Indemnification. While the content of this section did not change, the section was heavily edited to make the provision more readable with an emphasis on re-structuring and condensing the language where possible. In addition, because a separate environmental indemnification provision was deleted from the agreement, language included in that eliminated provision was moved to this section of the lease.

Right of Entry and Inspection. MAC's indemnification obligation within Section 8 of the lease was clarified to exclude any damages that are not compensating for an actual loss, and to note that MAC will indemnify based on a written agreement with Tenant, or upon a judgment finding MAC's sole negligence to have been the cause of the damage. Therefore, if MAC damages a tenant's property, MAC will compensate the tenant to the extent that it can be shown it was MAC's fault.

Wells, Tanks and Septic Systems. In reviewing the forms, wells, tanks, and septic systems were not collectively mentioned throughout the document. The document was updated to consistently refer to all three of them in any part of the document in which one of these items was referenced.

The revised document also clarifies that Tenants accept title and ownership of "all tanks, septic systems or wells existing on the Leased Property at the time of the execution of [the] Lease," whether or not those tanks, septic systems, or wells are used by Tenant. This means that it is the tenant's responsibility to exercise their due diligence when purchasing a hangar. MAC staff will provide any information in their possession regarding the existence of tanks, wells, and septic systems on a given leasehold to aid a purchaser in their due diligence.

Multi-Sector General Permit for Industrial Activity, or an individual stormwater permit. A new provision was added aimed at increasing awareness of some Tenant's obligation to apply for and comply with the Multi-Sector General Permit for Industrial Activity, or an individual stormwater permit. This new language does not add any requirements that do not already exist; rather it is intended to provide notice that if a tenant's activity requires these permit(s) that the tenant is required to obtain and comply with the permit.

FAA Required Contract Provisions. The Metropolitan Airports Commission accepts federal funds for the development of the airports. In doing so, we are required to include federally mandated language in all the leases. The mandated language is contained in this Section 21 of the lease.

Notices. The lease has always had language regarding how MAC provides required notices to a tenant. The updated form includes the option to provide notice via email. The lease further provides that execution of the lease can be done in counterpart and by electronic signature. Finally, an Exhibit D (Lease Notice Address), is added to the lease, which tenants will fill out with notice addresses and other contact information. Moving this information to an exhibit will assist MAC in managing this information. In addition, it will allow for this information to be changed without impacting the body of the Lease.

Attached to this email is the revised form and a corresponding memo which outlines the revisions to the forms in more detail. I invite you to review the documents and provide any comments to me by January 14, 2022. I ask that you provide the comments in writing and direct them to me at Kelly.Gerads@mspmac.org.

I have scheduled a virtual meeting for 2pm on January 5, 2022 to outline the changes and answer questions operators may have regarding the revised form. MAC counsel is planning on participating in the meeting. If you are represented by counsel in this lease renewal process, let us know and provide counsel's contact information so that we can forward the meeting invitation. Also, if you have a commercial subtenant that you would like to have involved in this meeting, please provide the commercial subtenant's contact information so that we can forward the meeting invitation to them as well.

Beginning February 1, the comments will be reviewed, and additional modifications made to the forms as needed. When the form is in final draft, it will be presented to the Commission for approval. Once approved, the form will be used for all commercial lease renewals.

Again, I want to thank you for your attention to the draft forms. If you have questions, please do not hesitate to call me at 612-726-8142 or email me at Kelly.Gerads@mspm.org.

Kind Regards,

A handwritten signature in black ink, appearing to read 'Kelly Gerads', with a stylized flourish at the end.

Kelly Gerads

Assistant Director of Reliever Airports