

MASTER LEASE ECONOMIC TERMS

The Proposer should propose economic terms of a lease (no out-of-pocket expenses to County) for a term not to exceed thirty (30) years, whereby the selected Proposer (Lessee) will be responsible for: site rehabilitation, management and maintenance, including:

- Rehabilitating aircraft storage hangars on the site.
- Ensuring that appropriate FAA regulations are complied with.
- Tracking, controlling and administering insurance standards.
- Managing completed rehabilitation for the term of the lease.

Proposal: Capital Investment

Proposer must provide site rehabilitation criteria, with details to indicate the level of rehabilitation, administrative building (if applicable), which would be part of the rehabilitation. Minimum capital investment will be \$162,000. This may be completed over a period of two years. Additional Capital Improvement during first 10 years can also be proposed. Project committing to greater Capital Improvements will receive additional points towards selection.

Capital Investment Proposed: \$ _____ (minimum \$162,000) Over 2 years.

Future Capital Investment Proposed: \$ _____ (no minimum) Over 10 years.

Rent Proposal: Ground Rent

The minimum rent acceptable to the County is \$365 per month for the parcels (1.084 combined acres) improved with the existing hangars (12 T-hangars and 4 box hangars). Please propose a monthly rent. Ground rent will be adjusted according to the Consumer Price Index each year and the rents will be reviewed and renegotiated every ten years if necessary.

Ground Rent Proposed: \$ _____ Per Month

Rent Proposal: Purchase or Lease of Existing Improvements

The County has carefully reviewed how to provide a reasonable rent and yet still recognize a limited value in the existing improvements. We've prepared two options. Both estimates start by determining the current value of the existing improvements as detailed below.

County staff has estimated the current replacement cost of the leasehold improvements at \$450,000. To achieve this low value, staff assumed the lowest possible ranking of .5 on a scale of 1-4, with 1 being considered low and 4 being considered good. A ranking of .5

would be considered less than low or poor and is much lower than we typically use but after giving consideration to the amount of rehabilitation required it was decided this low ranking for these buildings could be justified.

It is appropriate to depreciate the value for the age of the improvements. For purposes of estimating depreciation, 80% is assumed as a reasonable average depreciation factor for physical and functional depreciation. A depreciation factor of approximately 80% reduces the value of the improvements for equity calculations to \$90,000.

Option One

In this option you would pay a facility rent for the improvements in addition to the ground rent. Using the County's standard capitalization rate on the estimated value of the facility the facility rent would be \$676 per month. The County will consider proposals of \$600 or higher. This would be in addition to the ground rent. Lessee would be responsible for all taxes, insurance and maintenance of the facility. Facility rent will be adjusted according to the Consumer Price Index each year and the rents will be reviewed and renegotiated every ten years if necessary.

Proposal: Facility Rent: \$ _____ (minimum \$600)

Option Two

In Option Two you would purchase the hangars from the County for the term of the 30 year lease, The County will consider proposals of \$90,000 or higher. This amount could be paid in advance or amortized over 15 years with principal and interest payments at 9% annual rate.

Proposal Purchase of Improvements: \$ _____ (minimum \$90,000)

Current Occupancy/Vacancy Status

The County currently has 4 box hangars within one building, all currently vacant. The other building with 12 T-hangars (1 vacancy) is leased through August 31, 2010. Marketing has been limited due to the upcoming RFP.

The final terms of the lease will be negotiated between the selected Proposer and Airports staff, subject to review and approval by County Counsel. The County Board of Supervisors or County Lease Administrator will base their decision of awarding the lease upon recommendations from Airports staff.