



City of McMinnville

AIRPORT COMMISSION MEETING

McMINNVILLE CIVIC HALL
200 NE Second Street

Tuesday, June 7, 2016
6:30 p.m.

Chair Jody Christensen

Commissioner Andy Benedict
Commissioner Doug Hurl
Commissioner Bob Peacock

Commissioner Brad Berry
Vice-Chair John Lautenbach
Councilor Alan Ruden

Welcome! All persons addressing the Airport Commission will please use the table at the front of the Board Room. If you desire to speak on any agenda item, please raise your hand to be recognized after the Chair calls the item. If you wish to address the Commission on any item not on the agenda, you may respond as the Chair calls for the *“Invitation to Citizens for Public Comment”* agenda item.

AGENDA

1. **CALL TO ORDER** (Chair Christensen)
2. **INVITATION TO CITIZENS FOR PUBLIC COMMENT**
 - *This section of the agenda allows for citizens to address the Airport Commission regarding any issue not on the agenda. The Chair will also invite airport users and business owners to report on current activities at the airport. Matters requiring further investigation or detailed answers will be referred to City staff for follow-up at a future meeting.*
3. **CONSIDER MINUTES OF THE MARCH 1, 2016 COMMISSION MEETING**
 - Commission Action Required: **By MOTION and VOTE, the Commission shall approve the minutes from the March 1st meeting.**
4. **FBO LEASE REQUEST** (Rich Spofford)
 - Consideration of the proposed lease with Konect Aviation Oregon LLC for Fixed Base Operator (FBO) services at the Airport.
 - Commission Action Required: **By MOTION and VOTE, the Commission shall make a recommendation to the City Council regarding the proposed lease.**

5. **ITEMS FROM STAFF**

- A. Airport Manager's Report (Graham Goad)
- B. Runway 4-22 Project Update (Rich Spofford)
- C. Airstrip Attack Event Update (Rich Spofford)
- D. Fly Friendly Program Development Update (Rich Spofford)

6. **ITEMS FROM COMMISSIONERS** (All)7. **ADJOURNMENT**

NOTE: The next regularly scheduled Airport Commission meeting will be on **Tuesday, July 5, 2016 @ 6:30pm** in the Civic Hall Building, 200 NE Second Street.

AIRPORT COMMISSION MEETING

**Tuesday, June 7, 2016
6:30pm**

Agenda Item 3. **MINUTES OF THE MARCH 1, 2016 MEETING**

- Attachment 1: Proposed minutes.

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McMinnville Airport Commission Meeting Minutes

McMinnville Airport,
Civic Hall
Tuesday, March 1, 2016

1. The meeting was called to order at 6:30pm by Chair Christensen. Commissioners present were Jody Christensen, John Lautenbach, Bob Peacock and Andy Benedict, Staff in attendance were Mike Bisset, Rich Spofford (City of McMinnville) and Graham Goad (Airport Manager). Martha Meeker (City Manager).
2. **Invitation to Citizens for Public Comment:** None.
3. **Election of Officers:** Chair Christensen asked for nominations for 2016 Officers. Commissioner Peacock made a motion to retain Jody Christensen as Chair, and to retain John Lautenbach as Vice Chair. The motion was seconded by Andy Benedict, and the motion carried by a unanimous vote of the Commissioners present.
4. **Consider Minutes of the November 3, 2015 Commission Meeting:** Chair Christensen asked for comments on the minutes from November 3, 2015 Commission meeting. Hearing none, she asked for a motion to approve. A motion to approve the minutes, as presented, was made by Commissioner Peacock and seconded by Commissioner Lautenbach; and the minutes were approved by unanimous vote of the Commissioners present.
5. **Airport Fund Budget Review:** Mike Bisset reviewed the proposed airport budget for FY16/17. Commissioner Lautenbach made a motion recommending that the City Council adopt the Airport Fund budget as presented. The motion was seconded by Commissioner Peacock, and the motion carried by a unanimous vote of the Commissioners present.
6. **Items from Staff:**
 - Airport Manager Graham Goad spoke about some complaints received from airport neighbors: two about large helicopter noise and one neighbor concerned about airplane crashes on her property.
 - Graham also spoke of the wind damage to the west hangar roof that happened on December 10, and was quickly repaired by Washington roofing.
 - Graham reported on the extension of a gas line by NW Natural that is serving existing hangars, and that will be able to serve future development on the Cirrus Ave and Nimbus Loop.
 - Graham told of his research into changing the CTAF (Common Traffic Advisory Frequency) and his conversations with Dan Mason, the manager of the Corvallis airport. He noted that he had recently received a call from Dan saying that Corvallis had initiated the process to change their frequency. Rich Spofford noted that he had also discussed the frequency change with Dan at the Oregon Airport Managers conference.
 - Graham reported on the KR2 convention that took place at the airport September 3-7. He noted that it brought eight planes and about 50 people to the airport. Most of the event was hosted in the B&G Hangar.
 - Graham noted that in September there was a pavement inspection by ODA, and a FAA inspection of the Runway Safety Areas. Both inspections went well with one minor correction noted during the FAA inspection, which was corrected the following day.
 - Rich Spofford stated that bids for the Runway 4-22 reconstruction project would open in May 2016, with construction to begin in May of 2017.

- Rich stated the Fly Friendly program contract had been signed and the public meeting for the program was tentatively scheduled for March 24th. He noted that he was waiting for the FAA to respond to his request for them to attend the meeting. Jody Christensen asked if the meeting was open to the public, Rich said it was and he would send out emails to the airport contact list confirming the date and time of the meeting.
 - Rich noted that Shift S3ctor would be holding the 2016 Oregon Airstrip Attack at the airport on September 10-11.
7. **Items from Commissioners:** Commissioner Peacock asked if there was going to be a spring clean up at the airport like last year. Martha Meeker responded by saying if the need was there it would be considered.

Jody Christensen and Andy Benedict both spoke of the great job Konect Aviation was doing with the operation of the FBO and how well they had remodeled the pilots lounge. Jody asked if the old FBO building was going to be removed and Mike Bisset noted that there was a \$10,000 line item in the FY16/17 budget to remove the building.

The meeting was adjourned at 6:55 pm

AIRPORT COMMISSION MEETING

Tuesday, June 7, 2016
6:30pm

Agenda Item 4. **FBO LEASE REQUEST**

- Attachment 1: Staff Memo
- Attachment 2: Proposed Lease.

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DATE: June 1, 2016
TO: Airport Commission
FROM: Rich Spofford, Engineering Services Manager
SUBJECT: FBO and Airport Management Services

At the November 3, 2015 Airport Commission meeting it was recommended the City Council Award the FBO lease to Konect Aviation Oregon LLC. The council accepted the recommendation and since then, Staff and Konect Aviation have been working on finalizing the FBO lease and Airport Management Agreement.

The proposed lease (attached) is for a period of ten years with an option to extend the lease for one 10-year term (20 years total) beginning on July 1, 2016. There are cost escalators based on the Portland CPI built into the lease to adjust for inflation for Lessee rent and Airport Management Services. The lease also allows a 15% markup for admin and overhead on other services such as maintenance and repairs on airport property and 20% fee for Airport owned hangar rents. A pro-rated fuel flowage fee remains in effect.

Konect Aviation and the City have worked out this lease/service agreement together and both parties are comfortable with the terms contained in the proposed agreement. The discussion and agreement for a new FBO building will be handled at a later date with an amendment to this lease.

RECOMMENDATION: Staff recommends that the Airport Commission, by motion and vote, make a recommendation that the City Council approve the proposed lease/service agreement with Konect Aviation Oregon LLC.

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**FIXED BASE OPERATOR LEASE AND
AGREEMENT FOR FBO AND AIRPORT
MANAGER SERVICES**

WITNESSETH

WHEREAS, the Lessor owns, maintains, and operates a municipal airport within the McMinnville City limits; and

WHEREAS, the Lessee desires to use a part of the airport for the purpose of engaging in the business of selling aircraft or aircraft engines, accessories and parts; or providing storage space for aircraft; or operating a repair shop for the repairing and servicing of aircraft engines, instruments, propellers and accessories; or giving flight instructions; or renting aircraft to licensed pilots; or providing on-demand charter services; and

WHEREAS, the Lessor and the Lessee desire to cooperate to promote the McMinnville Airport and work for its long-term success; and

NOW THEREFORE, the City of McMinnville Oregon, hereafter known as Lessor, and Konect Aviation Oregon, LLC, hereafter known as Lessee, hereby enter into this agreement.

**ARTICLE 1
PREMISES**

Section 1.01 - Leased Premises: Lessor hereby leases to Lessee, subject to the terms and conditions hereinafter set forth, what is commonly known as the West Hangar as well as the facilities for storing and dispensing fuel and the airport tie down areas, all situated on the McMinnville Airport property, approximately three miles east of McMinnville in Yamhill County, Oregon. Lessor grants to Lessee the exclusive right, privilege and responsibility to use the premises solely for the purposes of conducting the commercial aeronautical operations required under Section 5.11, and permitted under Section 4.06, and for no other purpose not specifically authorized herein without the written consent of Lessor.

**ARTICLE 2
TERMS AND CONDITIONS**

Section 2.01 - Initial Term: Lessee agrees to lease from Lessor, and Lessor does hereby lease unto Lessee, the above described premises for the uses and purposes herein mentioned, commencing on July 1, 2016, and ending June 30, 2025 unless terminated by the operation of any forfeiture clause or other rights reserved herein.

Section 2.02 - Extension Term: Provided Lessee is not in default, or in any other way out of conformance with the provisions and requirements of this lease, during the final year of this lease the parties may negotiate an extension to this agreement for an additional term not to exceed 10 years from the expiration of the initial term.

Section 2.03 - Termination: Time of payment and performance is of the essence in this Agreement. Lessee shall comply with all of its obligations in strict accordance with the terms and provisions of this Agreement. If the Lessee remains in default under this Agreement after Lessor has provided notice of default and an opportunity to cure as described in this Section, then the Lessor may cancel and terminate this agreement by giving Lessee sixty (60) days advance written notice of such termination:

1. The default by Lessee in the performance of any covenant or agreement herein required to be performed by Lessee, except the payment of rent, and the failure of Lessee to remedy such default within a period of thirty (30) days after receipt from Lessor of written notice to remedy the same; or a second such failure to perform within the twelve (12)-month period following the first failure to perform, without any notice obligation to Lessor provided, however, that no notice of cancellation, as above provided, shall be of any force or effect if Lessee shall have remedied the default prior to receipt of Lessor's notice of cancellation.
2. In the event Lessee fails to pay the rent charges, or other charges due herein within fifteen (15) days of the date due, Lessor may, at its election, notify Lessee in writing of its intention to cancel this lease, and if the rent is not thereafter paid within fifteen (15) additional days, Lessor, at its option, may cancel this lease and all the rights of Lessee herein. In the event Lessee fails to pay the rent charges, or other charges due herein within fifteen (15) days of the date for a second time within any twelve (12) month period, Lessor may, at its election and without any notice obligation to Lessor, cancel this lease.
3. Lessee's insolvency, and assignment by Lessee for the benefit of creditors, the filing by Lessee of a voluntary petition in bankruptcy, adjudication that Lessee is bankrupt, the filing of an involuntary petition in bankruptcy and the failure of Lessee to seek a dismissal of the petition within thirty (30) days after the filing, or the attachment of or the levy of execution of the leasehold interest and failure of the Lessee to secure a discharge of the attachment or release of the levy of execution within ten (10) days after such attachment or execution.
4. Any other event or circumstance that would justify termination or cancellation of the lease under Oregon law.

Section 2.04 - Eviction: Upon the termination of this lease pursuant to the provisions of this lease, Lessor, or those having its estate in the premises, lawfully may, at its option, immediately or at any time thereafter, without demand or notice, in the name of the whole, repossess the same of its former estate, and expel said Lessee and those claiming by, through, or under it, and remove its effects, if any, forcibly if necessary, without being deemed guilty of trespass and without prejudice to any remedy that otherwise might be used, for arrears in rent or breach of covenants on the reclaimed aforesaid premise, this lease shall terminate.

Section 2.05 - Termination in the Event of Airport Closure: Should the McMinnville Municipal Airport, or any portion of the airport upon which the subject premises are located, close due to any Federal or State order, or any other reason beyond the reasonable sole control of the City of McMinnville, then the City of McMinnville may terminate this lease upon one hundred eighty (180) days written notice to Lessee.

Section 2.06 – Duty to Comply with Federal Aviation Administration (FAA) Regulations:

1. The lessee for itself, its heirs, personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land, that in the event facilities are constructed, maintained, or otherwise operated on the said property described in this lease for a purpose for which a DOT program or activity is extended for another purpose involving the provision of similar services or benefits, the lessee shall maintain and operate such facilities and services in compliance with all other requirements imposed pursuant to 49 CFR 21, Nondiscrimination in Federally Assisted Programs of the Department of Transportation, and as said regulations may be amended.
2. FAA Advisor Circular dated June 21, 2002, et seq, AC No: 150/5210-20, Initiated by: AAS-300, is made a part of this lease and Lessee shall comply with applicable provisions.

Section 2.07 - Support: The Lessor shall endeavor to support the Lessee's Airport Management activities and the Business and Airport Promotion activities described in Section 5.11 (3) and (4), by making reasonably available to Lessee, at Lessor's expense, Lessor's officer, employees and agents. Lessor shall retain sole discretion to determine the manner and method of providing such support in the context of the Lessor's other operations and responsibilities.

ARTICLE 3
RENTAL AND OTHER PAYMENTS

Section 3.01 - Rental: Lessee agrees to pay to Lessor, by the first day of the month, rental payments for said month in the sum of \$737 adjusted each year commencing with the anniversary date of this agreement. The rental rate adjustment shall be based upon the following:

The rent may be adjusted by the Lessor for any and/or all years subsequent to the first year and upon the anniversary of the lease date, based upon the percentage change in the Consumer Price Index-W for the Portland Oregon Metropolitan Statistical Area as calculated by the United States Department of Labor, Portland office for the 12 month period preceding June 30 of said year.

The failure of the City of McMinnville to make any rent adjustments on the anniversary date of the initial term shall not in any way prohibit the City of McMinnville from adjusting the rent at any later date in such a manner to include any or all adjustments that could have been made at the anniversary date or dates, provided that no rent adjustment shall be retroactive.

Section 3.02 - Penalty for Late Payment: In the event Lessee fails to pay any rental charge within fourteen (14) days after the same is due Lessor, Lessee shall be obligated to pay a late payment charge of 1.00 percent per month on past due lease fees, with a minimum charge of ten dollars (\$10.00).

Section 3.03 - Taxes: Lessee shall pay all taxes and assessments against the real and personal property owned by Lessee.

Section 3.04 - Utilities: Lessee shall pay all costs for utility services furnished to or required by Lessee.

Section 3.05 - Security Deposit: Lessee shall, upon execution of this lease and not more than 30 days after each anniversary date, deposit and maintain with Lessor a sum equal to two months rent (i.e. $\$737 \times 2 = \$1,474$) to be held as a security deposit. The Lessor shall hold the security deposit without liability for interest. Such deposit may be used by Lessor to cover any of Lessor's costs that may be incurred at the conclusion or termination of this lease in the event of any failure by Lessee to comply with any of the terms hereof. If Lessor is not in default at the termination of this lease, any remaining balance shall be returned to Lessee within sixty (60) days after the end of Lessee's tenancy or the completion by the Lessor of any required cleanup or repair, whichever shall last occur. Nothing herein shall limit the Lessor's right to additional remedies, sums, or damages in the event that the deposit is inadequate to meet all of Lessee's obligations hereunder.

Section 3.06 - Fuel Concessions: Lessee shall make all arrangements for the purchase and provision of all fuel to be dispensed through the fuel concession/facility, paying the lessor on the first day of the month a fuel flowage fee with a minimum annual guaranteed (MAG) as described below:

- a. Jul 1, 2016 - Dec 31, 2017: No MAG during the runway closure due to an unpredictable decline in sales. The fuel flowage rate will be set at three (3) cents per gallon on the first 100,000 gallons pumped in the calendar year and at a rate of five (5) cents per gallon over 100,000 gallons pumped.
- b. Jan 1, 2018 - Dec 31, 2018: \$8,000 MAG with a fuel flowage rate set at three (3) cents per gallon on the first 100,000 gallons pumped during the calendar year and at a rate of five (5) cents per gallon over 100,000 gallons pumped.
- c. Jan 1, 2019 - Dec 31, 2019: \$8,000 MAG with a fuel flowage rate set at five (5) cents per gallon.
- d. Jan 1, 2020 - Jun 31, 2025: \$10,000 MAG with a fuel flowage rate set at five (5) cents per gallon.

Fuel flowage fees and MAG past Jun 30, 2025 will be reviewed prior to the extension of the initial lease period and will be set via an admendment to the lease agreement.

Section 3.07 - Rents Collected Management Fee: Lessor agrees to pay to Lessee 20% of the rents collected for City owned facilities described in Section 5.11(4), but excluding rent collected from Lessee as described in Section 3.01.

Section 3.08 - Repair and Maintenance Reimbursement: Except as provided in Section 5.10, Lessor agrees to reimburse Lessee at a cost plus 15% for major maintenance and repairs performed by the FBO at the City's request on City owned facilities described in Section 5.11(4). Consumable items such as paper towels, soap, etc which primarily benefit the FBO and its customers are not reimbursable items.

Section 3.09 - Airport Management Fee: Lessor agrees to pay to Lessee \$1,300 per month for airport management services adjusted each year commencing with the anniversary date of this agreement. The adjustment shall be based upon the percentage change in the Consumer Price Index-W for the Portland Oregon Metroploliton Statistical Area as calculated by the United States Department of Labor, Portland office for the 12 month period preceding June 30 of said year.

Section 3.10 - Mowing: Lessor agrees to pay to Lessee an hourly rate of \$40 an hour for grounds mowing. Where renting large tractor equipment becomes necessary, the hourly rate will be set at \$45 an hour. These hourly rates will be renewed no later than January 30 of each subsequent year based on existing market conditions. Current acreage is 104 acres and may flucutute as dictated by the Lessor.

ARTICLE 4 LESSEE'S RIGHTS

Section 4.01 - Quiet Enjoyment: Lessor agrees that, on payment of the rent and performance of the covenants and agreements on the part of Lessee to be performed hereunder, Lessee shall peaceably have and enjoy the leased premises and all rights and privileges of said airport, its appurtenances, and facilities granted herein.

Section 4.02 - Non-Exclusive Use of Public Airport Facilities: Lessee shall have the right of nonexclusive use in common with the others authorized so to do, of all public airport facilities and improvements, which are now or hereafter provided at said airport. Such public airport facilities and improvements may be changed, altered, or modified from time to time at the discretion of Lessor. Nothing herein grants the lessee any right to store or dispose of any aircraft, parts, fuel or oil, equipment, waste, or any other materials on nonexclusive use areas referenced above.

Section 4.03 - Access to Leased Areas: Lessee shall have ingress and egress between the leased premises and the nearest accessible public road by suitable entrance road as designated by the Lessor. Where no entrance road or walkway exists, the Lessor may designate access via a secondary taxiway. Emergency access gates and ways are not to be used for normal access.

Section 4.04 - Access to Taxiways and Runways: Lessee shall have ingress and egress for aircraft traffic to the taxiways and runways of the airport. This access right is, however, limited by the City of McMinnville's right to temporarily close the Airport due to weather, other adverse conditions or special events, which in the exclusive judgment of the City of McMinnville warrants such temporary closure.

Section 4.05 - Access to Public Utilities and Services: Lessee may contract for and make connections to public utility services as are available, and Lessor, when appropriate and necessary, may grant easements in suitable locations for such connections. Lessee shall be solely responsible for costs and disbursements incurred pursuant to any such contracts or connections.

Section 4.06 - Rental of Space to Others: Lessee may use the leased premises for storage for hire of the aircraft of other persons. Lessee's right to rent space to others for storage of aircraft shall not constitute a right to sublease the entire leased premises to any other person. The right to rent space for storage of aircraft is limited specifically to that purpose and shall not include, without Lessor's prior written consent, Lessee's relinquishment or delegation of, control of, or responsibility for the leased premises, or any activity thereon or connected therewith, to any other person. In addition, Lessee agrees upon request from Lessor, from time to time, to provide a list of persons or firms renting space on the leased premises for the storage of aircraft. Lessee shall not permit any person renting space for the storage of aircraft to conduct any commercial or other activity on the leased premises or to use the leased premises in any manner or for any purpose not permitted by this lease.

Section 4.07 - Restrictions on Use: In connection with the use of the Premises, Lessee shall:

1. Conform to all applicable laws, fire codes and regulations of any public authority affecting the Premises and the use, and correct at Lessee's own expense any failure of compliance created through Lessee's fault or by reason of Lessee's use, but Lessee shall not be required to make any structural changes to effect such compliance.
2. Refrain from any activity that would make it impossible to insure the Premises against fire and other casualties, would increase the property insurance rate, or would prevent Lessor from obtaining reduced premium rates for long-term fire insurance policies, unless Lessee pays the additional cost of the insurance.
3. Refrain from any use that would be reasonably offensive to other tenants or owners or users of neighboring premises or that would tend to create a nuisance or damage the reputation of the Premises.
4. Refrain from loading the electrical system or floors beyond the point considered safe by a competent engineer or architect selected by Lessor.

ARTICLE 5
LESSEE'S OBLIGATIONS AND RESPONSIBILITIES

Section 5.01 - Legal: Lessee agrees to observe and obey all the regulations and laws or any future changes in the regulations and laws of the following governmental bodies and each of their departments and agencies: the United States of America; the State of Oregon; the County of Yamhill; and the City of McMinnville, including but not limited to any regulations, resolutions, and rules governing the use and operation of the Airport, and other Ordinances and laws that the City of McMinnville has adopted, or in the future may adopt or amend.

Section 5.02 - Operation: Lessee shall maintain the leased premises in conformance with all safety regulations of the State of Oregon and the City of McMinnville, and in compliance with the requirements of all legally applicable State of Oregon Fire and Building Codes.

Section 5.03 - Fire Prevention: The Lessee shall in all respects comply with the current adopted Uniform Fire Code, unless otherwise approved in writing by the City of McMinnville Fire Marshal. Lessee shall exercise due and reasonable care and caution to prevent and control fire on the premises and to that end shall install and maintain suitable fire extinguishers throughout the leased premises in accordance with rules and regulations as set forth by the Fire Marshal. Except as may be allowed by written authorization of the Fire Marshal and the Lessor, all fuel, solvents, paints, and other similar flammable materials, except motor oil or other lubricants, are prohibited within the leased premises. Fuel within the tank of a parked aircraft is exempted from this provision.

Section 5.04 - Environmental Warranties: Lessee agrees with and represents and warrants to Lessor that Lessee shall not cause or permit any hazardous substances or other dangerous toxic substances or any solid waste to be generated, manufactured, refined, transported, treated, stored, disposed, handled, processed, produced, or released on the Premises except in compliance with all applicable federal, state, and local laws and regulations, and further that Lessee shall comply with all other provisions of all environmental laws in a strict and timely manner. Notwithstanding the preceding, all transport, storage, generation, manufacture, refining, treatment, processing, or release of hazardous substances or other dangerous toxic substances, or any material contaminated therewith, is prohibited without written approval of the Lessor.

Lessee may use or otherwise handle on the Premises only those hazardous substances typically used or sold in the prudent and safe operation of the business. Lessee may store such hazardous substances on the Premises only in quantities necessary to satisfy Lessee's reasonably anticipated needs. Lessee shall comply with all environmental laws and exercise the highest degree of care in the use, handling, and storage of hazardous substances and shall take all practicable measures to minimize the quantity and toxicity of hazardous substances used, handled, or stored on the Premises. Upon the expiration or termination of this Agreement, Lessee shall remove all hazardous substances from the Premises. As used in this agreement, the term "environmental law" shall mean any federal, state, or local statute, regulation or ordinance or any judicial or other governmental order pertaining to the protection of health, safety or the environment.

As used in this agreement, the term "hazardous substances" is used in its broadest sense and refers to materials that, because of their quantity, concentration, or physical, chemical, or infectious characteristics, may cause or pose a present or potential hazard to human health or to the environment when improperly used, treated, stored, disposed of, generated, manufactured, transported, or otherwise handled. The term includes, without limitation, petroleum products or crude oil or any fraction thereof, and any and all hazardous or toxic substances, materials, or wastes as defined by or listed under the Resource Conservation and Recovery Act, the Toxic Substances Control Act, the Comprehensive Environmental Response, Compensation and Liability Act, and any other of the environmental laws.

Section 5.05 - Restaurants: Lessee agrees that it has no right to, and will not operate, a restaurant business on the leased premises without prior written agreement from Lessor.

Section 5.06 - Assignment and Transfer: Lessee shall not assign, sell, encumber, or otherwise transfer, in whole or in part, its rights or obligations under this Agreement or its interest in the Premises or improvements thereon without Lessor's prior written consent, and Lessor will not unreasonably withhold approval. When, in the

exclusive judgment of the City, reasonable cause exists to suspect a violation of any of the provisions of this lease that relates to hazardous substances, including but not limited to the provisions of Section 4.07 and 5.04, Lessor may require an environmental assessment, at Lessee's cost, prior to approval of any assignment or transfer. Consent in one instance shall not constitute a waiver of the consent requirement with respect to subsequent matters requiring Lessor's consent. In the event of any assignment or transfer approved by Lessor, any assignee or transferee shall be subject to the same conditions, obligations, and terms as set forth herein, and Lessee shall be responsible for the observance by its assignees or transferees of the terms and covenants of this lease.

Section 5.07 - Subleasing: Lessee shall not sublease the Premises, in whole or in part, without Lessor's prior written consent. Said consent shall not be unreasonably withheld. Consent in one instance shall not constitute a waiver of the consent requirement with respect to subsequent matters requiring Lessor's consent. In the event of any sublease approved by Lessor, any sublessee shall be subject to the same conditions, obligations, and terms as set forth herein. This shall be assured in writing by the provisions of the sublease, the wording of such to be approved by the City of McMinnville. Further, Lessee shall be responsible for the observance by its sublessees of the terms and covenants of this lease. Lessee shall provide Lessor a copy of any signed sublease and shall immediately notify Lessor in writing of any change in status of the sublease or compliance therewith.

Section 5.08 - Construction: No construction shall be carried out by Lessee except in accordance with the drawings and specifications, and any supplemental agreements and exhibits that have been approved in writing in advance by Lessor. It is agreed that any improvements, new construction, alterations, and remodeling undertaken on the leased Premises shall be at no cost to Lessor, and Lessor shall be held harmless from any costs incurred in providing such facilities. Lessor in turn will agree to weigh the benefits of such improvements, new construction, alterations or remodeling and in consideration, propose extended lease options to allow Lessee to realize a return on investment. At no point, may any lease be extended in violation of FAA regulatory guidance.

Section 5.09 - Aircraft Storage: No area of the airport shall be used for the storage or parking of aircraft, except the leased premise area.

Section 5.10 - Maintenance of Premises: Lessor is responsible for repairs and maintenance of the roof and gutters, exterior walls, bearing walls, structural members, floor slabs, and foundation; repair of sidewalks, driveways, curbs, parking areas, and areas used in common by Lessee and Lessor or tenants of other portions of the same building; repair and maintenance of exterior water, sewage, gas, and electrical services up to the point of entry to the leased Premises; and repair of the heating and air conditioning system other than ordinary maintenance.

Notwithstanding the above, Lessee agrees, at his own cost and expense, to cause the leased premises, landscaping, facilities and all buildings and improvements constructed thereon, to be maintained in a good state of repair and a neat and presentable condition. Lessee shall not store parts, equipment, or other materials outside the hangar structure. Lessee shall not permit any refuse or debris to be deposited or to accumulate on or adjacent to the Leased Premises.

1. Lessee shall assume the responsibility for providing its own day-to-day services including but not limited to providing and paying for all light, natural gas, electrical current, water, janitorial, and sewer charges used or incurred in or about the leased premises.
2. Upon thirty (30)-days written notice, Lessor may require Lessee to perform all necessary maintenance. In the event such maintenance is not undertaken as required, Lessor may perform such maintenance upon the behalf of Lessee and at Lessee's expense, plus fifteen percent (15%) for administration.

Section 5.11 - Lessee shall provide the following commercial services as the Fixed Base Operator:

LESSEE WILL PROVIDE THE FOLLOWING MINIMUM SERVICES	
Aircraft Fueling (100LL / Jet A)	Catering
Aircraft Servicing (LAV / Oxygen)	Flight Instruction
Aircraft Ramp Services (Towing / Parking Guidance)	Aircraft Rental
GPU Service	Aircraft Storage
Flight Planning Area	On Site Airport Management (airfield maintenance, maintenance and minor repair of City owned assets, public relations, customer relations, FOD checks, FAA Communications, Coordinate and schedule all activities and special events at the Airport)
Comfortable Pilot Lounge	Business and Airport Promotion
Interior Restrooms	Airframe / Powerplant Maintenance
Public Telephone	FBO services as required by the FAA
Wi-Fi Internet	Maintain and operate the airport and airport facilities safely and effieciently and in accordance with State and FAA specified conditions and grant assurances. Includes land management / mowing and managing leases for hangars and tie down areas.
Courtesy Transportation	

Services will be available 7 days a week, excluding holiday closures and on-call services will be provided 24 hours a day to provide fuel service 2 hours after customer request.

Lessee will ensure at least one (1) employee on duty at all times during hours of operation and will keep current a written statement of names, addresses and contacts for all personneel responsible for the operation and management of the FBO including a point of contact with phone numbers for emergency situations.

Aircraft Fueling

Fuel handling personnel shall be trained in the safe and proper handling, dispensing, and storage of aviation fuels. The FBO shall develop and maintain Standard Operating Procedures (SOP) for refueling and ground handling operations and shall ensure compliance with standards set forth in the Uniform Fire Code and FAA Advisory Circular 00-34A, Aircraft Ground Handling and Servicing.

The SOP shall address bonding and fire protection, public protection, control of access to the fuel storage area, and marking and labeling of fuel storage tanks and fuel dispensing equipment and will be made available no later than thirty (30) days prior to the FBO commencing fueling activities. Additionally, the FBO shall comply with FAA Advisory Circular 150/5230-4A, Aircraft Fuel Storage, Handling, and Dispensing on Airports, Airport rules and regulations, and all other applicable laws related to aircraft fuel handling, dispensing and storage.

The Lessee shall provide the sale and into-plane delivery of ASTM-rated brands of aviation fuels, lubricants and other aviation petroleum products. In addition, the Lessee shall provide, store, and dispense both 100 LL octane Avgas and Jet A fuel. All equipment used for the storage and/or dispensing of petroleum products must meet all applicable federal, State, and local safety codes, regulations and standards.

The Lessee shall provide mobile or stationary dispensing equipment and one (1) or more personnel to serve the Airport's fuel demand. Filter-equipped fuel dispensers with separate dispensing pumps and meter systems for each grade of fuel shall be provided. All metering devices must be inspected, checked and certified annually by appropriate local and State agencies.

The Lessee shall have a fuel storage system designed in accordance with all EPA regulations including proper fuel spill prevention features and containment capabilities. In addition, the Lessee shall provide a current copy of their fuel spill prevention, countermeasures, and control plan. Fuel inventories will be monitored in accordance with current EPA standards, and copies shall be provided to the Airport Administrator when requested.

The Lessee shall provide self-fueling (card-reader or card-lock) equipment in compliance with State and local building codes, Office of the State Fire Marshall regulations, and must comply with fueling equipment requirements set forth in Section 5.6.2 (1-3) of McMinnville Municipal Airport's Minimum Standards for Commercial Aeronautical Activities.

Airframe and Power Plant Maintenance

The Lessee will partner with NW Air Repair for airframe and power plant maintenance services, which includes the following: the repair, maintenance, inspection, constructing, and making of modifications and alterations to aircraft, aircraft engines, propellers and appliances, or the removal of engines for major overhaul. The airframe and power plant maintenance operator will:

- a. Operate the service from a ventilated shop and aircraft storage space of at least 4,000 square feet and capable of accommodating at least one aircraft within the FBO leasehold.
- b. Employ and have on-duty a minimum of one (1) FAA-certified technician who possesses an airframe and power plant certificate, with inspection authorization, or conduct operations as a certified repair station pursuant to 14 CFR Part 145.
- c. Keep premises open and services available during appropriate business hours, five (5) days a week.
- d. Provide equipment, supplies and parts required for general aircraft airframe and power plant inspection, maintenance and repair.

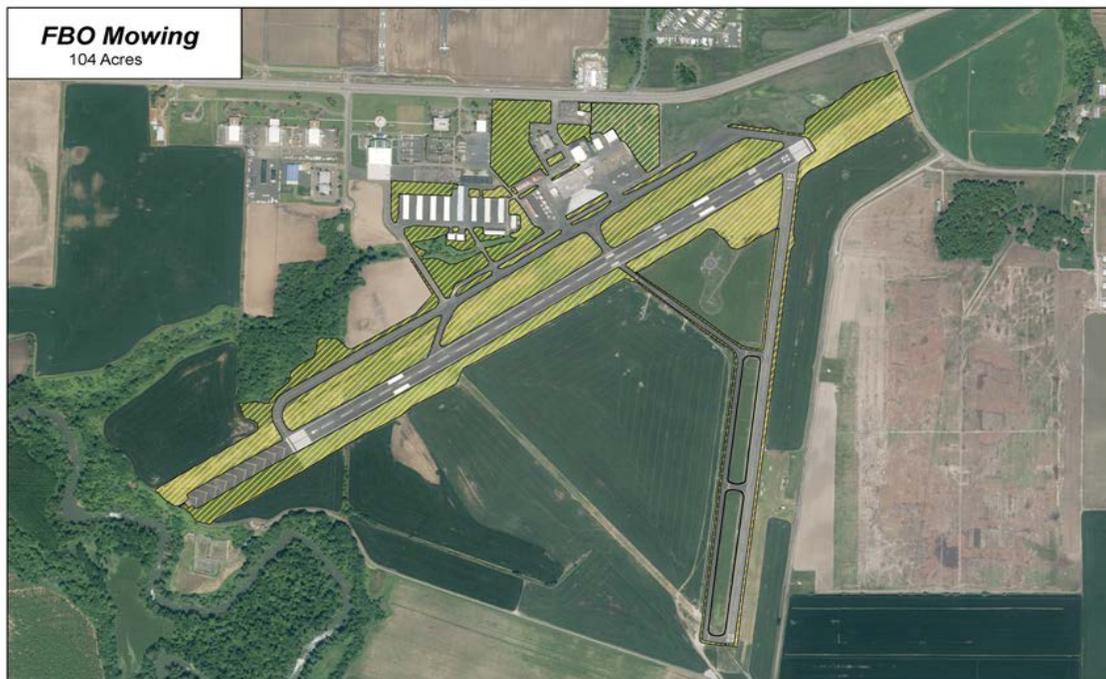
Section 5.12 - Lessee shall provide the following services as the City's Airport Manager:

The Lessee will inspect all fences and gates on the airport and report to the Lessor's Community Development Director or designee the need for repairs or improvements. Facility maintenance will be performed to keep all taxiways, parking areas, runways, and land adjacent to the hangars free from litter and debris (FOD) which would constitute a hazard to aircraft or a fire hazard to building and structures located on or adjacent to the airport.

The Lessee will inspect all taxiways, parking areas, runways, runway and taxiway lights, approach lights, and the rotating beacon on a routine basis for defects which amount to or could lead to a hazard to aircraft, and report defects to the Lessor's Community Development Director or designee and to the responsible FSS as a NOTAM, if appropriate. All other physical facilities and equipment will be inspected on a routine basis to keep a constant lookout for new safety problems.

The Lessee will maintain runway lighting, PAPI, Wind Tees and associated facilities including weekly night inspections to ensure all lighting is operational.

The Lessee will be responsible for mowing in the areas depicted in yellow below.



The Lessee will support airport administration and planning activities to include participating in and organizing airport community activities. The Lessor grants the Lessee spending authority under its agreement as the Airport Manager to spend up to \$2,000 for airport support. Should an emergency situation dictate, the Lessee may exceed this limit to remedy hazards to life, limb or property.

The Lessee will act as the City's representative at the airport and will attend City meetings as requested as will act as the recording Secretary for the McMinnville Airport Commission. The Lessee will encourage pilots to conduct their operations in conformance with the City's "Fly Friendly" program and will be proactive in addressing Citizen and user complaints related to airport activity.

Hangar and Miscellenous Facilities

The Lessee will collect rents for, and provide management and minor maintenance of, the following City owned facilities:

Common Name	Building	Existing Use
Hangar G100-109	T-Hangar "Golf" (8 units) (West Hangar area)	Aircraft Storage
6 Hangars City Community C1-C6	T-Hangar "Charlie" (6 units) (west end of Terminal area)	Aircraft Storage
Hangar D10-D17	T-Hangar "Alpha" (8-units) (NW comer of Terminal area)	Aircraft Storage
4 Single Hangars B1-B4	Conventional Hangars "Bravo" (4 building cluster)	Aircraft Storage
West Hangar	Conventional Hangar (Quonset west end of Apron)	Aircraft Storage
Future Administration Building	Terminal Building	Aircraft Maintenance
East Hangar	Conventional Hangar (Quonset east end of Apron)	Commerical use, Aircraft Storage
Fuel Tank Above Ground		
Beacon, Papi, REIL Wind Tee/Cone		

The Lessee will monitor the various leases to ensure compliance with airport operational and safety standards, including periodic inspections as allowed for in respective leases.

Lessor also grants to the Lessee the right to collect and retain rents from the tie-downs presently at the airport. Additional tie-downs may be installed by the Lessee after obtaining written consent from the City. The rental rate for tie-downs shall be established from time to time between the parties and approved by the McMinnville Airport Commission.

Section 5.13 - Lessee shall provide the following services for Business and Aiport Development:

The Lessee will develop a marketing plan depicting available properties for rent at the airport and will actively market said properties in both electronic and written material in the Northwest Oregon area. In addition, lessee will advise the City when requested on the best options for extension of City services including water, sewer and electricity as well as play an advisory role in the development of future Airport Layout Plans, future Master Plan updates and in the formation of the Airport's yearly City budget.

Section 5.14 - Garbage and Waste Removal: Lessee agrees to cause to be removed at its own expense from the leased premises all waste including but not limited to all petroleum products, garbage, or rubbish, and agrees not to deposit the same, except temporarily in connection with collection for removal, on any part of the leased premises, the drainage system, or other property of Lessor constituting the Airport. Notwithstanding the preceding, no deposit on, use of, or storage on any of the non-leased property of the airport, including the non-exclusive use areas referenced in Section 4.02 herein, and any portion of any drainage system, is prohibited without the expressed written approval of the City. Nothing within this Section shall in anyway supersede or lessen the provisions and requirements of this lease regarding hazardous substances.

Section 5.15 - Liability Insurance Required: Lessee shall procure and maintain throughout the term of this lease and any extension, at Lessee's cost, Commercial General Liability Insurance for bodily injury, death, personal property, or property damage in connection with Lessee's use or occupancy of the Leased Premises, or the exercise or enjoyment of rights or privileges granted by this lease. The limits per occurrence and aggregate of such insurance shall be not less than 150% of the liability limits for local public bodies for personal injury and death, pursuant to ORS 30.272(2) and (3), respectively, rounded to the nearest \$1,000. For example, if the statutory liability limit is \$666,700, then the required insurance limit shall be $\$666,700 \times 2 = \$1,000,050$, rounded to \$1,000,000. Lessor shall have the right to require Lessee to increase the limits of such coverage from time to time to an amount deemed by Lessor to be reasonable in view of conditions and circumstances existing at the time of such increase. Lessee shall cause Lessor to be named as an additional insured on its liability policy. Lessee shall provide Lessor with a certificate of insurance evidencing the required coverage.

Section 5.16 Commercial Property Insurance Required: Lessee shall procure and maintain throughout the term of this lease and any extension, at Lessee's cost, Commercial Property insurance on all of their structures constructed on or moved to the leased premises. Such insurance shall provide coverage for loss or damage due to fire, vandalism, wind, rain, snow, or other causes for no less than the insurable replacement value of the structures. Lessee shall provide Lessor with a certificate of insurance evidencing the required coverage.

Lessor and Lessee shall have no liability to one another, or to any insurer, by way of subrogation or otherwise, on account of any loss or damage to their respective property, the leased premise or its contents, regardless of whether such loss or damage is caused by the negligence of Lessor or Lessee, arising out of any of the perils, or casualties insured against by the Commercial Property insurance policies carried or required to be carried, by the parties pursuant to this lease.

Section 5.17 - Damage and Restoration: If any improvement on the property is damaged or destroyed by fire, wind, rain, snow or any other cause at any time during the lease term, whether or not covered by insurance, Lessor shall promptly repair the damage and restore the improvement. If the Premises are destroyed or damaged such that the cost of repair exceeds 50% of the value of the structure before the damage, either party may elect to terminate the lease as of the date of the damage or destruction by 30 days notice given to the other in writing following the date of damage. In such event all rights and obligations of the parties shall cease as of the date of termination, and Lessee shall be entitled to the reimbursement of any prepaid amounts paid by Lessee and attributable to the anticipated term.

Section 5.18 - Nondiscrimination: The Lessee for itself, its heirs, personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land that: (1) no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities, (2) that in the construction of any improvements on, over, or under such land and the furnishing of services thereon, no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination, (3) that the lessee shall use the premises in compliance with all other requirements imposed by or pursuant to 49 CFR Part 21, Nondiscrimination in Federally Assisted Programs of the Department of Transportation, and as said Regulations may be amended.

**ARTICLE 6
LESSOR'S RIGHTS**

Section 6.01 - General Right of Entry: Lessor may enter upon the premises now or hereafter leased to Lessee at any reasonable time for any purpose necessary, incidental to, or connected with the performance of its obligations hereunder, or in the exercise of its governmental functions.

Section 6.02 - Field User Charges: It is expressly understood that Lessor may from time to time establish field user charges for use made of the public airport facilities. Such field user charges shall be payable by the user of such facilities, in accordance with the rules and regulations, ordinances, or resolutions of Lessor.

**ARTICLE 7
LESSOR'S OBLIGATIONS AND RESPONSIBILITIES**

Section 7.01 - Access to Leased Premises: Lessor shall provide appropriate and adequate ingress and egress to Lessee as provided in Section 4.03 of this lease.

Section 7.02 - Access to Leased Premises from Airport Public Parking Lot: Lessor shall provide access to the leased premises from the Airport public parking lot by the existing pedestrian walkways.

**ARTICLE 8
INDEMNITY**

Section 8.01 - Indemnity: Lessee agrees fully to indemnify and save and hold harmless Lessor from and against all claims, action, damages, and expenses, including those incidental to the investigation and defense thereof, based upon or arising out of damages or injuries to third persons or their property, and/or damages to City of Albany property, caused by the fault or negligence of Lessee, in the use or occupancy of the leased premises, or by any breach of this agreement by Lessee.

**ARTICLE 9
GENERAL PROVISIONS**

Section 9.01 - Agent of Lessor: Whenever reference is made herein to Lessor, Lessor's Airport Manager shall be the authorized representative of Lessor in all matters pertaining to this Agreement until notice to the contrary is given by the City Manager of the City of Albany.

Section 9.02 - Governing Law: This lease shall be construed in accordance with and governed by the laws of the State of Oregon.

Section 9.03 - Entire Agreement: This lease is intended to, and does contain the entire agreement between the Lessor and Lessee.

Section 9.04 - Binding Effect: The provisions of this lease shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, legatees, and personal representatives, and their successors and assigns.

Section 9.05 - Time of the Essence: Time is of the essence in this lease.

Section 9.06 - Modification: No modification of this lease shall be effective unless in writing and executed by Lessor.

Section 9.07 - Renegotiation of Lease: Nothing in this lease shall be construed or interpreted in any manner whatsoever as prohibiting or limiting in any way the Lessee and Lessor, at any time, from renegotiating the provisions of this lease or execution of a new lease.

Section 9.08 - Holding Over: In the event that Lessee shall remain on the leased premises after the expiration or sooner termination of the term of this lease, such holding over shall not constitute a renewal or extension of this lease. Lessor may, at its option, elect to treat Lessee as one who has not been removed at the end of this term, and thereupon be entitled to all the remedies against Lessee provided by law in that situation, or Lessor may elect, at its option, to construe such holding over as a tenancy from month to month, subject to the terms hereof, the monthly rate being same as monthly lease rate paid by Lessee.

Section 9.09 - Non-Waiver: No waiver of default by Lessor of any of the terms, covenants, or conditions hereof to be performed, kept, or observed by Lessee shall be construed to or act as a waiver of any subsequent default of any of the terms, covenants, and conditions herein contained to be performed, kept, and observed by Lessee. The acceptance of rental by Lessor for any period or periods after default of any of the terms, covenants, and conditions herein contained to be performed, kept, and observed by Lessee, shall not be deemed a waiver of any rights on the part of Lessor to cancel this Agreement for failure by Lessee to so perform, keep, or observe any of the terms, covenants, or conditions of this Agreement.

Section 9.10 - Redelivery: Upon the termination or cancellation of this lease through the passage of time or otherwise, Lessee shall have no further rights or interest in the leased premises and Lessor shall be entitled to have the leased premises returned to it immediately. Lessee shall remove, at its own expense, the constructed hangar and all of Lessee's personal property and other materials, and shall restore the site and improvements (excepting the hangar) located thereon or adjacent to and deliver to the Lessor in first class condition "broom clean," ordinary wear and tear excepted, within sixty (60) days after said termination or cancellation unless otherwise agreed to by the Lessor and Lessee. If said hangar, personal property, and other materials are not removed within sixty (60) days, Lessor may sell such hangar, personal property, and materials or, where agreed to by the Lessor, lessee may leave such improvements, including the hangar, for the use of or disposal by Lessor. All such disposal and any clean-up costs shall be the responsibility of the lessee. Any improvements and possessions, including the hangar, not removed by Lessee within sixty (60) days after the termination of this lease, and not disposed of as provided above, may, at the discretion of Lessor, become and remain the property of Lessor.

Section 9.11 - Attorney's Fees: In the event any action, suit, or proceeding is brought to collect the fees and charges due, or to become due hereunder, or any portion thereof, or to take possession of any premises or enforce compliance with this agreement, or for failure to observe any of the covenants of this Agreement, the prevailing party in such suit or action shall be entitled to such sum as the Court may adjudge reasonable in attorney's fees and administrative costs to be allowed in such suit, action, or proceeding, or in the event of an appeal, as allowed by the appellate court.

Section 9.12 - Invalid Provisions: In the event any covenant, condition, or provision herein contained is held to be invalid by any court of competent jurisdiction, the invalidity of any such covenant, condition, or provision shall in no way effect any other covenant, condition, or provision herein contained; provided that the invalidity of such covenant, condition, or provision does not materially prejudice either the Lessor or Lessee in its respective rights and obligations contained in the valid covenants, conditions, or provisions of this lease.

Section 9.13 - Release of Existing Lease: Upon execution of this lease, all prior leases for this same area of land and all amendments or modifications thereto are superseded and released by the parties hereto.

Section 9.14 - Sponsors Assurance Subordination: This lease shall be subordinate to the provisions of any existing or future agreement between Lessor and the United States relative to the operation or maintenance of the Airport, the execution of which has been or may be required as a condition precedent to the expenditure of federal funds for the development, maintenance, or operation of the Airport.

IN WITNESS WHEREOF, LESSEE and CITY have executed this Service Agreement as of the day and year first above written. Individuals signing on behalf of a Principal warrant that they have the authority to bind their Principals.

Konect Aviation Oregon, LLC:

CITY OF MCMINNVILLE:

By: _____

By: _____

Name: _____

Name: Martha Meeker

Title: _____

Title: City Manager

Date: _____

Date: _____

APPROVED AS TO FORM:

City Attorney