

**ASHLAND MUNICIPAL AIRPORT  
MASTER HANGAR LEASE AGREEMENT**

**THIS AGREEMENT** is entered into between the CITY OF ASHLAND, OREGON, by and through the City Council, hereinafter referred to as **Lessor**, and the **Lessee**.

- 1. Lease Abstract.** City and Lessee have signed a Master Hangar Lease Abstract (“the abstract”) which contains individual terms specific to the particular hangar or ground being leased. By signing the abstract, City and Lessee have agreed to the terms and conditions of this Master Hangar Lease Agreement.
- 2. Description of leased premises.** City leases to Lessee a part of the Airport described in the abstract (“the premises”) and identified on Exhibit A.
- 3. Lease Fees.** An initial rental is established as set forth in the abstract and shall be paid in advance at the office of the fixed base operator (see Airport Contact Person listed in the abstract)
  - 3.1 Periodic rent increase.** For month-to-month rentals, the rental fee is subject to adjustment on July 1 of each year at the option of the City and is payable, monthly in advance, on the first day of each month.
  - 3.2 Annual rent increase.** For other than month-to-month rentals, the rent shall increase annually on July 1 of each year, but not decrease, based on the previous calendar year’s Consumer Price Index (“CPI”). The CPI will be calculated on the difference between January of the prior year and January of the current year. The adjustment will be the increase in the CPI using the All Urban Consumers (CPI-U), U.S. City Average, CPI--All Items Index as published by the Bureau of Labor Statistics of the United States Department of Labor. If the CPI is no longer being published, then the Index shall be the figure reported in the U.S. Department of Labor's most recent comprehensive official index then in use and most nearly answering the description of the CPI. All sums resulting from the computation of annual lease fees shall be rounded up to the nearest whole dollar.
  - 3.3 Past due fees.** Lease fees will become past due ten days past the due date and the City will charge interest of 1.5% per month on past due lease fees.
  - 3.4 Security Deposit.** For month-to-month rentals, Lessee shall pay a deposit in the amount of one month’s rent to secure Lessee's compliance with all terms of this agreement. The deposit shall be a debt from City to Lessee, refundable within 30 days after expiration of the lease term or other termination not caused by Lessee's default. City may commingle the deposit with its funds. Lessee shall not be entitled to interest on the deposit. City shall have the right to offset against the deposit any sums owing from Lessee to City and not paid when due, any damages caused by Lessee's default, the cost of curing any default by Lessee should City elect to do so, and the cost of performing any repair or cleanup that is Lessee's responsibility under this agreement. Offset against the deposit shall not be an exclusive remedy in any of the above cases, but may be invoked by City, at its option, in addition to any other remedy provided by law or this agreement for Lessee's nonperformance. City shall give notice to Lessee each time an offset is claimed against the deposit, and, unless the agreement is terminated, Lessee shall within 10 days after such notice deposit with City a sum equal to the amount of the offset so that the total deposit amount, net of offset, shall remain constant throughout the agreement term.
  - 3.5 Improvement Fee.** For leases which require Lessee to construct a hangar, Lessee may be required to pay a non-refundable improvement fee at the time of executing the lease abstract. The fee shall be used by City to make improvements at the airport.

4. **Term.** The term of this lease is month-to-month (unless otherwise specified in the abstract) commencing on the date specified in the front page abstract. A month-to-month lease may be terminated by either City or Lessee at any time upon 30 days prior written notice delivered to the other. For other than month-to-month leases, the term commences and ends on the dates specified in the abstract and a Lessee not in default shall have the first right of refusal to lease the premises from the City at the rates and terms then in effect as established by the City.
5. **Use of Premises.** Except as provided in this paragraph, the premises shall be used only for the storage of aircraft. No commercial activities, including but not limited to aircraft mechanical or maintenance work or repair or service, are to be conducted on the premises unless otherwise permitted under section 5.3. The preceding sentence does not apply, however, to work, maintenance, repair or service on aircraft owned by the Lessee. Other items of personal property may be stored temporarily when such storage in no way interferes with the normal storage area of the aircraft in the hangar, and does not otherwise violate this rental agreement.
- 5.1 Flammables and explosives prohibited. Lessee shall not store any flammable or explosive liquids or solids within the premises. For the purpose of this rental agreement, "flammable or explosive liquids or solids" shall not apply to fuel or other flammables contained within any airplane placed in the hangar. Fueling of the aircraft while in the hangar is strictly prohibited.
- 5.2 Pets and animals prohibited. Lessee shall not, without the City's written consent keep any pets or animals on the premises. If allowed, Lessee agrees to be liable for damage to the premises or other persons caused by the pet or animal.
- 5.3 When commercial activities permitted. For other than month-to-month rentals, Lessee may conduct airport related commercial activities upon obtaining a business license, as specified in the "Minimum Standards for Commercial Aeronautical Activities, Ashland, Oregon", and entering into a Specialized Aviation Service Operator (SASO) lease agreement, which allows the Lessee to operate as a Specialized Aviation Service Operator in accordance with current adopted standards.
- 5.4 When vacant hangar not permitted. For month-to-month rentals, any hangar that remains vacant of any aircraft for more than five months shall be a violation of this lease.
6. **Rights Reserved to the City.** The City reserves the following rights:
- 6.1 Improve landing area. The right to develop or improve the landing area of the airport without interference or hindrance of the Lessee.
- 6.2 Maintain airport. The right, but not the obligation, to maintain and keep in repair the landing area of the Airport, together with the right to direct and control all activities of Lessee.
- 6.3 Protect airport. The right to take any action considered necessary to protect the aerial approaches of the airport against obstruction, together with the right to prevent Lessee from erecting, or permitting to be erected, any building or other structure on the Airport which, in the opinion of the City, would limit the usefulness of the Airport and constitute a hazard to aircraft.
- 6.4 Temporary closures. The right to temporarily close or to restrict the use of the Airport or any of the facilities for maintenance, improvement, or for the safety of the public.
7. **Compliance with laws.** Lessee shall comply with:
- 7.1 The current adopted, or any future, "Minimum Standards for Commercial Aeronautical Activities, Ashland, Oregon" (Minimum Standards) are part of this lease agreement. If this lease and the Minimum Standards conflict in the requirements for the Lessee, the Minimum Standards take precedence.

7.2 All federal, state, county, and city laws, orders and ordinances, and rules and regulations. Including but not limited to all rules and regulations of the Oregon Department of Aviation and the Federal Aviation Administration.

**8. Lessee compliance with environmental laws.** As used in this paragraph, the term "hazardous material" means any hazardous or toxic substance, material, or waste, including, but not limited to, those substances, materials, and wastes listed in the United States Department of Transportation Hazardous Materials Table (49 C.F.R. § 172.101) or by the United States Environmental Protection Agency as hazardous substances (40 C.F.R. Part 302) and any amendments, ORS 466.567, 466.205, 466.640 and 468.790 and regulations of the Oregon State Department of Environmental Quality, petroleum products and their derivatives, and such other substances, materials and wastes as become regulated or subject to cleanup authority under any environmental laws. Environmental laws means any federal, state, or local statutes, regulations, or ordinances or any judicial or other governmental orders pertaining to the protection of health, safety, or the environment.

8.1 Lessee's compliance with laws and permits. Lessee shall cause the premises and all operations conducted on the premises (including operations by any subtenants) to comply with all environmental laws.

8.2 Limitation on uses of hazardous materials. Lessee shall not use or allow any agents, contractors or subtenants to use the premises to generate, manufacture, refine, transport, treat, store, handle, recycle, release or dispose of any hazardous materials, other than as reasonably necessary for the operation of Lessee's activities as contemplated under this lease.

8.2.1 *Disposal and contamination clean-up.* Lessee shall be responsible for disposing of all hazardous materials in compliance with environmental laws, and Lessee shall be responsible for any environmental clean-up of the premises that is necessary due to Lessee's activities.

**9. Title to Improvements.** For Type B leases, upon completion of construction and issuance of a certificate of occupancy, improvements included in the Hangar Construction Requirement including any further improvements to the premises approved by the Airport Commission, shall become property of City, free and clear of all claims of Lessee, any one claiming under Lessee or caused, permitted or suffered to attach through Lessee. Lessee or any one claiming under Lessee, shall indemnify and defend City against all liability and loss arising from such claims.

**10. Maintenance.** Lessee shall keep and maintain the premises and all improvements in good and substantial repair and condition, including the exterior condition. The City shall make all necessary major repairs and alterations not directly attributable to Lessee's negligence, and shall maintain the premises and all improvements in compliance with all applicable building and zoning laws and all other laws, ordinances, orders and requirements of all authorities having or claiming jurisdiction. Lessee shall provide proper containers for trash and garbage and shall keep the premises free and clear of weeds, rubbish, debris, and litter at all times. City shall have the right to conduct reasonable inspections and investigations of the premises and the operations conducted on the premises at any time, and from time to time with reasonable advance notice, and Lessee shall cooperate fully with City during such inspections and investigations.

**11. Utilities.** Lessee shall promptly pay any charges for electricity, water and sewer, and all other charges for utilities which may be furnished to the premises at Lessee's order or consent.

**12. Liens, Taxes.** Lessee shall pay all sums of money that become due for any labor, services, materials, supplies, utilities, furnishings, machinery or equipment which have been furnished or

ordered by Lessee which may be secured by lien against the premises. Lessee shall pay all real and personal property taxes assessed against the premises, such payments to be made no later than November 15 of the year in which the taxes become due and payable, and will submit a copy of the receipt for the taxes to the City's Director of Finance.

**13. Insurance.** Lessee shall obtain and maintain continuously in effect at all times during the term of this lease, at Lessee's sole expense, the following insurance:

13.1 Comprehensive insurance. Owner's, landlord and tenant or premises insurance protecting City and its officers, agents and employees against any and all liabilities that may allegedly in any way relate to the operation by Lessee, this insurance to be in the minimum amount of \$500,000, combined single limit coverage. Such limit shall automatically increase in the event of any change in the provisions of ORS 30.270, or in the event these limits are found to be not totally applicable to a city.

13.1.1 All policies shall include the City, its officers, commissions, elected officials, employees and agents as additional insureds.

13.1.2 A certificate evidencing such insurance coverage shall be filed with the City prior to the effective date of this lease, and such certificate shall provide that such insurance coverage may not be canceled or reduced or changed in any way adverse to the City without at least 30 days prior written notice to the City. The policy shall be continuous until canceled as stated above. If such insurance coverage is canceled or changed, Lessee shall, not later than 15 days prior to the termination or change in the insurance coverage, file with the City a certificate showing that the required insurance has been reinstated or provided through another insurance company or companies. Cancellation or termination of the policy shall terminate the lease.

In the event Lessee shall fail to furnish the City with the certificate of insurance required, City may secure the required insurance or self-insure at the sole cost and expense of Lessee, and Lessee agrees to reimburse City promptly for the cost, plus ten percent of the cost for City administration.

13.2 Property Insurance. Lessee shall bear the expense of any insurance insuring the personal property of Lessee on the premises against such risks, but Lessee shall not be required to insure his personal property.

**14. Indemnification.** Lessee will defend, indemnify and save City, its officers, employees and agents harmless from any and all losses, claims, actions, costs, expenses, judgements, subrogations, or other damages resulting from injury to any person (including injury resulting in death,) or damage (including loss or destruction) to property, of whatsoever nature arising out of or incident to this lease. Lessee will not be held responsible for damages caused by negligence of City.

**15. Damage or Destruction of Premises.**

15.1 For other than month-to-month rentals, if the premises or any improvements are damaged or destroyed by fire or other casualty, Lessee shall:

15.1.1 Promptly repair, rebuild or restore the property damaged or destroyed to substantially the same condition consistent with the applicable building codes; and

15.1.2 Apply for any net proceeds of insurance resulting from claims for such losses, as well as any additional money of Lessee necessary.

If the damage or destruction which occurs is such that the cost of repair, rebuilding or restoration of the property damaged or destroyed exceeds 50% of the fair market value of the improvements, Lessee shall have the option within 60 days from the date of damage or destruction, to notify City in writing whether or not Lessee elects to repair, rebuild, or restore in

accordance with paragraph 15.1 or to terminate this lease. Upon giving such notice to terminate, this lease shall terminate on the date specified in the notice and City shall be entitled to the net proceeds of insurance.

15.2 For month-to-month rentals, Lessee shall be responsible for damage or destruction to the premises or any improvements resulting from Lessee's operations, or anything done or permitted by Lessee under this lease.

**16. Events of Default.** The following shall be events of default:

16.1 Default in Rent: Failure of Lessee to pay any rent or other charge within ten days after it is due.

16.2 Default in Other Covenants: Failure of Lessee to comply with any term or condition or fulfill any obligation of the lease (other than the payment of rent or other charges) within 30 days after written notice by City specifying the nature of the default. If the default is such that it cannot be completely remedied within the 30-day period, this provision shall be complied with if Lessee begins correction of the default within the 30-day period and proceeds in good faith to effect the remedy as soon as practicable.

16.3 Insolvency: Insolvency of Lessee and assignment by Lessee for the benefit of creditors; the filing by Lessee of a voluntary petition in bankruptcy; an adjudication that Lessee is bankrupt or the appointment of a receiver of the properties of Lessee; the filing of an involuntary petition of bankruptcy and failure of the Lessee to secure a dismissal of the petition within 30 days after filing; attachment of or the levying of execution on the leasehold interest and failure of the Lessee to secure discharge of the attachment or release of the levy of execution within ten days.

**17. Remedies on Default.** In the event of a default, the City at its option may terminate the lease by notice in writing by certified or registered mail to Lessee. The notice may be given before or within thirty days after the running of the grace period for default and may be included in a notice of failure of compliance. If the property is abandoned by Lessee in connection with a default, termination shall be automatic and without notice.

17.1 Damages. In the event of termination of default, City shall be entitled to recover immediately the following amounts as damages:

17.1.1 The reasonable cost of re-entry and reletting including the cost of any clean up, refurbishing, removal of Lessee's property and fixtures, or any other expense occasioned by Lessee's failure to quit the premises upon termination and to leave the premises in the required condition, any remodeling costs, attorney fees, court costs, broker commissions and advertising cost.

17.1.2 The loss of reasonable lease fee value from the date of default until a new tenant has been or, with the exercise of reasonable efforts could have been secured.

17.2 Re-entry After Termination. If the lease is terminated for any reason, Lessee's liability to City for damages shall survive such termination, and the rights and obligations of the parties shall be as follows:

17.2.1 Lessee shall vacate the premises immediately, and within 60 days remove any property of Lessee including any fixtures which Lessee is required to remove at the end of the lease term, perform any cleanup, alterations or other work required to leave the property in the condition required at the end of the term. City may re-enter, take possession of the premises and remove any persons or property by legal action or by self-help with the use of reasonable force and without liability for damages.

17.3 Reletting. Following re-entry or abandonment, City may relet the premises and in that connection may:

17.3.1 Make any suitable alterations or refurbish the premises, or both, or change the character or use of the premises, but City shall not be required to relet for any use or purpose (other than that specified in the lease) which City may reasonably consider injurious to the premises, or to any tenant which City may reasonably consider objectionable.

17.3.2 Relet all or part of the premises, alone or in conjunction with other properties, for a term longer or shorter than the term of this lease, upon any reasonable terms and conditions, including the granting of some lease fee-free occupancy or other lease fee concession.

**18. Assignment of Interest or Rights.** Neither Lessee or any assignee or other successor of Lessee shall sublease, assign, transfer or encumber any of Lessee's rights in and to this lease or any interest, nor license or permit the use of the rights granted except as provided in this paragraph. Lessee shall not assign all or any part of its rights and interests under this lease to any successor through merger, consolidation, or voluntary sale or transfer of substantially all of its assets, without prior written approval of the City. Written approval of the City shall not be unreasonably withheld.

18.1 Right of first refusal. For other than month-to-month rentals, City shall have the following described right of first refusal with respect to the interest of Lessee under this lease after the expiration of the lease term and all extensions authorized under this lease:

18.1.1 Lessee shall not sell, sublease, assign or transfer to anyone other than City, unless Lessee shall have first communicated to City, by written notice, a written offer to sell, sublease, assign or transfer this lease or any interest, which offer shall specify, in commercially reasonable detail, the price, terms and conditions upon which Lessee is willing to sell, sublease, assign or transfer this lease or any interest.

18.1.2 City shall have a period of 30 days, following the notice, within which to accept the offer by giving Lessee written notice of acceptance. If the offer is accepted, the parties shall be obligated to close the sale, sublease, assignment or transfer in accordance with the terms of Lessee's offer. Closing shall occur within 60 days following acceptance or within such longer closing period as may be specified in the offer.

18.1.3 If City does not accept the offer, Lessee may sell, sublease, assign or transfer the lease or any interest to any other party, provided that such a sale must be consummated within 60 days following the earlier of the expiration of the 30 day acceptance period specified in paragraph 18.1.2 for the offer or the date of any written rejection of the offer by City, and for and upon the same price, terms and conditions as those specified in the offer.

18.1.4 City's rights under this paragraph shall apply to any subsequent or contemporaneous offer made to Lessee or Lessee's successor or successors in interest.

18.1.5 For the purposes of this subparagraph, a devise under a will by the Lessee shall not be considered a sale, sublease, assignment or transfer.

18.2 Option to Purchase Lessee's Interest. For Type B leases, in addition to the right of first refusal described above, City shall have the exclusive right and option to purchase all of Lessee's right under this lease upon the following terms and conditions:

18.2.1 If City exercises this option, the purchase price during the initial year of this lease for Lessee's rights under this lease will be the actual reasonable construction cost of the hangar plus 10%. The purchase price during each subsequent year shall be the purchase price determined in the immediately preceding sentence less 1/25<sup>th</sup> of such purchase price for each full year the lease has been in effect.

18.2.2 This option shall be exercised by written notice given by City to Lessee at any time, which notice shall specify that City has elected to exercise this option.

18.2.3 Closing shall occur as soon as possible following exercise of this option by City and, in any event, not later than the 35<sup>th</sup> day following the date of exercise of this option.

18.2.4 At closing, Lessee shall deliver to City a duly executed and acknowledged statutory quitclaim deed quitclaiming all of Lessee's rights and interest in the premises free and clear of all liens and encumbrances of Lessee, anyone claiming under Lessee or caused, permitted or suffered to attach through Lessee.

18.2.5 At closing, City shall pay to Lessee in cash the entire amount of the purchase price.

18.2.6 City's rights under this paragraph shall apply to any successor of Lessee and shall apply whether or not City exercises its rights under the right of first refusal paragraph. City may not exercise its rights under this paragraph while the Lessee who signed this lease is in possession and has not sold, subleased, assigned or transferred its interest in the lease. For the purposes of this subparagraph, a devise under a will by the Lessee shall not be considered as sale, sublease, assignment or transfer.

18.3 Subleases without consent. Lessee may sublease portions of the premises for the purpose of placing other aircraft within the hangar without consent of City.

**19. Nonwaiver.** Waiver by either party of strict performance of any provision of this lease shall not be a waiver of or prejudice the party's right to require strict performance of the same provision in the future or of any other provision.

**20. Consent of City.** Whenever consent, approval or direction by the City is required, all such consent, approval or direction shall be received in writing from the City Administrator.

**21. Hangar Construction Requirements.** The Hangar Construction Requirements are incorporated into this Agreement and shall apply to any construction that takes place on the leased property.

**22. Notices.** All notices required under this lease shall be deemed to be properly served if sent by certified or registered mail to the last address previously furnished by the parties. Until changed by the parties by notice in writing, notices shall be sent to:

CITY:

City of Ashland

Attn: City Administrator

20 E. Main Street

Ashland, OR 97520

LESSEE:

At address shown on abstract.

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## ORDER

Pursuant to ORS 271.360 the governing body hereby approves and authorizes the terms of this lease as set forth above.

**LESSOR:**

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Mayor/Mayor's Designee, City of Ashland

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Date

**END OF AIRPORT MASTER HANGAR LEASE AGREEMENT**