



**AIRPORT COMMISSION AGENDA
REGULAR MEETING
Council Conference Room 1
421 Main Street
Chico, CA 95928
January 30, 2024
6:00 p.m.**

**COPIES OF THIS AGENDA
ARE AVAILABLE FOR
REVIEW IN THE:**

Airport Manager's Office
150 Airpark Blvd., Suite 110
Chico, CA 95973
(530) 896-7216

Agenda available online at:
www.chico.ca.us

AIRPORT COMMISSION

Martin Nichols, Chair
Marc Breckenridge, Vice Chair
Mike Antolock
Roger Effremsky
Raul Hernandez

PUBLIC PARTICIPATION:

PUBLIC PARTICIPATION: This meeting is being conducted in accordance with Executive Order N-29-20. The public may view the meeting on Comcast Channel 11.

Due to the COVID-19 pandemic, the public shall have an opportunity to address the Airport Commission by email, on any item described in the agenda before or during consideration of that item. (Government Code § 54954.3(a)). The Airport Commission is prohibited by law from considering any other business at this meeting.

Public comment will also be accepted by email with the subject line PUBLIC COMMENT ITEM _____, sent to airportpubliccomments@chicoca.gov before the meeting. The public is encouraged not to send more than one email per item and not to comment on numerous items in one email.

1. **REGULAR AIRPORT COMMISSION MEETING**

1.1 **CALL TO ORDER**

1.2 **PLEDGE OF ALLEGIANCE**

1.3 **ROLL CALL**

2. **CONSENT AGENDA**

All matters listed under the Consent Agenda are to be considered routine and enacted by one motion.

2.1 **APPROVAL OF AIRPORT COMMISSION REGULAR MEETING MINUTES**

Approve minutes of the Regular Airport Commission meeting on October 24, 2023 (Attachment 1).

3. **ITEMS REMOVED FROM CONSENT AGENDA** (if any)

4. **NOTICE OF PUBLIC HEARINGS** – None

5. **CLOSED SESSION** – None

6. **REGULAR AGENDA**

6.1 **ARMSTRONG CONSULTANTS, INC. PRESENTATION**

Chris Nocks, Armstrong Consultants Western Division Lead, will give a short presentation.

6.2 **CONSIDERATION OF A NEW LEASE OF IMPROVED REAL PROPERTY AT 77 PIPER AVENUE**

The Commission will consider a request for a new Lease of Improved Real Property at 77 Piper Avenue (Attachment 2). In accordance with AP&P 90-16, the lease needs to be reviewed and approved by the Commission prior to execution.

Recommendation: The Airport Manager recommends Commission approval authorizing the City Manager to execute this Lease of Real Improved Property at the Chico Regional Airport (City of Chico/Aero-Flite, Inc.) located at 77 Piper Avenue (Attachment 3).

7. **PUBLIC COMMENTS**

Members of the public may address the Commission at this time on any matter not already listed on the agenda, with comments being limited to three minutes. The Commission cannot take any action at this meeting on requests made under this section of the agenda.

8. **REPORTS AND COMMUNICATION**

The following reports and communication items are provided for the Commission's information. No action can be taken on the items unless the Commission agrees to include it on a subsequent agenda.

8.1 **AIRPORT MANAGER REPORTS**

- Air Service Development
- Events
- Projects

8.2 **AIRPORT COMMISSIONER REPORTS**

Commissioners will report on airport related items that have been addressed by their assigned committee, commission, or association since the October 24, 2023 Airport Commission meeting (if any).

- A. Finance Committee – Nichols
- B. Internal Affairs Committee – Effremsky
- C. Butte County Airport Land Use Commission (ALUC) – Tom Bahr
- D. Air Service Development Committee –Breckenridge, Hernandez

9. **ADJOURNMENT**

Adjourn to a Regular Airport Commission meeting on April 30, 2024 at 6:00 p.m. in the City Council Chambers located at 421 Main Street, Chico, CA.



Please contact the Airport Manager's Office at (530) 896-7216 if you require an agenda in an alternative format or if you need to request a disability-related modification or accommodation to participate in a meeting. This request should be received at least three working days prior to the meeting to accommodate your request.

POSTED: 1/26/2024



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ATTACHMENT 1



**AIRPORT COMMISSION MINUTES
REGULAR MEETING
Council Conference Room 1
421 Main Street
Chico, CA 95928
October 24, 2023
6:00 p.m.**

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REVIEW IN THE:**

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150 Airpark Blvd., Suite 110
Chico, CA 95973
(530) 896-7216

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AIRPORT COMMISSION

Martin Nichols, Chair
Marc Breckenridge, Vice Chair
Mike Antolock
Roger Effremsky
Raul Hernandez

1. **REGULAR AIRPORT COMMISSION MEETING**

1.1 **CALL TO ORDER**

Called to order by Chair Nichols at 6:00 p.m.

1.2 **PLEDGE OF ALLEGIANCE**

1.2 **ROLL CALL**

Present: Effremsky, Hernandez, Antolock, Nichols.

Absent: Breckenridge.

2. **CONSENT AGENDA**

All matters listed under the Consent Agenda were to be considered routine and enacted by one motion.

2.1 **APPROVAL OF AIRPORT COMMISSION REGULAR MEETING MINUTES**

Approve minutes of the Regular Airport Commission meeting on July 25, 2023 (Attachment 1).

A motion was made by Commissioner Effremsky to approve the July 25, 2023 Regular Meeting minutes. The motion was seconded by Commissioner Hernandez.

Motion carried and passed 4-0-1 as follows:

AYES: Effremsky, Hernandez, Antolock, Nichols.

NOES: None.

ABSENT: Breckenridge.

ATTACHMENT 1

3. **ITEMS REMOVED FROM CONSENT AGENDA** (if any)

4. **NOTICE OF PUBLIC HEARINGS** – None

5. **CLOSED SESSION** – None

6. **REGULAR AGENDA**

6.1 **NORTHGATE AVIATION CHICO JET CENTER PRESENTATION**

Alicia Rock gave a short presentation on the Chico Regional Airport's FBO operations.

6.2 **AIR SERVICE DEVELOPMENT**

Airport Manager provided an update on the air service development progression.

6.3 **CONSIDERATION OF 2024 AIRPORT COMMISSION MEETING CALENDAR**

Per Airport Charter section 2.36.030, the Commission shall select a weekday and time for regular quarterly meetings during the months of January, April, July and October that shall begin no earlier than 6:00 p.m. The Commission will consider the following proposed meeting schedule for 2024 (Attachment 2):

January 29, 2024

April 30, 2024

July 30, 2024

October 29, 2024

A motion was made by Commissioner Effremsky to approve the 2024 Airport Commission meeting calendar. The motion was seconded by Commissioner Antolock.

Motion carried and passed 4-0-1 as follows:

AYES: Effremsky, Hernandez, Antolock, Nichols.

NOES: None.

ABSENT: Breckenridge.

7. **PUBLIC COMMENTS**

Members of the public may address the Commission at this time on any matter not already listed on the agenda, with comments being limited to three minutes. The Commission cannot take any action at this meeting on requests made under this section of the agenda.

8. **REPORTS AND COMMUNICATION**

The following reports and communication items are provided for the Commission's information. No action can be taken on the items unless the Commission agrees to include it on a subsequent agenda.

ATTACHMENT 1

8.1 **AIRPORT MANAGER REPORTS**

- Upcoming Airport Projects
- Professional Engineering Services RFP / Agreement Status

8.2 **AIRPORT COMMISSIONER REPORTS**

Commissioners reported on airport related items that have been addressed by their assigned committee, commission, or association since the July 25, 2023 Airport Commission meeting (if any).

- A. Finance Committee – Nichols
- B. Internal Affairs Committee – Effremsky
- C. Butte County Airport Land Use Commission (ALUC) – Tom Bahr
- D. Air Service Development Committee – Breckenridge, Hernandez

9. **ADJOURNMENT**

The meeting adjourned at 6:59 p.m. to a Regular Airport Commission meeting on January 30, 2024 at 6:00 p.m. in the City Council Chambers located at 421 Main Street, Chico, CA.



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**LEASE OF IMPROVED REAL PROPERTY
CHICO REGIONAL AIRPORT
77 PIPER AVENUE
(CITY OF CHICO & AERO-FLITE, INC.)**

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**LEASE OF IMPROVED REAL PROPERTY
CHICO REGIONAL AIRPORT
77 PIPER AVENUE
(CITY OF CHICO & AERO-FLITE, INC.)**

THIS LEASE OF IMPROVED REAL PROPERTY ("Lease") executed as of _____, 2024 ("Effective Date"), between the City of Chico, a municipal corporation of the State of California, acting by and through its duly appointed Airport Commission (referred herein as "City" or "Landlord") as Lessor, and AERO-FLITE, INC., a Wyoming corporation ("Lessee").

WITNESSETH:

BY THESE PRESENTS, City leases to Lessee and Lessee leases from City all of the real property and improvements at the Chico Regional Airport hereinafter described for the term and subject to the covenants and conditions hereinafter set forth.

1. DESCRIPTION OF LEASED PROPERTY. The property leased by City to Lessee and leased by Lessee from City shall consist of all of the real property at the Chico Regional Airport delineated on the plat entitled "Plat to Accompany CRA Lease to Aero-Flite, Inc." a copy of which is attached hereto marked Exhibit A and by this reference incorporated herein, subject to any of the easements on, over, across, or under the real property hereinafter reserved by City in this lease ("Leased Property"). The Lease Property also includes exclusive use of ramp space identified in Exhibit B. The Leased Property contains a total area of approximately 3.4 acres and is improved with a hangar facility with a combined first and second floor area of 44,950 square feet more or less, a fire suppression water storage tank, a vehicle parking area, and ramp space.

2. RESERVATION OF EASEMENTS.

- a. Reservation of Fire Lane and/or Public Utility Easements. The Leased Property shall be subject to the fire lane and public utility easements delineated on Exhibit A attached hereto. Such fire lane and public utility easements, together with the right to enter thereon for any purpose in connection with the construction or maintenance of improvements and facilities located thereon, are hereby reserved by City for the benefit of itself and for the benefit of all other persons or entities owning or leasing property at the Chico Regional Airport. In connection with the fire lane, Lessee agrees that it will not cause or permit any aircraft, vehicle, or other equipment to be parked within the boundaries of such fire lane or use the fire lane in a manner which would interfere with equipment and personnel traversing same in the course of fire suppression activities.
- b. Reservation of Avigation Easement. The Leased Property shall also be subject to an easement and right of way for the unobstructed passage of aircraft in the airspace above the Leased Property, which is reserved by City for the benefit of itself and all members of the general public operating aircraft which land at or take off from the Chico Regional Airport. Concomitant and coextensive with said easement and right of way, City and the general public shall have the further right to cause in all

airspace above the surface of the Leased Property such noise, vibrations, fumes, dust, fuel particles, and other effects that may be caused by the operation of aircraft landing at or taking off from or otherwise operating at the Chico Regional Airport.

In connection with this easement and right of way, Lessee agrees not to cause or permit any structure, natural growth, or other object on the Leased Property which extends into the airspace over the Leased Property and not to use or permit the use of the Leased Property in such a manner as to create electrical interference with radio communications between aircraft and the Chico Regional Airport, to make it difficult for flyers to distinguish between airport lights and other lights, to impair visibility in the vicinity of the Chico Regional Airport, or to otherwise endanger aircraft landing at or taking off from the Chico Regional Airport. Lessee further agrees that in the event it causes or permits any structure, natural growth, or other object on the Leased Property which extends into the airspace over the Leased Property, or otherwise causes or permits any condition on the Leased Property which endangers aircraft landing at or taking off from the Chico Regional Airport, then City shall have the right to enter upon the Leased Property and to remove such structure, natural growth, object, or condition endangering aircraft landing at or taking off from the Chico Regional Airport, all at Lessee's sole cost and expense.

3. USE OF COMMON AREAS. As part of this lease, Lessee shall be entitled to use the public facilities and improvements at the Chico Regional Airport including the runways, taxiways, common use portions of the aprons, and navigational aids maintained by City at the Chico Regional Airport otherwise available to the public for landings and take-offs in the aircraft to be stored on the Leased Property. Lessee understands, however, that Lessee's use of such facilities shall be subject to City's continuing right to direct and control such use. Except as herein provided, the City will, with reasonable diligence and in a manner consistent with that of a reasonably prudent operator of an airport of comparable size, develop, operate, maintain and keep in good repair and order all common areas, improvements, public appurtenances, facilities and equipment provided by City at the Chico Regional Airport. City will use reasonable efforts to notify Lessee of any changes to airport common areas as noted above which may impact or interfere with Lessee's ability to operate at or to and from the Chico Regional Airport and make reasonable accommodations to Lessee to help minimize any such disruption or interference.

4. LEASE TERM.

- a. Initial Term. The initial term of this Lease shall be for a period of Five (5) years, commencing on March 1, 2024 ("Commencement Date"), and terminating on December 31, 2028, provided that the City delivers possession of the Leased Property on or before the Commencement Date with all building systems in good working order and any deferred maintenance completed before delivery of possession, and Lessee has an opportunity to (i) review a current environmental site assessment of the Leased Property provided by City at its expense, and (ii) inspect the building before occupancy to confirm it is in a condition reasonably acceptable to Lessee for its use as stated in this Lease (the "Delivery Condition"). If delivery of the Leased Property in a Delivery Condition to Lessee does not occur on or

ATTACHMENT 2

before the Commencement Date, Lessee may terminate this Lease by providing written notice to City within ninety (90) days of the Commencement Date.

- b. Extended Terms. At the end of the initial term, the term of this Lease may be extended for two (2) additional five (5) year periods in accordance with this Paragraph. Lessee may exercise its option to extend the Lease term by delivering written notice to City provided that Lessee's notice is given at least ninety (90) days before the expiration of the initial term or any extended term. The extension of the term shall be on the same terms and conditions as the initial Lease term with the exception of base rent, which shall be adjusted as set forth in Section 5.b herein. The right of Lessee to exercise its option to extend is conditioned upon it not then being in default, following applicable cure rights, under any terms, covenants, or conditions of this Lease or any amendments hereof.

5. RENT.

- a. Base Rent. As base rent for the Leased Property, Lessee agrees to pay to City the sum of \$17,081.00 per month, payable on or before the first day of each month during the term of this Lease, commencing on the Commencement Date. Such rent shall be payable by check delivered to the office of the City Finance Director, 411 Main Street, Chico, California 95928 (P.O. Box 3420, Chico, California 95927-3420) or such other address as notified to Lessee by the City.
- b. Rent Adjustment. The base rent for the Leased Property shall be increased by three percent (3%) adjusted at the end of each Lease Year. For purposes of this Lease, the term "Lease Year" shall mean the period commencing on the Commencement Date and ending on, and including, the last day of the calendar year for such year and thereafter, the period commencing on January 1 and ending on, and including, the last day of the calendar year for such year.
- c. Additional Rent from Subleases. If City consents to a sublease by Lessee in accordance with and only if required under Section 27 below, the Lessee agrees to pay to City forty-five percent (45%) of any "Sublease Premium" (defined below) received by Lessee from such sublessee. The term "Sublease Premium" means all rent, additional rent or other consideration payable by the sublessee to Lessee in connection with the sublease by Lessee in excess of the rent payable by Lessee under this Lease during the term of the sublease on a per rentable square foot basis if less than all of the Leased Property is subleased, after deducting the actual expenses incurred by Lessee.

6. AUTOMATIC PAYMENT OF RENT. In lieu of Lessee paying rent, additional rent, or other charges by check in the manner provided in Section 5.a, City may, at its sole option, upon not less than 30 days' prior notice to Lessee, request Lessee to pay rent using an automated debiting system or ACH transfer into City's bank account as City shall designate to Lessee from time to time. Lessee shall use reasonable efforts to coordinate with City to complete the process to allow for an automated debiting system or ACH transfer of rent. Lessee agrees to pay rent and other charges pursuant to the Lease, even if Lessee's bank account is incorrectly debited in any given

month. Lessee will pay all service fees and other charges related to setting up the ACH transfer, including any charges resulting from insufficient funds in Lessee's bank account. If Lessee elects to designate a different bank or financial institution from which any rent, additional rent, or other charges under this Lease are automatically debited, Lessee shall notify City at least 30 days before the change date, along with any required documents, instruments, authorizations, or certificates regarding same.

7. LATE PAYMENT OF RENT. If any installment of rent accruing under the provisions of this Lease is not received by City within seven (7) days following the date such rent becomes due, such rent shall bear interest thereon from the date due until paid at the rate of 10% per annum. Lessee also acknowledges that the late payment of rent will cause City to incur accounting and other processing costs not contemplated by this Lease, the exact amount of which is extremely difficult and impracticable to fix. Therefore, if any installment of rent due from Lessee is not received by City within seven (7) days following the date such rent becomes due, Lessee shall also pay to City an additional sum of 10% of the overdue rent as a late charge. City and Lessee agree that this late charge represents a fair and reasonable estimate of costs that City will incur by reason of the late payment of rent by Lessee. Acceptance of any such late charge shall not constitute a waiver of Lessee's default with respect to the overdue amount, nor prevent City from exercising any of the other rights and remedies available to it by reason of such default.

8. USE OF LEASED PROPERTY. Lessee shall use the Leased Property solely for the purpose of operating a business engaged in aircraft maintenance, repair, overhaul, and modification and for any other purpose necessary or normally incident to the conduct of such business; provided that Lessee agrees that its right to use the Leased Property to operate such business shall not be exclusive of the right of any other person or firm to operate the same or a similar business on other property located at the Chico Regional Airport.

9. COMPLIANCE WITH LAWS. In its use of the Leased Property, Lessee shall comply with all applicable statutes, ordinances, or regulations now or hereafter adopted by any federal, state, or county governmental entity, and with all ordinances, regulations, policies, and guidelines now or hereafter adopted by the City of Chico or any of its boards and commissions, including, but not limited to:

- a. The "Airport Rules and Regulations" adopted by the City Council of City;
- b. The "Standards for Conducting Aeronautical Activities at the Chico Regional Airport" adopted by City's Airport Commission; and
- c. The land use regulations applicable to the Chico Regional Airport adopted by the City Council of City.

10. COMPLIANCE WITH STORM WATER POLLUTION PREVENTION PLAN. Lessee and City each shall comply with all provisions and requirements of the Chico Regional Airport's Storm Water Pollution Prevention Plan (SWPPP), a copy of which will be provided by City to Lessee on or before the Effective Date. If during the initial term or any extended term of this Lease, Lessee's use of the Leased property results in a violation of the SWPPP for reasons caused by Lessee or its employees and invitees, through either Lessee's action or inaction, Lessee

shall hold harmless and indemnify City, its boards and commissions and members thereof, its officers, employees, and agents from any and all liability for violation of the SWPPP, including any judgment rendered against them or any sums paid out in settlement, including the payment of reasonable attorney's fees and costs. If during the initial term or any extended term of this Lease, the City's actions result in a violation of the SWPPP for reasons caused by City or its employees and contractors, the City shall hold Lessee and its directors, officers, employees, and agents harmless and free from any and all liability and claims made arising from the City's violation of the SWPPP, including any judgment rendered against them or any sums paid out in settlement, including the payment of reasonable attorney's fees and costs.

11. WASTE, NUISANCE, AND HAZARDOUS MATERIALS.

- a. In its use of the Leased Property and any other facilities provided by City at the Chico Regional Airport, Lessee shall not commit nor allow to be committed any waste nor maintain or allow to be maintained any nuisance on the Leased Property as defined or declared under the Chico Municipal Code, state or federal law.
- b. As used in this Lease, the term "Hazardous Materials" shall mean any substance or material which has been determined by the state, federal or local governmental agency to be capable of posing risk of injury to health, safety, and property, including petroleum, petroleum products or by-products, and including but not limited to all those materials and substances designated as hazardous or toxic presently or in the future by the U.S. Environmental Protection Agency; the California Water Quality Control Board; the U.S. Department of Labor; the California Department of Industrial Relations; the California Department of Health Services; the California Health and Welfare Agency in connection with the Safe Water and Toxic Enforcement Act of 1986; the U.S. Department of Transportation; the U.S. Department of Agriculture; the U.S. Consumer Product Safety Commission; the U.S. Department of Health, Education and Welfare; the U.S. Food and Drug Administration, or any other governmental agency now or hereafter authorized to regulate materials and substances defined as "Toxic Materials" in section 66680 through 66685 of Title 22 of the California Code of Regulations, Division 4, Chapter 30, as the same shall be amended from time to time.
- c. No goods, merchandise, or material shall be kept, stored, or sold on the Leased Property which are in any way explosive or deemed Hazardous Materials except in compliance with applicable law and as required for Lessee's use of the Lease Property as described herein. No dangerous trade, business, or occupation shall be carried on by Lessee at the Leased Property, and nothing shall be done on the Leased Property other than as is provided for herein which materially increases the insurance premiums of City or results in a suspension of insurance of buildings or structures on the Leased Property without prior approval of the Airport Manager. The Lessee shall provide the Airport Manager during January of each Lease Year with a list of all Hazardous Materials used, contemplated to be used, generated or otherwise produced by Lessee at the Leased Property. Lessee will use reasonable efforts to promptly inform Airport Manager of any changes in Hazardous Materials used by Lessee at the Property. However, nothing herein shall preclude Lessee

ATTACHMENT 2

from bringing, keeping, or using Hazardous Materials necessary or customary in carrying out Lessee's use stated herein. Lessee shall keep or store flammable or explosive substances and Hazardous Materials in closed containers, and in compliance with the regulations of the City, the City's Fire Department, and/or other public body having authority in the matter, and in any event. Appropriate Fire Department permits are required for storage of Hazardous Materials. From time to time, the Airport Manager and/or Fire Department personnel may inspect the Leased Property for material safety after advance notice to Lessee prior to such inspection.

- d. In conducting Lessee's operations on the Leased Property at Chico Regional Airport, Lessee shall abide and be bound by all of the following requirements:
- i. Lessee shall comply with all federal, state, and local laws, requirements, and policies now or hereinafter in effect relating to Hazardous Materials and environmental conditions on, under or about the Chico Regional Airport including, but not limited to soil, air, and groundwater conditions, and shall not contaminate the Chico Regional Airport or the subsurface with any Hazardous Material.
 - ii. Lessee shall restrict the use of Hazardous Materials on the Leased Property to those kinds of materials that would be normally expected in conducting the activities permitted under this Lease in a safe and prudent manner. Disposal of any Hazardous Materials on the Leased Property is strictly prohibited.
 - iii. Lessee shall be solely and fully responsible for the reporting of accidental Hazardous Material releases to the appropriate public agencies including the Airport Manager, when such releases are caused by or result from Lessee's activities at the Chico Regional Airport. Lessee shall immediately notify City of any release of Hazardous Materials, whether or not the release is in quantities that would otherwise be reportable to a public agency, if such release did, or has the potential to contaminate soil or enter the City's sanitary or storm drain sewer system.
 - iv. Lessee shall be solely and full responsible and liable in the event Lessee causes or permits Hazardous Materials to be released at the Chico Regional Airport, or to enter the City's sewerage or storm drainage system, soil, air, groundwater, or any improvements. Lessee shall take all necessary precautions to prevent any Hazardous Materials from entering into the City's sewerage or storm drainage system, soil, air, groundwater or any improvements, or from otherwise being released on the Chico Regional Airport. If at any time a release of Hazardous Materials is discovered on the Leased Property, the Chico Regional Airport, City's sewerage or storm drainage system, soil, air, groundwater or any improvements, which were caused or permitted in whole or in part by Lessee, Lessee's officers, agents, employees, Lessees, permittees or invitees or there is the danger of such

release of Hazardous Materials, Lessee, at Lessee's sole cost and expense, shall remove, or be caused to remove, such Hazardous Materials from the Chico Regional Airport or the groundwater underlying the Chico Regional Airport, or the City's soil, air, storm drainage, and sewerage system, in accordance with requirements of all appropriate governmental authorities. Lessee shall cease any and all of Lessee's activities under this Lease as Lessor determines reasonably necessary, in its sole and absolute discretion, in connection with any investigation, cure, or remediation.

- v. If Lessee or its sublessee causes or permits any Hazardous Materials to be released, Lessee or its sublessee shall have the following obligations, which shall survive any expiration or termination of this Lease: (1) promptly remediate such release of any Hazardous Materials in compliance with local, state, and federal law; (2) submit to Lessor a written remediation plan, and Lessor reserves the right to approve such plan (which approval shall not be unreasonably withheld) and to review and inspect all work; (3) work with Lessor and other governmental authorities having jurisdiction in connection with any release of any Hazardous Materials; and (4) promptly provide to Lessor copies of all documents pertaining to any environmental investigations or studies in connection with the release of any Hazardous Materials.

12. COVENANT AGAINST DISCRIMINATION ON THE GROUNDS OF RACE, COLOR, CREED, NATIONAL ORIGIN, AND SEX.

- a. Covenant Against Discrimination Required Under Part 21, Title 49, of the Code of Federal Regulations. In its use of the Leased Property, Lessee agrees that it will not discriminate against any person on the grounds of race, color, or national origin in any manner prohibited by Part 21, Title 49, of the Code of Federal Regulations. Upon Lessee's failure to comply with the foregoing covenant against discrimination, Lessee shall be in default of this Lease after applicable notice and cure rights, and City shall be entitled to terminate this Lease and all of Lessee's rights in and to the Leased Property in the manner hereinafter provided by this Lease. In the event City determines that Lessee is in default of the foregoing covenant against discrimination and serves Lessee with notice of such default in the manner hereinafter provided by this Lease, Lessee shall have the right to appeal such determination within the time and in the manner provided by Part 21, Title 49, of the Code of Federal Regulations, and Lessee shall not be deemed in default of this Lease until the expiration or exhaustion of such right of appeal, notwithstanding anything in this Lease to the contrary. In addition, City, the federal government, or both City and the federal government, shall have the right to judicially enforce the foregoing covenant against discrimination in any court of competent jurisdiction. Lessee further agrees that the foregoing covenant against discrimination shall be included in and made a condition of any sale, transfer, or assignment of this Lease, or any of Lessee's rights in and to the Leased Property, any sublease of the Leased Property, or any other agreement granting to any person the right to use any of the services or facilities provided by Lessee on the Leased Property.

- b. Covenant Against Discrimination Required Under Subpart E, Part 152, Title 14, of the Code of Federal Regulations. In its use of the Leased Property, Lessee agrees that it will not discriminate against any person on the grounds of race, creed, color, national origin, or sex in the manner prohibited by Subpart E, Part 152, Title 14, of the Code of Federal Regulations and, in connection therewith, shall undertake any affirmative action program required by such regulations. Lessee shall also require that its subtenants provide assurances to Lessee that they will undertake any affirmative action programs required by such regulations. Upon Lessee's failure to comply with the foregoing covenant against discrimination after applicable notice and cure rights, Lessee shall be in default of this Lease and City shall be entitled to terminate this Lease and all of Lessee's rights in and to the Leased Property in the manner hereinafter provided by this Lease.

13. INTENTIONALLY DELETED.

14. RIGHTS OF FEDERAL GOVERNMENT. This Lease and all of Lessee's rights in and to the Leased Property shall be subject to the following rights of the federal government:

- a. Any rights of the federal government under an existing or any future agreement between City and the federal government relating to the development, operation, or maintenance of the Chico Regional Airport provided Lessee's rights under this Lease are not unreasonably and adversely affected and, if they are adversely affected, then Lessee shall have the right to terminate this Lease upon written notice to City;
- b. Any right which the federal government now has or in the future may have or acquire affecting the control, operation, and taking over of the Chico Regional Airport; and
- c. Any right which the federal government now has or in the future may have or acquire to the exclusive or nonexclusive use of the Chico Regional Airport during a time of war or national emergency.

15. ACCEPTANCE OF LEASED PROPERTY.

- a. Lessee understands that the Leased Property was formerly leased by City to the federal government for use as an Army air base, that other surrounding lands which were also part of such Army air base have, in the past, been found to contain underground tanks and other underground facilities apparently abandoned by the federal government at the time the air base was released to City, and that by reason thereof the Leased Property, itself, might contain such underground tanks and other underground facilities. Moreover, Lessee understands that portions of the groundwater underlying the Leased Property may contain concentrations of volatile organic chemicals, including perchloroethylene (PCE) and trichloroethylene (TCE), which exceed water quality standards prescribed by the environmental agencies of the state and federal governments. Lessee acknowledges that City has granted to Lessee the right to review all maps of the old Army air base presently on

file in the offices of City's Fire Department as well as the right to inspect the Leased Property and perform any tests of the soils thereon and/or the groundwater thereunder at any time before and after the Effective Date, all in order to afford Lessee a full and complete opportunity to investigate and determine whether the Leased Property can be used for the purposes for which it is being leased.

- b. Lessee further understands and agrees that no representation, statement, or warranty, express or implied, has been made by or on behalf of City as to the condition of the Leased Property or the suitability of the property for its intended use, save and except for the representation and warranty that no City officer, employee, or agent has caused any condition of pollution or contamination which may now exist on the Leased Property or otherwise impact Lessee's obligations under the Lease. Such representation and warranty of City, however, shall not extend to any condition of pollution or contamination caused by the federal government or any other former lessee of City. Lessee also agrees to accept the Leased Property in its present condition and "as is" with respect to all conditions which now exist on or under the Leased Property, save and except for any condition of pollution or contamination caused by an officer, employee, or agent of City. Moreover, Lessee agrees to waive any claim or right of action against City which Lessee now has or hereafter may acquire arising out of the condition of the Leased Property, its soils and/or the groundwaters underlying the Leased Property, including but not limited to any claim of indemnity which Lessee may have by reason of costs incurred by Lessee arising out of the abatement or cleanup of any pollution or contamination condition discovered on the Leased Property hereinafter required under applicable state, federal, or City laws or regulations, save and except for a claim or right of action arising out of a condition of pollution or contamination caused by an officer, employee, or agent of City or which the City was obligated to remediate but failed to do so.

16. CASP INSPECTION. Pursuant to Civil Code section 1938, the Leased property has not been inspected by a Certified Access Specialist (CASP) and has not been determined to meet all applicable construction-related accessibility standards pursuant to Civil Code section 55.53.

17. IMPROVEMENTS TO LEASED PROPERTY.

- a. Alterations and Improvements. During the initial term or any extended term of this Lease, Lessee shall not make any additions or alterations to the improvements on the Leased Property without the prior consent of City's Airport Manager. Moreover, upon receiving consent to make an addition or alteration to the improvements on the Leased Property, Lessee shall not commence work on the construction or installation of such added or altered improvements until plans and specifications for same have been submitted to and approved by both City's Airport Manager and Director of Public Works.

Title to and Removal of Improvements. Upon termination of this Lease, all additions or alterations to the improvements on the Leased Property made by Lessee shall become the property of City without the payment of any compensation

therefor; provided, however, that upon termination of this Lease, City shall have the option to require Lessee to remove any or all improvements added by Lessee and restore the altered improvement to a condition similar to the condition existed at the commencement of the term of this Lease, subject to normal wear and tear and any casualty and condemnation, all at Lessee's sole cost and expense, provided further, in all instances, that City must inform Lessee at the time of City's approval of installation of Lessee's improvements and alterations that the City will require removal upon Lease termination.

18. MAINTENANCE OF LEASED PROPERTY.

- a. During the initial term or any extended term of this Lease, Lessee shall, at its sole cost and expense, maintain the Leased Property and all improvements thereon and facilities appurtenant thereto in commercially reasonable repair and sanitary condition, and the City shall have no responsibility whatsoever to maintain the Leased Property or make any repairs thereto, except that during the term of the Lease, or any extension thereof, the Landlord shall be responsible for any necessary capital improvements, structural repairs and replacements to or at the building on the Leased Property, including replacement of the building HVAC equipment, which effectively extends value or life of building from an accounting perspective (collectively, the "Capital Improvement Costs"). Capital Improvement Costs shall be paid by Landlord.
- b. Lessee, by these presents, specifically waives the provisions of Sections 1941 and 1942 of the California Civil Code solely with respect to the landlord's obligations for the tenantability of Leased Property and tenant's right to make repairs and deduct the expense of such repairs from rent.

19. RESTORATION AND REPAIRS IN THE EVENT OF DAMAGE OR DESTRUCTION BY FIRE OR OTHER CASUALTY.

- a. If, during the initial term or any extended term of this Lease, any of the improvements now or hereafter located on the Leased Property are partially or totally damaged or destroyed by fire or other casualty (the "Casualty"), the City may repair or replace the improvements at its own expense. The new and replacement improvements shall be similar in size, design and quality as that which existed prior to such damage or destruction. Alternatively, the City may elect not to repair or replace the improvements or alterations following a Casualty. In either case, the City shall advise Lessee of City's intent to repair/replace or not repair/replace within sixty (60) days of the date of Casualty. If City elects not to repair or replace the damaged improvements, this Lease shall be terminated as to the damaged improvements and area provided that rent shall be reduced in amount to be prorated for the remaining undamaged portion of the Leased Property that can still be used by Lessee, as reasonably determined by Lessee, assuming the damage constitutes less than the entire Leased Property. However, if the entire Leased Property is damaged and the City elects to not rebuild, repair or replace, then the Lease shall be deemed terminated as of the date of the Casualty, and neither party

shall have any further obligations hereunder except for those provisions which expressly survive termination. If City proceeds to repair or replace the improvements, then the City shall promptly proceed to complete such repair or replacement within 180 days from the date of Casualty and if not completed within that time frame, Lessee may elect to terminate the Lease by written notice to City at any time after the 180th day. If the building is damaged by Casualty within the last 12 months of the term, either City or Lessee may elect to terminate the Lease by written notice to the other party.

- b. Lessee, by these presents, specifically waives the provisions of Sections 1932 and 1933 of the California Civil Code with respect to the termination of the hiring of a thing by virtue of the perishing or destruction of the thing being hired.

20. UTILITIES AND SEWER SYSTEMS.

- a. During the initial term or any extended term of this Lease, Lessee shall have the right to connect the Leased Property and all improvements thereon and facilities appurtenant thereto to the sewer system owned, operated, and maintained by City at the Chico Regional Airport; provided that Lessee shall maintain all sewer laterals or other sewer facilities on the Leased Property at its sole cost and expense and shall pay to City a monthly sewer service fee in accordance with the sewer service rates now or hereafter established by City, which sewer service fees shall be in addition to the rent to be paid by Lessee for the Leased Property. All other utilities shall be provided to the Leased Property by Lessee at its sole cost and expense and City shall have no responsibility of any kind for any thereof.
- b. If City desires to do any maintenance or repairs at the Chico Regional Airport or on the Leased Property that would result in (i) interruption of any utility to the Leased Property (including fire/life safety systems and energy/communications equipment) or (ii) any interruption of Lessee's operations or access to its Leased Property, the City shall provide advance notice to Lessee of such intended maintenance or repair work. The City will make reasonable accommodations to Lessee to help minimize any such disruption or interference during City's maintenance and repair work.

21. TAXES AND ASSESSMENTS. Pursuant to the provisions of the State of California Revenue and Taxation Code Section 107.6, Lessee is advised that the terms of this Lease may result in the creation of a possessory interest. If a possessory interest is vested in Lessee, Lessee may be subjected to the payment of real property taxes levied on the possessory interest. During the initial term or any extended term of this Lease, Lessee shall be solely responsible for the payment of all lawful taxes and assessments levied on the Leased Property, it being understood by Lessee that although the Leased Property is held in public ownership, Lessee's interest therein will be taxable as a possessory interest. Lessee shall not be prevented or prohibited from contesting the validity of any tax, assessment or fee in a manner authorized by law.

22. LIENS. During the initial term or any extended term of this Lease, Lessee shall keep the Leased Property and every part thereof free and clear of all mechanics' liens, materialmen's liens,

and other liens for any work or labor done, services performed, or materials and appliances used or furnished for or in connection with any operation of Lessee, any repair, alteration, or addition which Lessee may make or permit or cause to be made, or any work or construction by, for, or permitted by Lessee on or about the Leased Property. Lessee shall at all times promptly and fully pay and discharge any and all claims on which any such liens may or could be based, and shall indemnify City against all such liens, claims of liens, and suits or other procedures pertaining thereto. Lessee agrees to serve City with a notice of any repair, alteration, or addition to the Leased Property, including any of the improvements now or hereafter located on the Leased Property, estimated to cost in excess of \$5,000, at least five days in advance of the commencement of work upon such repair, alteration, or addition in order that City may post appropriate notices of nonresponsibility.

23. INDEMNIFICATION.

- a. To the fullest extent permitted by law, during the initial term or any extended term of this Lease, Lessee shall defend (with counsel reasonably acceptable to City), indemnify and hold City, its officials, officers, and employees free and harmless from any and all claims, demands, causes of action, costs, expenses, liability, loss, damage or injury of any kind, in law or equity, to property or persons, including wrongful death, in any manner arising out of, pertaining to, or incident to any alleged acts, errors or omissions, or willful misconduct of Lessee, its officers, employees, and sublessees in connection with Lessee's use of the Leased Property under this Lease, including without limitation, the payment of reasonable expert witness fees and attorneys' fees.
- b. Lessee's responsibility for such defense and indemnity obligations as described above shall survive the termination or expiration of this Lease for the period of time allowed by law. The defense and indemnification obligations of this Lease are undertaken in addition to, and shall not in any way be limited by, the insurance obligations contained in this Lease. Lessee's obligation to indemnify shall not be restricted to insurance proceeds, if any, received by City, and its officials, officers, and employees.
- c. To the fullest extent and within the limits permitted by law, during the initial term or any extended term of this Lease, City shall defend (with counsel of Lessee's reasonable choosing), indemnify and hold Lessee, its directors, officers, and employees free and harmless from any and all claims, demands, causes of action, costs, expenses, liability, loss, damage or injury of any kind, in law or equity, to property or persons, including wrongful death, and including without limitation, the payment of reasonable expert witness fees and attorneys' fees, arising out of, related to, or caused by City's conduct of business or any activity or other things done, permitted, or suffered by City in, or about the Leased Property, the common areas at the Chico Regional Airport, excluding only claims or actions arising out of the sole negligence of Lessee, provided that Lessee shall give City prompt and reasonable notice of any such claim or actions made or filed against it.

- d. City's responsibility for such defense and indemnity obligations as described above shall survive the termination or expiration of this Lease for the period of time allowed by law. The defense and indemnification obligations of this Lease are undertaken in addition to, and shall not in any way be limited by, the insurance obligations contained in this Lease.

24. LESSEE'S GENERAL LIABILITY INSURANCE AND FIRE INSURANCE

- a. Lessee shall obtain aviation general liability insurance (occurrence policy form) from one or more U.S. domiciled insurance companies licensed to do business in the State of California with an A.M. Best Company rating of "B" or better or, in the alternative, an unlicensed U.S. domiciled company or companies with an "A" rating, which provides coverage for bodily injury, personal injury and property damage liability in the amount of at least \$2,000,000 per occurrence, and \$4,000,000 in the aggregate, with a maximum policy deductible of \$5,000, or as reasonably approved by the City's Human Resources and Risk Management Office.
- b. Lessee shall obtain a fire and other casualty policy insuring the full replacement value of any tenant improvements paid for and installed by Lessee at or in the Leased Property and all of the furniture, trade fixtures, and other personal property of Lessee located in the Leased Property, equal to the value of Lessee's installed improvements in the Leased Property, and all of the furniture, trade fixtures and other personal property of Lessee located in the Leased Property with a commercially reasonable deductible, against loss or damage by fire, theft and such other risks or hazards as are insurable under present and future forms of "all risk" insurance policies.
- c. It shall be a requirement under this Lease that any available insurance proceeds broader than or in excess of the specific minimum Insurance coverage requirements and/or limits shall be made available to the additional insured in the manner set forth in this Lease. Furthermore, the requirements for coverage and limits shall be (1) the minimum coverage and limits specified in this Lease; or (2) the broader coverage and maximum limits of coverage of any insurance policy or proceeds available to the named Insured, whichever is greater.
- d. The insurance coverage required herein shall be evidenced by a certificate of insurance and shall be executed by an authorized official of the insurer(s) or the servicing broker. In addition to the limits of coverage described above, the certificate of insurance shall provide that the insurer shall use reasonable efforts to provide to City at least 30 days prior notice of cancellation or material change in coverage, or 10 days prior notice of cancellation for non-payment.
- e. Lessee acknowledges and agrees that the City, its officers, boards and commissions, and members thereof are covered as additional insureds with respect to any liability arising out of the activities of Lessee as the named insured. Such additional insured status shall be evidenced by a certificate of insurance executed by an authorized official of the insurer(s) or the servicing broker. A blanket endorsement which

provides additional insured status to any person or organization with whom Lessee, as named insured, has entered into a written contract, such as this Lease, shall satisfy this requirement.

- f. The insurance coverage required herein shall be primary and non-contributory insurance with respect to the City, its officers, officials and employees. Any insurance or self-insurance maintained by the City of Chico, its officers, officials or employees shall be in excess of the insurance afforded to the named insured by the insurance coverage required herein and shall not contribute to any loss. A certificate of insurance issued by an authorized official of the insurer(s) or the servicing broker confirming these provisions shall satisfy this requirement.
- g. The limits of insurance required in this Lease may be satisfied by a combination of primary and umbrella or excess insurance. Any umbrella or excess insurance shall contain or be endorsed to contain a provision that such coverage shall also apply on a primary and non-contributory basis for the benefit of City of Chico before City of Chico's self-insurance shall be called upon to protect it as a named insured.
- h. All self-insured retentions ("SIR") must be disclosed to the City's Human Resources and Risk Management Office for approval and shall not reduce the limits of liability. Policies containing any SIR provision shall provide or be endorsed to provide that the SIR may be satisfied by either the named Insured or City of Chico.

25. CITY'S FIRE INSURANCE FOR THE BUILDING. At all times during the initial term or any extended term of this Lease, the City shall, at its sole cost and expense, maintain in full force and effect fire insurance obtained from one or more U.S. domiciled insurance companies licensed to do business in the State of California insuring all of the improvements located on the Leased Property as of the Commencement Date against fire, extended coverage hazards, vandalism, and malicious mischief. All such insurance shall be in the form or forms reasonably approved by the City's Risk Manager and shall insure all improvements located on the Leased Property and facilities appurtenant thereto in an amount equal to 100% of the full replacement value thereof. If the City elects to self-insure, any self-insurance adequately cover the risks required herein.

26. LESSEE'S AIRCRAFT LIABILITY INSURANCE.

- a. Lessee shall obtain aircraft liability insurance (occurrence policy form) from one or more U.S. domiciled insurance companies licensed to do business in the State of California with an A.M. Best Company rating of "B" or better or, in the alternative, an unlicensed U.S. domiciled company or companies with an "A" rating, which provides coverage for bodily injury, personal injury and property damage liability in the amount of at least \$2,000,000 per occurrence, with a maximum policy deductible of \$5,000, or as reasonably approved by the City's Human Resources and Risk Management Office.
- b. It shall be a requirement under this Lease that any available insurance proceeds broader than or in excess of the specific minimum insurance coverage requirements

and/or limits shall be available to the Additional Insured. Furthermore, the requirements for coverage and limits shall be (1) the minimum coverage and limits specified in this Lease; or (2) the broader coverage and maximum limits of coverage of any insurance policy or proceeds available to the named Insured, whichever is greater.

- c. The insurance coverage required herein shall be evidenced by a certificate of insurance and shall be executed by an authorized official of the insurer(s) or the servicing broker. In addition to the limits of coverage described above, the certificate of insurance shall provide that the insurer shall use reasonable efforts to provide to City at least 30 days prior notice of cancellation or material change in coverage, or 10 days prior notice of cancellation for non-payment.

27. SALES, ASSIGNMENTS, TRANSFERS, SUBLEASES, AND ENCUMBRANCES.

- a. Lessee shall not sell, assign, transfer, or encumber this Lease or any interest of Lessee in and to the Leased Property, nor sublease the Leased Property, in whole or in part, except with the consent of the City's Airport Manager and as otherwise permitted below. Neither shall this Lease, nor any interest of Lessee in and to the Leased Property, be subject to an involuntary sale, assignment, or transfer, or sale, assignment, or transfer by operation of law in any manner whatsoever. Any such sale, assignment, transfer, encumbrance, or sublease, whether voluntary or involuntary, shall be void and of no effect and shall be a default which entitles City to terminate this Lease and all of Lessee's rights in and to the Leased Property in the manner hereinafter provided by this Lease.
- b. Notwithstanding the preceding paragraph to the contrary, Lessee may assign or sublet all of the Leased Property to any affiliate, subsidiary, parent entity of Lessee, or to a third-party which is managed by Lessee, in each instance without City's approval so long as such assignee or sublessee assumes the obligations under the Lease applicable to such assigned or sublet space and Lessee remains obligated to City after such assignment or sublease and Lessee informs City of such assignment or sublease within 30 days thereafter.
- c. Any assignment of the Lease authorized under this Section shall be evidenced in writing by an assignment and assumption agreement signed by the assignee and assignor agreeing to assume and be bound by assignor's obligations and liabilities under this Lease.

28. BANKRUPTCY AND INSOLVENCY. Lessee agrees that in the event any proceedings under the Bankruptcy Act or any amendment thereto are commenced by or against Lessee and, if against Lessee, such proceedings are not dismissed either before an adjudication in bankruptcy or the confirmation of a composition, arrangement, or plan of reorganization, or in the event Lessee is adjudged insolvent or makes an assignment for the benefit of creditors, or in the event a receiver is appointed in any proceeding or action to which Lessee is a party with authority to take possession or control of the Leased Property or the business conducted thereon by Lessee, then Lessee shall be in default of this Lease and City shall, to the extent permitted by law, be entitled to terminate

this Lease and all of Lessee's rights in and to the Leased Property in the manner hereinafter provided by this Lease.

29. EMINENT DOMAIN. In the event of a total or partial taking of the Leased Property or any interest therein by a public authority under the power of eminent domain, including but not limited to any taking of Lessee's leasehold estate by City under City's power of eminent domain, then the rights of the Lessee with respect to the term, rent, and the just compensation awarded in such eminent domain proceeding shall be in accordance with the law in effect when such taking occurs.

30. DEFAULT BY LESSEE. Lessee shall be deemed in default under this Lease:

- a. Upon Lessee's breach of Section 12 herein following applicable notice and cure periods stated therein, or
- b. Within sixty (60) days of the filing of any bankruptcy or written notice of insolvency of Lessee; or
- c. Upon the failure or breach by Lessee to pay rent or other fees and charges then owing within ten (10) days after written demand for payment by City; or
- d. Upon the failure or breach by Lessee of any covenants, terms or conditions of this Lease to be kept, performed and observed by Lessee and the failure to remedy such breach for a period of thirty (30) days after written notice from Lessee of the existence of such breach, or such longer period of time required to cure such breach if reasonably necessary and Lessee is proceeding with all due diligence in curing such breach.

31. REMEDIES ON DEFAULT BY LESSEE.

- a. City's Right to Terminate Lease. Upon Lessee's default of this Lease after applicable cure rights as provided herein, City shall have the right, without further notice, to terminate this Lease and any and all interest of Lessee in and to the Leased Property, to enter upon and retake possession of the Leased Property, including all improvements thereon and facilities appurtenant thereto, by legal proceedings or otherwise, and to recover from Lessee, at the time of such termination, the excess, if any, of the amount of rent to be paid by Lessee under this Lease for the remainder of the Lease term over the then reasonable rental value of the Leased Property for the same period. For the purposes of this section, City and Lessee agree that the "reasonable rental value" shall be the amount of rent which City can obtain as rent for the balance of the Lease term for the Leased Property.
- b. City's Right to Repossess, Operate, or Relet the Leased Property. Upon Lessee's default under this Lease, City shall also have the right, without further notice and without terminating this Lease, to enter upon and retake possession of the Leased Property, including all improvements thereon and fixtures appurtenant thereto, by legal proceedings or otherwise, and to take, operate, or relet the same in whole or in part for the account of Lessee at such rental, on such conditions, and to such

tenant or tenants as City, in good faith, may deem proper, for a term not exceeding the unexpired period of the full term of this Lease. City shall receive all proceeds from rent accruing from such operating or reletting of the Leased Property and shall apply the same first to the payment of all costs and expenses incurred by City in the operation or reletting of the Leased Property and any alterations or repairs reasonably necessary to enable City to operate or relet the Leased Property, and then to the payment of all such amounts as may be due or become due under the provisions of this Lease, and the balance remaining, if any, at the expiration of the full term of this Lease or on the sooner termination thereof, by written notice of termination given by City to Lessee, shall be paid over to Lessee. In the event proceeds from rentals received by City under the provisions of this section are insufficient to pay all costs and expenses and all amounts due and becoming due hereunder, Lessee shall pay to City, on demand by City, such deficiency as may from time to time occur or exist. Notwithstanding any such operation or reletting without terminating this Lease, City may, at any time thereafter, elect to terminate this Lease in the event that Lessee remains in default hereunder at such time.

- c. City's Right to Perform. If, in City's reasonable judgment, Lessee has breached or defaulted its obligations under the Lease following applicable notice and right to cure, and such breach or default jeopardizes the Leased Property, including possible damage to any improvements thereon or facilities appurtenant thereto, or adversely impairs the rights of City hereunder, the City may, without further notice, elect to perform the acts which Lessee failed to perform which resulted in Lessee's default, at Lessee's expense, and Lessee shall thereafter reimburse City, with interest at the rate of 10% per annum from the date of City's performance of such acts, following 30 days' notice by City to Lessee.
- d. Other Remedies. All rights, options, and remedies of City contained in this Lease shall be construed and held to be cumulative and not one of them shall be exclusive of the other, and City shall have the right to pursue any one or all of such remedies or any other remedy or relief which may be provided for by law, whether or not stated in this Lease.

32. DEFAULT BY CITY. City shall be deemed in default under this Lease, and this Lease shall be subject to termination or cancellation by Lessee, if any of the following occur:

- a. The permanent abandonment of the Chico Regional Airport;
- b. The issuance of any order, rule or regulation by the Federal Aviation Administration or its successor federal agency, or the issuance by any court of competent jurisdiction of an injunction, materially restricting for a period of at least ninety (90) days, the use of Chico Regional Airport for scheduled air transportation;
- c. The breach by City of any covenants, terms or conditions of this Lease to be kept, performed and observed by City and the failure to remedy such breach for a period of sixty (60) days after written notice from Lessee of the existence of such breach;
or

- d. The assumption of the United States Government, or any authorized agent of the same, of the operation, control or use of Chico Regional Airport and its facilities in such manner as to substantially restrict Lessee from conducting its business, if such restriction be continued for a period of ninety (90) continuous days or more.

33. WAIVER OF DEFAULT. Any waiver by City of a default of this Lease arising out of the breach of any of the covenants, conditions, or restrictions of this Lease shall not be construed or held to be a waiver of any succeeding or preceding default arising out of a breach of the same or any other covenant, condition, or restriction of this Lease.

34. CITY'S RIGHT OF ENTRY. Lessee shall permit City and any agents and employees of City to enter in and upon the Leased Property at all reasonable times after at least 48 hour advance notice in writing to Lessee is given, except in an emergency, for the purpose of inspecting the same or to post notices of nonresponsibility for alterations, additions, or repairs, without any rebate of rent and without any liability to Lessee for any loss of occupation or quiet enjoyment of the Leased Property thereby occasioned, unless City's entry causes damage to the Leased Property or otherwise interferes with Lessee's use and right to conduct its operations at the Leased Property.

35. EFFECT OF HOLDING OVER. Any holding over after the expiration of the initial term or any extended term of this Lease, with the consent of City, shall be construed to be a tenancy from month-to-month at the monthly rental to be paid by Lessee to City pursuant to the terms of this Lease immediately prior to the expiration of such initial or extended term and shall otherwise be subject to the covenants and conditions herein provided by this Lease, insofar as applicable.

36. NOTICES. All notices or demands to be given, made, or sent, or which may be given, made, or sent by one party to the other pursuant to this Lease shall be deemed to have been given, made, or sent when made in writing, and (i) hand delivered, (ii) sent by overnight mail or courier, or (iii) deposited in the U.S. mail, certified and postage prepaid, addressed as follows:

a. **To City:** City of Chico
P.O. Box 3420
Chico, CA 95927-3420
Attention: Airport Manager

b. **To Lessee:** AERO-FLITE, INC.
77 Piper Avenue
Chico, CA 95973
Attention: Property Manager

with a copy to: AERO-FLITE, INC.
P.O. Box 19009
Spokane, WA 99219
Attention: Director of US Operations

The address to which any notice, demand, or other writing may be given, made, or sent by any party as above provided may be changed by written notice given by such party as above provided.

37. AMENDMENTS. This Lease may be modified or amended only by a writing duly authorized and executed by both City and Lessee. It may not be amended or modified by oral agreement or understanding between the parties unless the same shall be reduced to a writing duly approved and executed by both parties.

38. FORCE MAJEURE. If the performance by either of the parties of their respective obligations under this Lease (excluding monetary obligations) is delayed or prevented in whole or in part by any applicable law, regulation or executive order (and not attributable to an act or omission of the party), or by any acts of God, fire or other casualty, floods, storms, explosions, accidents, pandemics, epidemics, war, civil disorders, strikes or other labor difficulties, shortage or failure of supply of materials, labor, fuel, power, equipment, supplies or transportation, or by any other cause not reasonably within the party's control, whether or not specifically mentioned, the party shall be excused, discharged, and released of performance to the extent such performance or obligation (excluding any monetary obligation) is so limited or prevented by such occurrence without liability of any kind.

39. PARTIES BOUND. The covenants and conditions herein contained shall apply to and bind the legal representatives, successors, and assigns of all of the parties hereto, and all of the parties hereto shall be jointly and severally liable hereunder.

40. WAIVER OF SUBROGATION. Each party shall, at its sole cost and expense, include in its property insurance policies appropriate clauses pursuant to which the insurance companies: (a) in the case of Lessee's insurance policies, waive all right of subrogation against Landlord with respect to losses payable under such policies; (b) in the case of Landlord's insurance policies, waive all right of subrogation against Lessee with respect to losses payable under such policies; and (c) in each case, agree that such policies will not be invalidated if, prior to a loss, the insured waives, in writing, any or all right of recovery against any party for losses covered by such policies. Each party shall furnish to the other party upon demand evidence satisfactory to the demanding party establishing the inclusion of the above clauses in that party's insurance policies.

41. RIGHT OF FIRST OFFER. In the event City wishes to lease or sell the South Lots (as depicted on Exhibit C attached hereto), City shall first give Lessee written notice of the terms and conditions upon which City is willing to lease or sell the South Lots. As long as Lessee is not in default (after applicable notice and cure rights) under the Lease at the time of its receipt of the City's notice, Lessee shall have twenty (20) business days from its receipt of the City's notice to accept or reject City's terms and conditions, or to negotiate new terms and conditions with City. If Lessee rejects such terms and conditions, or if no other agreement can be reached between the parties within the sixty (60) days after Lessee's response to City regarding such offer, City may lease or sell the South Lots to any person on terms and conditions that are no better than those terms and conditions contained in any final written offer given by City to Lessee. If the parties reach a written agreement for the lease or purchase and sale of the South Lots to Lessee, City agrees to lease or sell, as the case may be, the South Lots to Lessee on the terms and conditions of that agreement. Each party agrees to devote such time and effort to the negotiations as is reasonably necessary to negotiate, in good faith, a mutually acceptable agreement.

[signatures on next page]

ATTACHMENT 2


IN WITNESS WHEREOF, the parties hereto have executed this Lease in the City of Chico, County of Butte, State of California, on the date first set forth above.

CITY OF CHICO

LESSEE

AERO-FLITE, INC.,
a Wyoming corporation

By: _____
Mark Sorensen, City Manager

By:  _____
Chris Niemann, General Manager

Authorized pursuant to the approval by the
Airport Commission on January 30, 2024

APPROVED AS TO FORM:

APPROVED AS TO CONTENT:



John W. Lam (Jan 10, 2024 16:14 PST)
John W. Lam, City Attorney*



Tom Bahr, Airport Manager

*Pursuant to The Charter of the
City of Chico, Section 906(D)

APPROVED AS TO CONTENT:

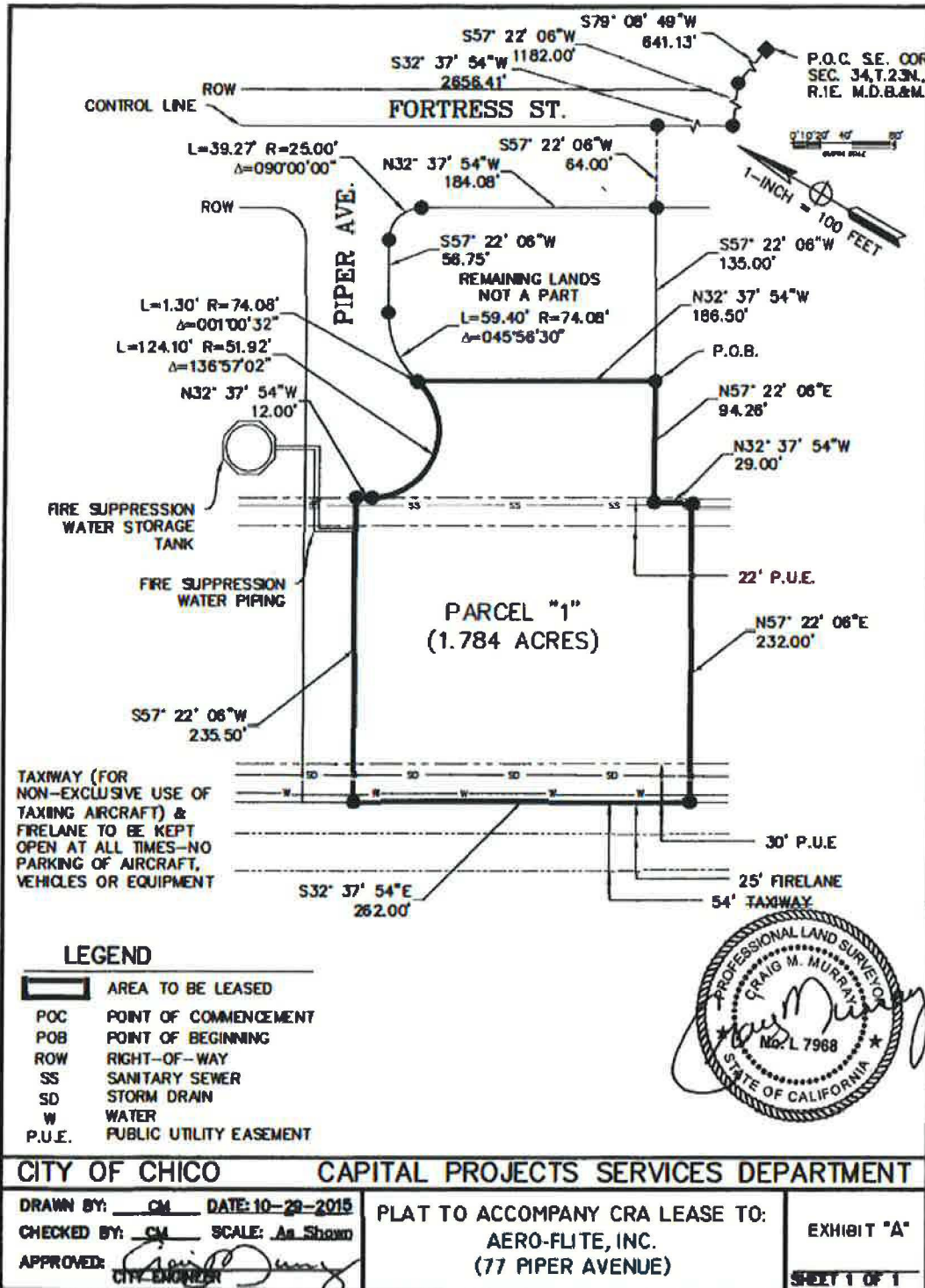


Barbara Martin, Administrative Services Director*

*Reviewed by Finance and Information Systems

EXHIBIT A

Plat to Accompany CRA Lease to Aero-Flite, Inc. for 77 Piper Facility



Drawing Path: S:\Airport\Lease\Airprty\airport lease plat airprty.dwg

EXHIBIT B

CRA Lease to Aero-Flite, Inc. for 77 Piper Facility That Includes Exclusive Ramp Space



EXHIBIT C

Right of First Offer Property





Airport Commission Agenda Report

Meeting Date: 01/30/2024

TO: Airport Commission
 FROM: Tom Bahr, Airport Manager
 RE: Aero-Flite, Inc. Lease & Operating Agreement

REPORT IN BRIEF:

The City has been working on a lease agreement with a new tenant, Aero-Flite, Inc., for the 77 Piper Avenue facility at the Airport. Air Spray currently occupies the facility at 77 Piper and has been a good partner for over a decade. Air Spray's lease term expired on October 31, 2018, and has been on a month-to-month status since. City staff have engaged Air Spray on numerous occasions to renew the lease, but Air Spray has avoided entering a successor lease agreement.

Recommendation: Staff recommend the Airport Commission approve the Lease of Improved Real Property at 77 Piper Avenue with Aero-Flite, Inc. and authorize the City Manager to execute the necessary lease documents.

FISCAL IMPACT:

Air Spray is currently paying \$9,154 per month (\$109,848/year), which is significantly under market rate and on a month-to-month term. Aero-Flite will pay \$17,081.00 per month (\$204,972/year), with 3% annual increases, and a 5-year initial term with two 5-year extension options.

BACKGROUND:

Air Spray currently occupies the facility at 77 Piper and has been a good partner for over a decade. Air Spray's latest lease term expired on October 31, 2018, and has been on a month-to-month status since. City staff have engaged Air Spray on numerous occasions to renew the lease, with a pointed focus over the last year. Unfortunately, Air Spray has avoided entering a successor lease agreement and was generally unresponsive until August 9, 2023. During an August 15, 2023 meeting, Air Spray advised if FAA aircraft certification did not take place, they would likely need to cease operations by the end of the year. In an email dated November 14, 2023, Air Spray advised certification still had not taken place with no known date of when it would.

DISCUSSION:

To ensure fiscal solvency and long-term sustainability of the Airport, Staff had to look for other options to fill the large hanger space. The new organization City Staff have negotiated with is [Aero-Flite, Inc.](#) who propose to take occupancy on March 01, 2024.

Aero-Flite is one of the most experienced aerial firefighting companies in the US, delivering an extensive range of next-generation fire control aircraft and services to a variety of national customers.

We expect that the addition of Aero-Flite to the Airport will provide a significant boost in terms of revenue, fuel sales, employment, and overall economic development in the region. Adding Aero-Flite will also increase the Airport's involvement in the fire airtanker operations, maintenance, and manufacturing businesses. We're excited and look forward to working with Aero-Flite.

The City sent official lease termination notice to Air Spray on January 10, 2024. Staff will work with Aero-Flite on official notification, public announcements, and likely a ribbon cutting ceremony that the Airport Commission will be invited to.

Prepared By:

Tom Bahr – Airport Manager

DISTRIBUTION: City Clerk (3)