



Scholes International Airport (GLS) Ground Lease Policy

Adopted: September 28, 2017
Amendment 1: January 23, 2025

SCHOLES INTERNATIONAL AIRPORT (GLS) GROUND LEASE POLICY

AMENDMENT 1 CHANGES DATED: January 23, 2025

Revision 1 of the Ground Lease Policy, updated grammatical errors, building code information, and property exhibits, and inserted clarifications as needed.

The following Sections were updated:

Section I. Added Purpose and Goals of Policy Title.

- Changed hangar(s) to facility (facilities) throughout the document.
- Removed the sentence, *Establishing fees associated with granting lease assignments for existing ground leases.*
- Added Airport Minimum Standards and the Airport Rules and Regulations to the list of compliance requirements.

Section III. Initial Lease:

- Remove the Lease Application Fee.
- Updated the 2012 International Building Codes to 2021 and added the 2023 National Electric Code to the list of compliance regulations.

Section IV. Lease Terms:

- Changed the standard lease terms of 20, 30, and 40 years to 20 years with no options, 20 years with a 10-year option, and 20 years with two 10-year options, respectively.
- Added Ground Lease Options requiring the facility to be maintained and inspected one year before each option period and all deficiencies to be corrected before the option period is granted.

Section V. Ground Lease Rates:

- Updated two of the three categories of land by adding with or without concrete to each category.
- Removed the nine identified Parcels and added descriptions of the North Apron Hangar Development Area, South Apron Hangar Development Area, South Ramp Hangar Development Area, and Commercial Development Property.
- Updated the published Ground Lease rates based on the category of land.

Section VI. Natural Disasters: Revised the lease extensions based on the damage received during natural disasters.

- Removed 5-year lease extension for damage of less than 25%.
- Changed 10-year lease extension for damage between 26% and 50% to 25% of the original lease term. A 20-year lease gets a 5-year lease extension, a 30-year lease would get a 7.5-year lease extension, and a 40-year lease would get a 10-year lease extension.
- Any damage of 51% or more remains the same with the option of a new lease agreement.
- Updated the maximum lease term to 50 years per the current Texas code on aviation lease terms.

Section VII. Leases Dated Before the Adoption of this Policy: This section was deleted.

Section VIII. Transfer Fees: This section was deleted.

Exhibit A: Parcel Maps of Leasable Space: Updated this exhibit.

SCHOLES INTERNATIONAL AIRPORT

GROUND LEASE POLICY – Amendment 1: Adopted January 23, 2025

I. PURPOSE AND GOALS OF POLICY

Initial ground leases for Scholes International Airport (GLS) property will be considered when the proposed use is consistent with the Airport Master Plan or an approved Galveston City Council development plan. It is the goal of the City of Galveston to encourage high-quality development, proper maintenance and enhancement of facilities, and balanced use of the Airport, including a diversity of aircraft and businesses. This Policy will help ensure that the Airport will receive an appropriate return on the City's Airport assets while providing equitable development opportunities for present and future leaseholders. The City of Galveston desires to treat all lessees fairly and consistently while ensuring the airport remains self-sufficient and complies with FAA Grant Assurances. This Policy addresses new leases and lease rates by:

- Establishing facility development sizes with corresponding lease terms.
- Establishing uniform lease rates for Scholes International Airport.
- Establish a policy for extending leases when facilities are damaged due to a natural disaster.
- Encouraging full property utilization and prevention of land banking.
- Ensuring compliance with all Local, State, and Federal Laws, FAA Grant Assurances, and the Airport Minimum Standards, and Rules and Regulations.

II. APPLICABILITY

This Policy applies to all Scholes International Airport properties and leaseholds commencing after the enactment of this Airport Ground Lease Policy, which was updated on January 23, 2025. New, long-term ground leases range from twenty to forty years, depending on the type and size of the facility to be constructed.

III. INITIAL LEASE

Applying for an initial lease is a straightforward process that involves the submission of the Scholes International Airport Standard Ground Lease application and the appropriate support documentation to the Airport Director. Once approved in concept by the Airport Director, the future leaseholder will be forwarded to the City of Galveston Department of Planning and Community Development for review to determine the viability of a proposed project and compliance with the 2021 International Building Codes and the 2023 National Electric Code. The lessee may be required to carry a construction bond or proof of financial wherewithal to complete the construction of the proposed facilities. This determination is at the sole discretion of the Galveston City Council. The maximum length of the term granted will be based on the type and size of the facility to be constructed.

IV. LEASE TERMS

The maximum lease term shall not exceed 50 years, in accordance with the State of Texas Transportation Code, Title 3 Aviation, Chapter 22 County and Municipal Airports. At the end of the initial lease term and approved options, all improvements become the property of the City of Galveston. Lessee must sign a Reversion Clause Acknowledgement, stating they understand that the facility will revert to the City at the end of the lease term. **At the City's option**, any improvements constructed on the leased premises shall be removed and the premises restored to pre-lease condition at the sole cost and expense of the lessee.

Ground Lease Terms

Term	New Investment
20-year, with no options:	Under 3,600 sq. ft. of new hangar, office, and shop space constructed.
20-year, with one 10-year option:	3,600 sq. ft. to 9,999 sq. ft. of new hangar(s), office and shop space constructed.
20-year, with two 10-year options:	10,000 sq. ft. or more of new hangar space(s), office and shop space constructed.

All construction should contribute to furthering GLS's Airport development objectives outlined in the current Airport Master Plan. The maximum lease term shall not exceed 50 years.

Ground Lease Options

To exercise one or more options, the Lessee must maintain the facility as required in the Lease Agreement. The facility shall be inspected one year before each option period, and any deficiencies shall be corrected before an option period is granted. Failure to do so can result in lease extensions being denied, underscoring the importance of timely maintenance.

V. GROUND LEASE RATES

Depending on the size and shape of an airside parcel, portions of a particular site may not be operationally equivalent. It is generally acknowledged that the most desirable situation is the ability to operate the aircraft as close to the runway and taxiway system as possible. When the airside property has great depth, land deeper in the site becomes more challenging to use for operational aircraft movement. It is often necessary to construct perpendicular taxiways to make this property feasible, and the ingress and egress requirements, particularly regarding larger aircraft that utilize large quantities of land, cause inefficiency.

There are three categories of land at GLS.

1. Primary Airside Property with or without concrete – Generally considered the most valuable property on the airport, these parcels exist in highly desirable locations with regard to an airport's runway and taxiway system. Primary Airside Property has good access to the runways, location topography, and location of utilities, and the reduced degree of site work needed makes them suitable for construction and highly developable. These parcels allow airplanes to be expeditiously and safely taxied to and from the runway surface and are generally the most quickly absorbed and developed of all airside land on airport property.
2. Secondary Airside Property with or without concrete – Like Primary Airside Property, this land can be configured in such a way that runway and taxiway access is available to users. The primary distinguishing characteristic of this classification is that its position and general location in the airport are not quite so advantageous with regard to the runway surfaces as Primary Airside Property. Other mitigating factors may also relate to the degree of site improvements regarding utilities and access roads, which may be required to make Secondary Airside Property suitable.

3. Commercial-Industrial Property—Due to its location, this property is typically not suitable for airside development, but its location relative to the landside roadway system makes it more suitable for commercial or industrial development.

Within each category, there are various Ground Lease rates based on the location of each parcel and the amount of utilities and site work needed at the site. The following parcel descriptions identify the various properties available for lease at GLS (See Exhibit A: Parcel Maps of Leasable Space):

- **North Apron Hangar Development Area:** This area consists of a combination of primary properties with and without concrete, as well as secondary properties without concrete.

The primary property with concrete is ideally suited for developing box hangars and nested T-hangars. This parcel has existing concrete suitable for construction and is located a short distance from the approach end of Runway 18. However, utilities are not currently available on site.

The secondary property without concrete is situated north of the North Apron. This parcel lacks an existing apron, taxiways, or utilities. However, a new taxiway extension will run west of this area and connect to the approach end of Runway 18, making this a good location for hangar development. The taxiway extension will be completed in 2025.

The primary property without Concrete is also optimal for developing a large box hangar. This parcel has existing utilities and is located near the concrete apron and the approach end of Runway 18.

- **South Apron Hangar Development Area:** This area consists of primary properties without concrete and is optimal for nine 3,600 sq. ft. box hangars or multiple-size hangar units. The area has an existing concrete apron for the hangars and some of the highest elevations in the airport. Utilities include electricity, water, and sewer near each of the lots or nearby.
- **South Ramp Hangar Development Area:** This area comprises secondary property with and without concrete. Utilities are nearby but not at the lot line. It is located a short distance from the approach end of Runway 36.
- **Commercial Development Property:** Five lots, totaling approximately 28.7 acres, on airport property are available for commercial development. Lease rates for these lots are based on the property's fair market value at the time it is leased.

All leases and lease rates shall be adjusted by two and one-half percent (2.5%) annually.

The Galveston City Council may adjust Ground Lease rates based on the development's specific location, investment, and economic impact. The following are the published ground lease rates adopted by the Galveston City Council for the Scholes International Airport:

- ***Primary Airside with concrete:*** \$0.45 per sq. ft. per year
- ***Primary Airside without concrete:*** \$0.39 per sq. ft. per year
- ***Secondary Airside with concrete:*** \$0.33 per sq. ft. per year
- ***Secondary Airside without concrete:*** \$0.27 per sq. ft. per year
- ***Non-Aviation:*** Lease rate to be determined with a Fair Market Value Appraisal

VI. NATURAL DISASTERS

Should a natural disaster occur that causes significant damage to tenant-owned facilities, the Lessee may request a lease extension or a new lease based on the percent of damage that has occurred to the facility.

New lease agreements shall be written using the City of Galveston's most current lease agreement, maintaining the same terms and escalation clauses as the previous lease agreement.

Due to the immediate need to make and repair essential living and work-related repairs, tenants will have one hundred and eighty (180) days from the date of the damage to submit a redevelopment plan to the Airport for approval. Once approved, the repairs must be completed within one hundred eighty (180) days, or a timeline mutually agreed to by both parties, for the lease extension to go into effect, providing a flexible approach to the process.

Lease extensions or new leases are granted based on 25% of the length of the original lease agreement and the percent damage following a natural disaster, and the lease term shall be granted using the following formula:

Percent of Damaged Received to Facility	Length of Lease Extension*
26% to 50% Damage Received	
20-year lease	5 Years (25%)
30-year lease	7.5 Years (25%)
40-year lease	10-Year (25%)
51% or greater damage received	Subject to a new lease agreement

For the formula above, a neutral party, agreeable to both, will assess the facility's damage, ensuring a fair and unbiased evaluation.

** These would be the maximum possible extensions based on the length of the original lease agreement and the percent of damage to the facility. However, the maximum lease term, including the extension, shall not exceed 50 years, in accordance with the State of Texas Transportation Code, Title 3 Aviation, Chapter 22 County and Municipal Airport.*

VII. FIRST RIGHT OF REFUSAL

In the event Lessee offers the leasehold property for sale, the City shall have the right (but not the obligation) to purchase the leasehold property under the following terms and conditions:

1. Once Lessee has established an asking or listing price for the leasehold property, Lessee shall first notify City in writing of Lessee's intent to sell and shall then offer the leasehold property for sale to City at this price. The city shall have ten (10) days from receipt of such notice to consider this offer, and if the City accepts, the City shall have 45 days to close. Consideration may be cash or third-party financing or, if agreed between City and Lessee, by assumption, wraparound, or owner finance.
2. If the City declines or fails to purchase the leasehold property at the listing or asking price, the Lessee shall be free to offer the leasehold property for sale to others. However, suppose a bona fide offer is received from a third-party prospective buyer. In that case, Lessee shall again notify City in writing and offer the leasehold property to City at the price and upon the same or better terms as named by the prospective buyer. The city shall have ten (10) days from receipt of such notice to consider this offer, and if the City accepts, the City shall have 45 days to close. The city may shorten or eliminate any

applicable time periods in this paragraph by waiving or declining in writing to exercise the City's right of first refusal.

VIII. BACKGROUND AND SUPPORT DOCUMENTATION

Lease Term

The Galveston City Council adopted this Policy on September 28, 2017, and adopted Amendment 1 of the Policy on January 23, 2025. The updated lease rates are based on a survey of similar types of airports offering similar services and amenities from the Houston and Dallas Fort Worth areas. The current lease terms and rate determination methods were adopted through a public vote of the Galveston City Council and are herein incorporated.

IX. OPTIMIZING REVENUE

The City of Galveston seeks to optimize operational and lease incomes for the Airport. The Fair Market Value Rate is the rate a tenant is willing to pay and a Lessor is willing to accept in an arms-length transaction for the lease of a specific Airport site or property based on a combination of property availability, competitive market considerations, rates for similar properties, property condition and fee simple value of the property. The Galveston City Council reserves the right to revise the terms and rates stated in this Policy as deemed necessary.

This policy will allow the airport to be fully developed for many uses while protecting the best locations for the highest-use developments.

X. MAINTENANCE: GOOD CONDITION & REPAIR

Tenants must maintain property and facilities in good condition and repair, except for normal wear and tear. This is not a one-time task but an ongoing obligation. Particular attention is focused on significant cost issues such as foundations, structural components of buildings, roofs, wall systems, hangar doors, electrical systems, etc. Sheet metal roofs and walls must be maintained free from leaks and significant damage and must be painted, as necessary, to prevent and retard rusting and enhance appearance. Painting, carpeting, and other similar items are typical maintenance and lease expenses expected of/by new tenants. Any level of clutter, junky or unkempt appearance will not be tolerated.




Annual Inspections of all facilities are required to ensure:

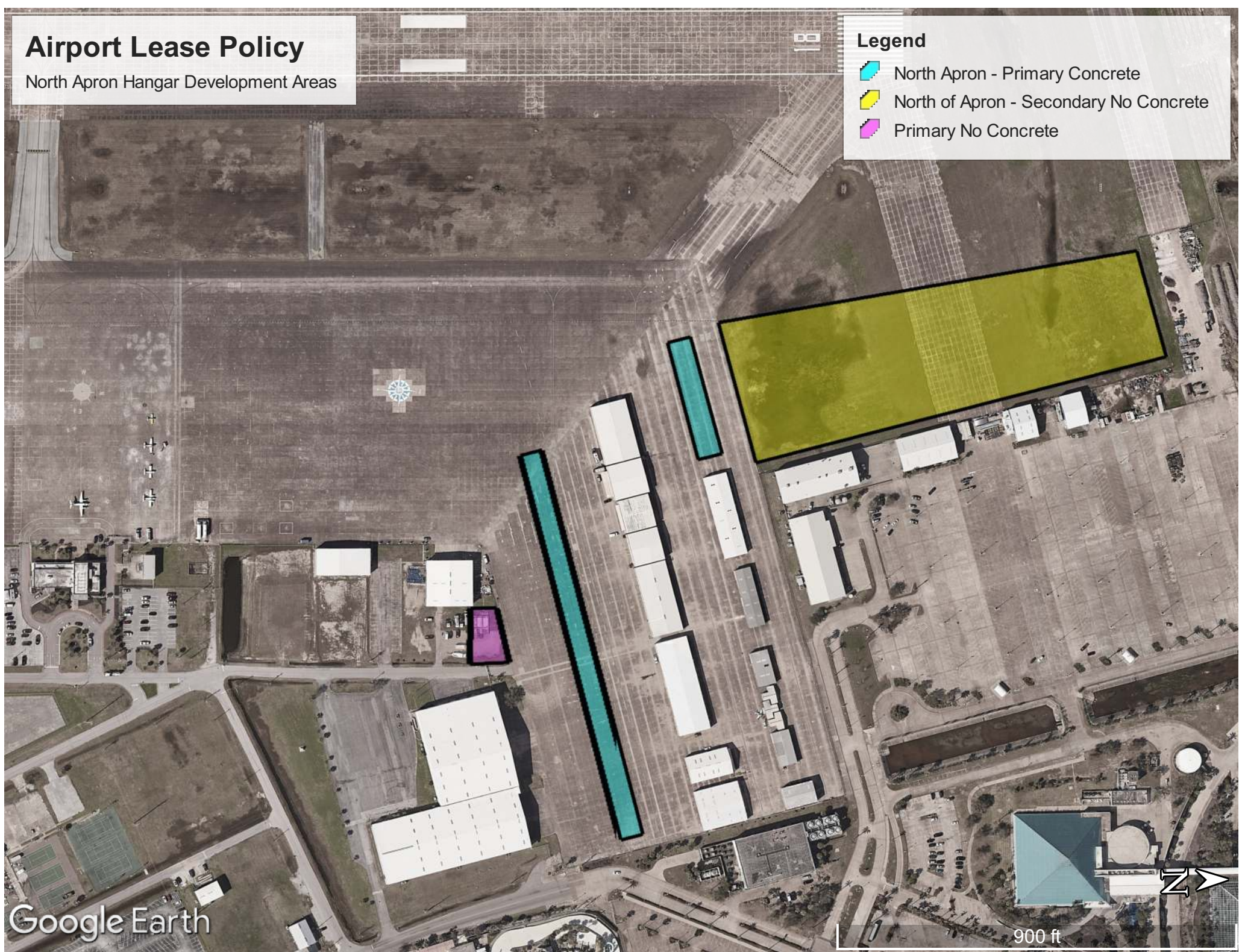
- a. Compliance with the terms of the Lease Agreement.
- b. Facility structural deficiencies have been identified and are being corrected.
- c. Routine maintenance of facilities is being completed.
- d. Failure to maintain the facility will result in lease extensions being denied, underscoring the importance of timely maintenance.

Airport Lease Policy

North Apron Hangar Development Areas

Legend


-  North Apron - Primary Concrete
-  North of Apron - Secondary No Concrete
-  Primary No Concrete

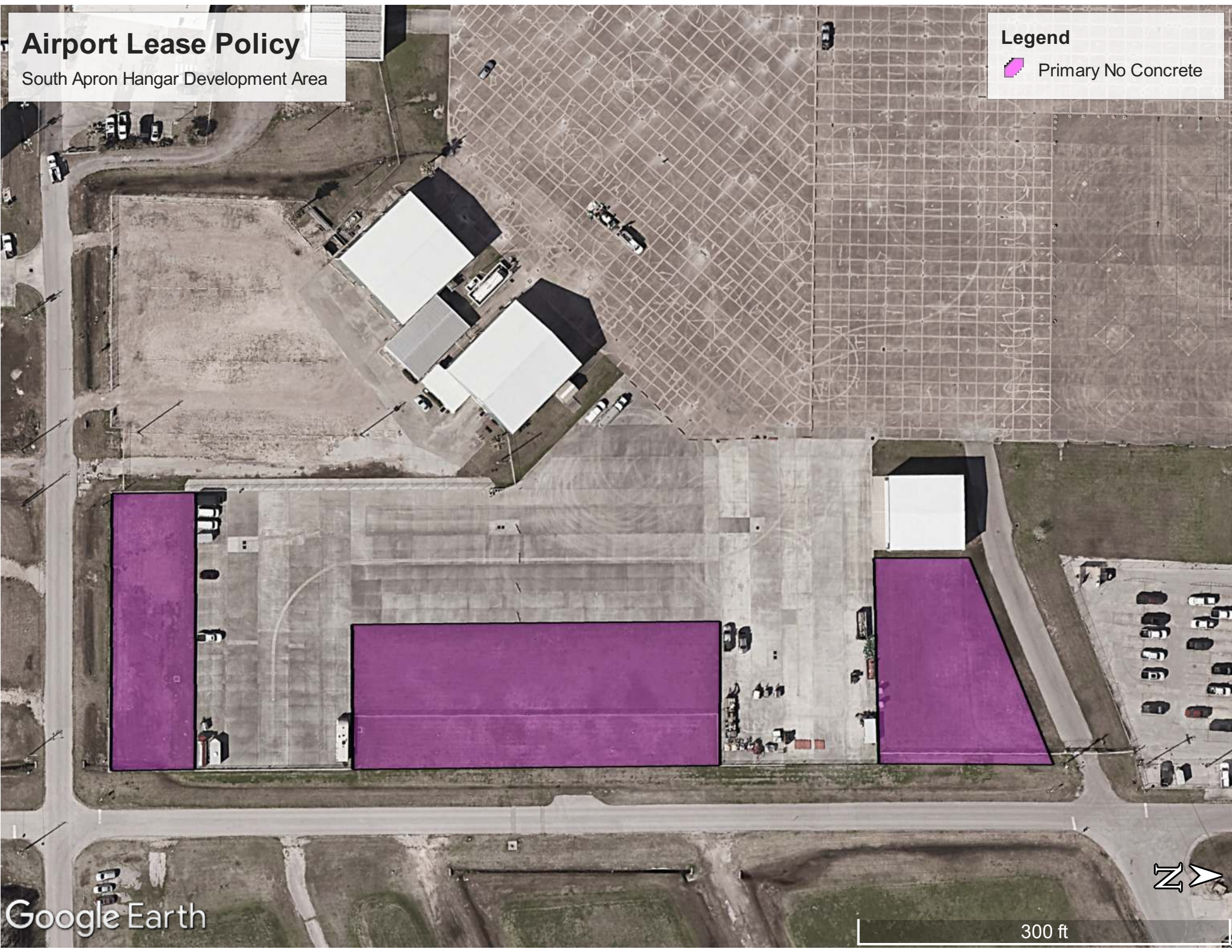


Airport Lease Policy

South Apron Hangar Development Area

Legend

 Primary No Concrete



Google Earth





300 ft

Airport Lease Policy

South Ramp Hangar Development Area

Legend

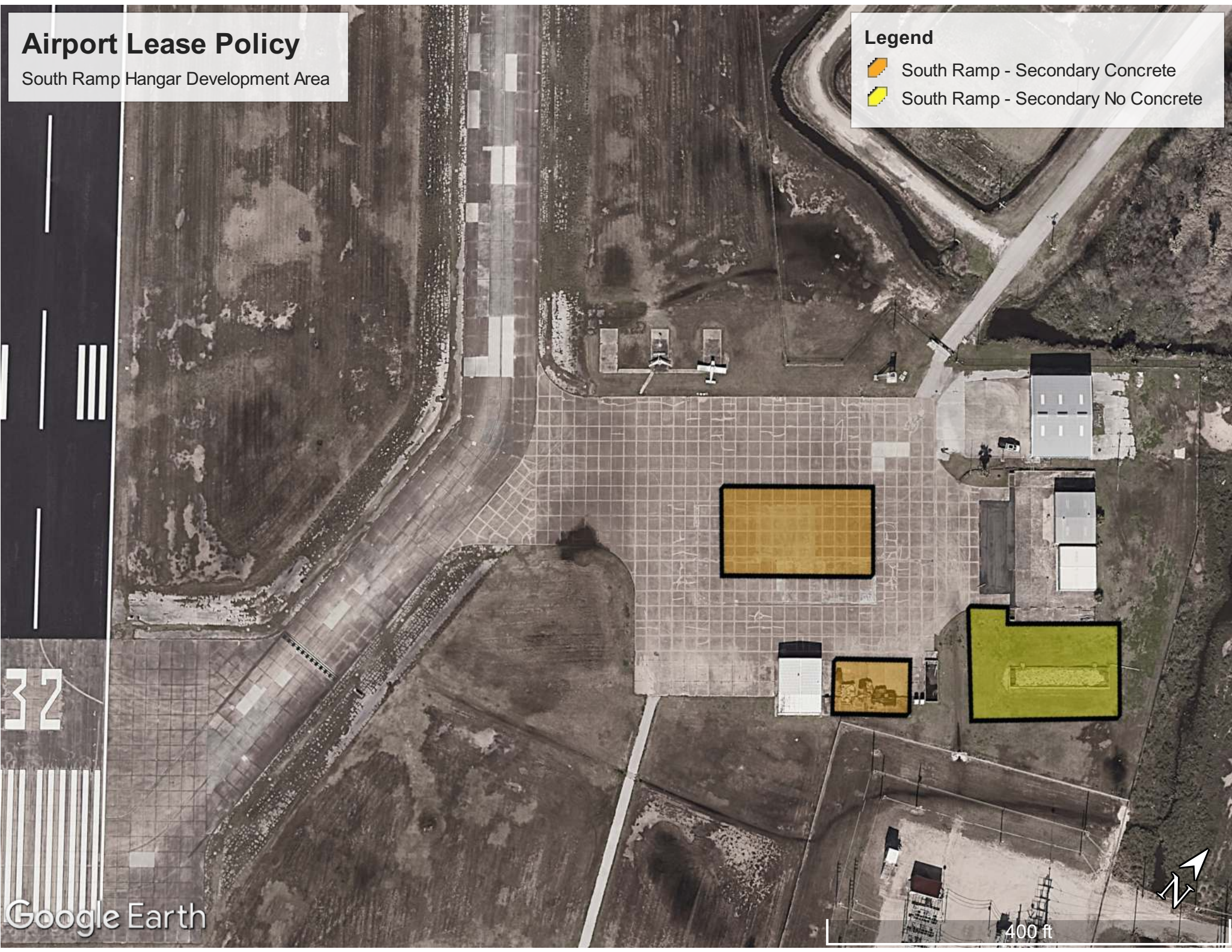
-  South Ramp - Secondary Concrete
-  South Ramp - Secondary No Concrete

32

Google Earth



400 ft



Commercial Development Property

Legend

- 81st. & Cessna Lot - 4.2 acres
- Cessna & 83rd Lot - 7 acres
- Cessna & Terminal Lot - 2 acres
- Elevated lots - Mix Use Aviation/Non Aviation - 11 acres
- Skymaster & Jones Lot - 4.5 acres

