

**LEASING GUIDELINES  
FOR  
AIRPORT LEASES  
AT THE  
Conroe North Houston Regional Airport**

**SECTION 1 INTRODUCTION**

Montgomery County, Texas is responsible for the operations and administration of the Conroe North Houston Regional Airport. The County's goal is to operate a safe, efficient airport that provides to the public the highest quality aviation services possible, including commercial aeronautical services and non-commercial storage and tie down of local and transient aircraft, and for the airport to be as financially self-sustaining as possible. To foster that goal, the County has adopted the following Leasing Guidelines for the lease of airport property.

These guidelines are prepared consistent with guidelines of the Federal Aviation Administration, including FAA Order 5190.6B "Airport Compliance Requirements", Grant Assurances with the United States Government and the Texas Department of Transportation Aviation Division (TxDOT) "Airport Compliance Basics". The following guidelines have also been established for the safe and efficient use of airport property, to enhance its growth and to assure all potential lessees of the availability of airport property on fair and reasonable terms without unjust discrimination and of the obligations inherent in the lease of airport property. These guidelines are not all-inclusive – airport lessees are also subject to their specific lease agreements,

**SECTION 2 STATEMENT OF POLICY**

It is the County's policy to provide a fair and reasonable opportunity, without unjust discrimination, to all qualified applicants who wish to lease airport property from the County. A qualified applicant must have successfully competed in a legal public process for the lease of Airport land and/or facilities, and be willing to enter into a lease with the County.

**SECTION 3 DEFINITIONS**

Acronyms/Single Words – The following acronyms or single words are used in this document to mean the following:

AIRPORT- Conroe North Houston Regional Airport. Montgomery County. Texas.  
COUNTY- Montgomery County, Texas  
FAA- Federal Aviation Administration  
FBO- Fixed Base Operator  
SASO- Specialized Aviation Service Operation  
TxDOT- Aviation Division of the Texas Department of Transportation

Aeronautical Service- Any service which involves makes possible or is required for the operation of aircraft, or which contributes to or is required for the safety of aircraft operations commonly conducted on the Airport by a person or business that has a lease, license, or permit from the airport owner to provide such service.

Airport – when capitalized, the Conroe North Houston Regional Airport, including all of the property, buildings, facilities and improvements within the exterior boundaries of the Airport as now exists on the individual Airport Layout Plan, or as hereinafter extended, enlarged or modified.

Airport Rules – Rules and Regulations for Use of the Airport, as promulgated by the Commissioners Court of the County, as existing or as hereafter amended by order of the Court.

Building – any pertinent structure such as hangars, office spaces, storage facilities and/or the like used in (a) the storage and/or maintenance of aircraft, parts and other materials used in the maintenance and operation of aircraft, and (b) the administration of airport services, including pilot lounges, restroom facilities, office areas and showrooms. Trailers, portable structures or other temporary buildings are specifically excluded from this definition and are prohibited on the Airport without express written approval of the Airport Director.

Business - an individual, corporation, government or governmental subdivision, partnership, association, or any other legal entity intended or used to carry out a commercial activity.

Commercial Activity - includes all types of vocations, occupations, professions, enterprises, establishments, and all other types of activities and matters, together with all devices, machines, vehicles, and equipment used therein, any of which are conducted, used, or carried on for the purpose of earning, in whole or in part, a profit or livelihood, whether or not a profit or livelihood actually is earned thereby. Businesses, professions and trades shall include, without being limited thereto, (a) trades and occupations of all and every type of calling carried on within the Airport boundaries: and (b) salesmen, brokers, retailers, wholesalers, vendors, suppliers, peddlers, professions and any other type of endeavor within the airport boundaries for the purpose of earning a livelihood or profit in whole or in part whether paid for in money, goods, labor, or otherwise, and whether or not the business, profession or trade has a fixed place of business on the Airport.

County – the County of Montgomery, Texas, a political subdivision of the State of Texas, under direction of its Commissioners Court, including its elected and appointed officials, employees and agents.

Director – the Airport Director, including his/her designee authorized to act on behalf of the Airport Director, who has been appointed by Montgomery County Commissioners Court to have direct supervisory and functional responsibilities for the administration, development, operation and maintenance of the Airport.

Fixed Base Operator (FBO) - a commercial business granted the right by the County to operate on the Airport and provide aircraft fueling along with other aeronautical services such as hangaring, tiedown, parking, aircraft rental, aircraft maintenance, flight instruction, etc.

Ground Lease – a conveyance of real property rights for occupancy or use of land and improvements as expressed in a written agreement.

Industrial or Non-aviation Business - business of a type whose operations do not require runway access airport orientation and does not provide a direct aeronautical service.

Lessee – a person who has entered into an approved lease agreement with the County to operate or provide services at the Airport.

Minimum Standards – the criteria hereby established by the County as the minimum requirements to be met as a condition for the right to conduct on the Airport a commercial aeronautical-related activity and such other non-commercial aeronautical-related activities described elsewhere herein.

Specialized Aviation Service Operation – single service or multiple service providers performing less than full FBO services; i.e., these persons differ from a full service FBO in that they typically offer a specialized aeronautical service such as aircraft sales, flight training, aircraft maintenance, or avionics services as example, and are not authorized to offer aircraft fueling.

Person – Any natural person, firm, group, company, corporation, limited partnership, governmental agency or other legal entity capable of validly contracting.

Tenant – Any person that pays rent to the County to use, occupy, or lease land, hangars, buildings, space or other County-owned property on the Airport, pursuant to a land lease agreement with the County.

## **SECTION 4 LEASING GUIDELINES – FAIR MARKET VALUE**

**SECTION 4.1** Those properties and/or facilities unrelated to the fundamental “public services” afforded by the Conroe North Houston Regional Airport shall be appraised for fair market rental values including percentage rents, with adjustment emphasis on comparative data from the private sector. This approach will produce a fair return to the County. Examples: industrial/office buildings, proposed non-aviation commercial developments, agriculture land leases.

**SECTION 4.2** Those properties and/or facilities directly related to the public services afforded by the Conroe North Houston Regional Airport but operated, however, by lessees or concessionaires, shall be appraised for fair market value including percentage rents with adjustment emphasis on comparable data from other publicly controlled facilities operated by lessees or concessionaires. It is the intention of the County whereby properties and/or facilities controlled by the Airport, not being used by the Airport for public services, will be leased. The rental charges or fees will be based upon the then fair market value, taking into consideration comparable properties owned by other public entities. Adjustments to lease rates shall be by fair market value every two years. This approach will also provide a fair return or profit to the County. Examples of such leases: rental car agencies, restaurants not located inside of an aeronautical facility, charter agreements for space in the County’s terminal building.

**SECTION 4.3** Those properties directly related to the aviation-use public services afforded by the Airport but operated, however, by lessees through ground leases, shall be appraised for the fair market value of land in the local market place, multiplied by a desired rate of return to be at or near par with interest rates of long-term commercial mortgages (as sold to secondary security markets) for similar types of investment (e.g. industrial/special use properties). For example, if the fair-market value of fee-simple, unimproved land for industrial/special-use properties in the immediate marketplace is found to be \$3.00 per square foot, and long-term commercial mortgage rates for comparable investments are determined to be 5.25%, a prevailing annual ground lease rate would be \$0.16 per square foot of land. Adjustments to ground lease rates may be by fair market value every two years. Ground lease rates shall also be compared to those of other airports in the Houston Metropolitan area to assure competitive pricing of County property. Examples: Full service Fixed Base Operators, Specialized Aviation Service Operation, and non-commercial aircraft storage hangars.

**SECTION 4.4** Those existing facilities directly related to the aviation-use public services afforded by the Airport and owned by the airport but operated by lessees, shall be a negotiated rate predicated upon the Airport's cost to maintain the public portion of the airport, cost to maintain the facility itself, the intended permitted use, its location, size, age, condition and market demand for such facilities at the Airport. In general leases for these facilities shall be "triple net", and the Airport shall retain the obligation to maintain the building shell (roof, foundation, hangar doors, aircraft apron, associated parking lot, etc.). Leases for these facilities shall be generally short term (two – five years in duration) and shall have a provision for bi-annual rental adjustments based upon a standardized economic index such as the Consumer Price Index (CPI). Adjustments shall be compared to Market Rate to ensure the cost will not cause a loss of business. Examples: Full service Fixed Base Operators, Specialized Aeronautical Service Providers, and non-commercial aircraft storage hangars. This approach will result in competitive pricing of County property.

## **SECTION 5 LEASING GUIDELINES – CAPITAL INVESTMENT REQUIRED**

**SECTION 5.1** A capital investment of \$15,000 per acre, per year of lease, may be required, as approved by the Commissioners Court, and such improvements shall be completed within two (2) years or less, or as negotiated in the lease.

**SECTION 5.2** Lease term shall not exceed forty (40) years or as otherwise approved by the Commissioners Court.

**SECTION 5.3** Ground leases at the Conroe North Houston Regional Airport do not provide for any option to renew or extend the term, except certain specific instances. For the Airport to consider extending the term of the lease it will be regarded as a form of "equity contribution" granted to the lessee for which the Airport desires to be compensated. Determining the level of capital investment and the corresponding appropriate lease-term extension is a difficult task. These such extension request come years before the lease expiration date, which requires projection well into the future; and second, depreciable dollars are being spent on a depreciating asset, which tends to offset the value of the capital investment. A negotiated compensation may include capital investment by the lessee that results in an enhanced fair market value of the property, or other key airport infrastructure, alternatively, a modified rental structure that offsets the opportunity cost to the airport when it preempts the property reversion and its ability to earn commercial market rent at the expiration of a ground lease. Consideration of extension of term for an existing ground lease shall also include a comparison of the negotiated compensation, to an additional capital investment of \$15,000 per acre, per year of lease extension. This approach will result in a fair value to both the County and the lessee. No lease extension shall allow for the term of the lease to exceed 40 years.

Lease Extension formula - \$15,000 per acre, per year (*based on square footage of the respective lease*)

**Capital Investment vs Capital Expenditures** -For the purposes of lease extensions the Airport distinguishes capital investments and capital expenditures as two different categories.

Capital Investments include facility expansion or key airport infrastructure improvements that will increase the overall capital value of the airport/facility. This may include but are not limited to adding additional square footage to the hangar, building out offices/class room space/bathrooms, adding additional aircraft or vehicle parking areas etc. These expenses are traditionally not associated with Operations and Maintenance (O&M).

Capital Expenditures are most directly tied to O&M and are an existing obligation of the lessee to keep and maintain their leasehold improvements in good repair. Examples of capital expenditures are but are not limited to roof repair/replacement, pavement maintenance, mechanical/plumbing/electrical repair, utility work, etc. These expenses will not be considered for lease extension.

Tenants shall fill out a Lease Extension Request Form (Exhibit A), provide detailed paid receipts of the Capital Investments in order to be considered.

## **SECTION 6 LEASING GUIDELINES – RULES AND REGULATIONS/MINIMUM STANDARDS**

**SECTION 6.1** All leases on the Airport are subject to the “Montgomery County, Texas Rules and Regulations for Use of the Conroe North Houston Regional Airport” and the “Minimum Standards for Commercial Aeronautical Activities at the Conroe North Houston Regional Airport”, as existing and as may be amended.

## **SECTION 7 LEASE APPROVAL**

**SECTION 7.1** All leases for use of property at the Airport will be negotiated by the Director and obtained by way of the above referenced guidelines, and approved by the Commissioners Court.

## **SECTION 8 COMMUNICATIONS AND CONTACT INFORMATION**

Questions concerning these Leasing Guidelines may be submitted to the Director by email or by letter faxed, mailed or hand-delivered to the Director as follows:

Attention: Director  
Conroe North Houston Regional Airport  
10260 Carl Pickering Memorial Dr.  
Conroe, Texas 77303  
936-788-8311  
james.brown@mctx.org

## **SECTION 9 EFFECTIVE DATE**

These Leasing Guidelines shall become effective on the date of approval by Commissioners Court.



Exhibit A

## Request for Lease Extension

Name \_\_\_\_\_

Address

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Hangar Number \_\_\_\_\_

Capital Re-investment Made \$ \_\_\_\_\_

Description of Improvement(s) made to Leasehold

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*Please include all associated paid receipts to this request. Only paid receipts will be considered.*

