Agenda of the Joint Meeting of the MNAA and MPC Finance, Diversity & Workforce Development Committees

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Date/Time: Wednesday, January 11, 2023, at 9:40 a.m.

Place: Nashville International Airport – Tennessee Board Room

Finance Committee Members: Andrew Byrd, Committee Chairman
Dr. Glenda Glover, Committee Vice Chair
Jimmy Granbery

I. CALL TO ORDER

II. APPROVAL OF MINUTES

November 9, 2022 Minutes of the Joint Meeting of the MNAA and MPC Finance, Diversity & Workforce Development Committees

III. CHAIR'S REPORT

IV. ITEMS FOR APPROVAL

1. JWN North Development Parcels 2 and 3 Lease - Lawrence Hangar LLC (Gaylon Lawrence)
2. JWN North Development Parcels 4 and 5 Lease – V3 Realty LLC

V. INFORMATION ITEMS

1. BNA Concessions Program Update (Terminal & Satellite)
2. Project Funding Sources Overview

VI. ADJOURN

Minutes of the Joint Meeting of the MNAA and MPC Finance, Diversity & Workforce Development Committees

BNA Nashville International Airport®

Date: November 9, 2022

Time: 9:27 a.m.

Location: Metropolitan Nashville Airport Authority Tennessee Boardroom

Committee Members Present: Andrew Byrd, Chair; Dr. Glenda Glover, Vice Chair, Jimmy Granbery

Committee Members Absent: None

Others Present: Bobby Joslin, Nancy Sullivan, Joycelyn Stevenson, Doug Kreulen, Neale Bedrock, Lisa Lankford, Rachel Moore, and Trish Saxman

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I. CALL TO ORDER

Chairman Byrd called the Joint Meeting of the MNAA and MPC Finance, Diversity & Workforce Development (Finance) Committees to order at 9:27 a.m., pursuant to Public Notice dated November 4, 2022.

II. APPROVAL OF MINUTES

Commissioner Granbery made a motion to approve the minutes of the October 12, 2022 Finance Committee Meeting and Vice Chair Glover seconded the motion. The motion carried by vote of 3 to 0.

III. CHAIR'S REPORT

Chairman Byrd had no Chair's report.

IV. ITEMS FOR APPROVAL

1. MNPD Hangar Lease Agreement with Metro Government

Doug Kreulen, President and CEO, introduced Carrie R. Logan, Associate General Counsel, who briefed the Committee on Parcel 10 located on the northside of John C. Tune Airport. Metropolitan Government of Nashville and Davidson County ("Metro") approached MNAA approximately 18 months ago to build and construct a hangar for the Metropolitan Nashville Police Department ("MNPD"). MNAA has used the same terms from the Notices of Availability (NOA) for parcels 1-5 and will determine supplemental rent, including design and construction of a hangar with office space. Supplemental rent will be determined after the design of the building once MNAA has construction costs. Metro has 60 days to determine if they want to move forward with construction regarding the supplemental rent and the amendment will come back to the Board and also to Metro Council. If they do choose to terminate, they will then owe us our actual design costs up to $1.5M including MNAA's project management fee. After approval by the Board next week, Metro requires that these items be signed before submission to Metro's Council, and it would go to the December 20th Metro Council meeting. President Kreulen stated the Finance Team has developed a document that allows us to track what Metro's cost might end up being, i.e., MNAA has a 30-year term, the base rent at $2.21/sf, and escalates at 3% and then show a hangar at $5M that assumes $1.5M to design, and a hangar at $3.5M, or if it shows $7.5M, with $5M hangar and $1.5M to design then, MNAA has different performance data that can be shared with Metro. If it is approved by the Committee and Board, it must then be approved by Metro Council.

Commissioner Granbery asked if Metro finances the design costs, or if it is paid up front. President Kreulen stated if Metro does not decide to build a hangar, they have to write us a check for the design total up to $1.5M and if Metro builds a hangar that MNAA funds, then the design and construction costs are both financed over the 30-year term. Chairman Byrd asked if there are any issues with the use of helicopters at JWN and President Kreulen replied there are about 3 – 4 private helicopters, several are teaching lessons and/or flights around Nashville, and a couple of news helicopters. The helicopters are in a good spot there, and the only thing they have to worry about is the rotors while they are taxiing out. Most of the jets that are taxiing out are heavy enough that small helicopters will not affect them. It is a good presence for MNAA.

Commissioner Granbery asked how many helicopters can fit in a hangar that size. President Kreulen explained that it depends on design and if helicopters have folded blades. Most helicopters come equipped with pull pins which allow for the blades to slide back. Metro has two old helicopters and two brand new ones that will easily fit in this hangar. Commissioner Sullivan asked where the helicopters plan to take off from. President Kreulen replied that there is a designated helipad, and also helicopters have flexibility and may taxi out and request the tower for position. Commissioner Stevenson asked if this is approved by the Board, what happens next for Metro. President Kreulen stated Metro rules state that the Metro resolution has to be filed with the Metro clerk two weeks prior to being put on the agenda. Assuming the Finance Committee recommends approval today, and it is approved by Board next week, it will need to be at Metro by noon, so it will probably make the December 20th meeting versus the December 6th meeting. Commissioner Granbery asked if this is a 3-readng approval to which Ms. Logan replied 1-reading approval. Chair Byrd asked how Metro self-insures. President Kreulen replied Metro is self-insured and will confirm which insurance Metro has. Commissioner Granbery stated helicopters are inherently more volatile in his opinion. President Kreulen stated there are more moving parts on a helicopter and they are pretty safe. Commissioner Granbery stated that he is more concerned with staff ensuring that the building is adequately insured. Commissioner Granbery stated that even though Metro is paying rent for it, they will not own it at the end of the lease, MNAA will. Commissioner Granbery stated that if we take the cost of the property casualty insurance to insure our building and amortize that into a 30-year lease, it will be in MNAA's best interest to carry property casualty insurance on the building. President Kreulen stated that he will check with Valerie Hamilton, our Risk Manager, and consultants.

Commissioner Granbery stated MNAA already knows the problems with other situations, relative to insurance and stated value, replacement value, etc., and that MNAA will need to insure a lot of property at JWN. Chairman Byrd asked if the tenants will all have private insurance, and if all of the helicopters will be privately insured. Commissioner Granbery stated he is concerned about all of the new hangars recently built after the tornado, which in total cost MNAA between $40M and $50M. President Kreulen stated in the Management Committee Meeting today there will be a report showing results of the insurance study.

Ms. Logan reviewed the Key Lease Terms of the MNPD Hangar Lease:

- Effective Date – upon executive, rent also commences;
- Term – 30 years with one 5-year option; Base Rent – $2.21/sf, 3% annual escalation, FMV adjustment in year 10, 20 and at 5-year option;
- Lease Type – Triple Net Lease;
- Improvements – MNAA will design and construct a hangar with office space;
- Supplement Rent – Decide if they want to move forward with construction;
- Termination Right – Metro has right to terminate the Lease, and if terminated, will pay MNAA up to $1.5M for reimbursement of the design costs and MNAA's project management fee. Supplemental Rent is determined with our borrowing rate included.

Ms. Logan requested that the Finance Committee recommend to the Board of Commissioners that it approve the MNPD Hangar Lease Agreement with Metro Government and authorize the Chair and President and CEO to execute the ground lease.

Vice Chair Glover asked if both parties have termination rights. Ms. Logan answered no, once MNAA determines the supplemental rent and the costs, at that point they can choose to go forward or not. President Kreulen stated the tenant could theoretically say they want to go forward but do not want to finance or may want to pay cash. There is an option, where MNAA can tell how much tenants will be paying in rent every month; but they can decide if they want to pay it off or let us finance it. Chair Byrd asked if they pay, would it still be our facility at the end of 30 years. President Kreulen stated yes, MNAA will be the owner.

Chairman Byrd asked for a motion to approve as presented and Chairman Byrd made a motion, which Vice Chair Glover seconded. The motion carried by a 3 to 0 vote.

Commissioner Granbery asked if the interest rate will be fixed throughout the 30 years. President Kreulen answered yes, this is what the Finance Team described and is reflected in the document that Kristen's team put together using a 5.25% rate. Commissioner Granbery asked if the 5-year option is exercised, will Metro pay a return off the new value of the land, plus the building that we own. Ms. Logan stated yes that the market value is both the land and the building. Commissioner Granbery also asked if the development fee is also going to be included in the 30-year amortization number. President Kreulen stated yes, the development fee and design costs. Commissioner Granbery stated that the insurance issue concerns him and Chairman Byrd and that he wants staff to confirm insurance coverage. President Kreulen stated yes, MNAA will definitely check on the insurance. Commissioner Granbery acknowledged that it has taken a lot of time to get to this point.

2. Air Service Incentive Policy ("ASIP")

President Kreulen introduced Josh Powell, Director, Airline Affairs & Air Service Development. Mr. Powell stated the Air Service Incentive Policy ("ASIP") is for new service announced January 1, 2023 – December 31, 2024. The ASIP helps BNA remain competitive with other US airports in our efforts to attract additional non-stop international and domestic service. The incentives in BNA's plan are as good or better than peer airports. The key changes to this ASIP update are 1) Hawaii was moved to Trans-Oceanic which is the better tier of incentive and 2) changed eligibility restriction from the previous 12 months requirement to previous 24 months, which keeps airlines from leaving and returning to receive an incentive every 12 months. The ASIP is funded through the NAE Incentive Fund, which has a current balance of $6.85M with an annual funding of $2M. The maximum allowable marketing funds and abatement for each fiscal year will be set by the Authority's budget. Mr. Powell stated it is important to note that any incentive agreements requires Board approval.

President Kreulen stated that he asked Mr. Powell to highlight the Board approval requirement because that was one of the many items that resulted in the change of the previous CEO to the current CEO. The previous CEO had approved some incentives that were above the $500K limit unbeknownst to the Board and therefore, following that CEOs departure, policy was created to require Board approval for incentive agreements. Mr. Powell stated there are three different types of incentives: Landing Fee Abatement, Facility

Fee Abatement and Marketing Incentives; and three different tiers of service: Domestic, Other Americas and Trans-Oceanic. Other Americas include Canada, Mexico, and Central and South America. The highest tier is the Trans-Oceanic service as we work towards additional European services, which would apply to any service to Asia or Hawaii. President Kreulen stated that Mr. Powell has done a great job at the World Routes Conference and is always networking with the airlines for new service for Nashville. The reason he recommended that we move Hawaii into this category is because Southwest is a big carrier for MNAA, but their 737s cannot make it to Hawaii from Nashville. Other airlines could provide that and there is very high interest because Southwest and Hawaiian Airlines ("Hawaiian") are in significant competition to get to Hawaii from California, but Hawaiian is likely to invest in aircrafts like the 787 that could make it nonstop. We are trying to make that push for Hawaiian to purchase that aircraft to provide nonstop service from Nashville to Hawaii.

Commissioner Granbery asked if current runways would work. President Kreulen stated the distance from Hawaii to Nashville is about that same 3,500 miles that it takes to go from Nashville to Heathrow, London; and therefore, our 8,000-foot runways will work. Commissioner Granbery asked if the runways would work if going East to West with prevailing winds. President Kreulen stated yes, and if we are able to secure this in a year or two, and Hawaiian makes that investment in that type of airplane, we believe we can secure that in the future. Vice Chair Glover asked for confirmation that this incentive policy is for new service, which President Kreulen gave. President Kreulen explained that if an airline wants to go to London, we will not provide them with an incentive, it will have to be a new city. Mr. Powell has had favorable meetings with KLM and Air France, and if they want to go to Paris or Frankfurt, we will come to the Board for approval to provide them with incentives for a two-year period. President Kreulen mentioned that the Finance Team invested about $166K a month, or $2M a year, so that money is sitting there waiting for another airline to come here. We pay ourselves the fees the airline would charge us over two years, let them fly for free, and we pay ourselves out of this account. Mr. Powell additionally noted that it is a route specific incentive, not an airline specific incentive, so an airline already at BNA could qualify for incentive.

Commissioner Stevenson asked if there are any limitations on what kind of incentives we can offer. President Kreulen stated MNAA already has Landing, Facility and Marketing fees, and we are allowed to provide them with marketing incentives. Other than that, the City or State could promise them something else. MNAA is not allowed to, and this policy is written in accordance with FAA guidelines to make sure we are complying with the grant assurances. Mr. Powell stated he would work with Stacey Nickens, AVP, Corporate Communications, on those other marketing initiatives, which would be detailed in the Letter of Agreement ("LOA") that would be presented to the Board. Those are mostly standard things such as press release and event at the gate. Chairman Byrd asked about the range of the Landing Fee and Facility Fee Abatement for two years. Mr. Powell replied that it is based on size of aircraft with both the Landing Fee and Facility Fee as it is charged. He estimated that a large aircraft, such as a 787, is around $1.5M per year in landing fee abatement. President Kreulen stated that the way it is written, an airline cannot get an incentive if it is not flying at least 3 days a week. If the airline comes in at 3 days and goes up, rent and landing fee abatements would increase. British Airways with the marketing and landing fees all added up is about a $3M benefit. With $6.8M in the account, we could do another two Trans-Oceanic destinations and not get close to bottoming out our available cash, and it is a good revolving account. Chairman Byrd asked if when the international gates are opened, we will be under some pressure to engage in additional international service. President Kreulen states MNAA feels strongly that a second European route will come within 12 months, and potentially a Hawaiian flight in 24 months.

Mr. Powell requested that the Finance Committee recommend to the Board of Commissioners that it approve the ASIP and authorize the Chair and President and CEO to execute the contract. Chairman Byrd asked for a motion to approve as presented and Vice Chair Glover made a motion and Commissioner Granbery seconded the motion. The motion carried by a 3 to 0 vote.

3. **General Services Administration (GSA)/Drug Enforcement Agency (DEA) 2-year Space lease Extension**

Mr. Powell briefed the Committee on the lease agreement extension for the General Services Administration (GSA)/Drug Enforcement Agency (DEA) 2-year Space Lease Extension. The original lease was 5-year lease with one 5-year option, from January 1, 2013 through December 31, 2022, with a rental rate of $37.39 sf/year - $39.07 sf/year, and with a current rate for 2022 $54,542. Staff recommends a two-year extension of this lease and negotiated with GSA from a period of January 1, 2023 through December 31, 2024 with a new rental rate of $118.51 sf/year with operational costs adjusted annually for CY2023 at $165,440 which is consistent with other terminal rental rates. This is located on ramp level on Concur C, about 1400 sf.

Commissioner Granbery stated this is a dramatic increase and asked why it is so big. President Kreulen stated older leases did not have automatic 3% escalations or fair market adjustments and we are able to correct once those expire. Commissioner Granbery asked if the components of the lease change, such as janitorial costs, if then the rent can be increased accordingly to cover your costs. Mr. Powell said yes. Commissioner Granbery asked for confirmation that you still have the capacity to recapture any additional expenses. Mr. Powell stated yes.

Chairman Byrd asked for a motion to approve as presented and Vice Chair Glover made a motion and Commissioner Granbery seconded the motion. The motion carried by a 3 to 0 vote.

4. Fraport Subleases

President Kreulen introduced Colleen Von Hoene, Associate Principal, Paslay Group. Ms. Von Hoene stated there are three Fraport subleases: Ferncroft Airport LLC, SNA Nashville, LLC and TRNA Nashville, LLC, which terms expire beyond January 2029. MNAA must become a party to the sublease and requires Board approval. The Ferncroft Airport, LLC has two subleases: The All Day, Nashville Music City and Titans Sports Bar; the SNA Nashville, LLC has Slim and Husky's, Hattie B's and ACME Feed & Seed and TRNA Nashville, LLC has Galleria Duty Free/Duty Paid and Tennessee Whiskey Company which are both retails.

Ms. Von Hoene requested that the Finance Committee recommend to the Board of Commissioners that it approve the three Fraport Subleases, Ferncroft Airport, LLC, SNA Nashville, LLC and TRNA Nashville, LLC and authorize the Chair and President and CEO to execute the contracts.

Vice Chair Glover asked if all of these are ready for opening date. Ms. Von Hoene stated yes, these are the contractual dates. President Kreulen stated yes and noted this is good work by all involved and pushes Fraport to complete the projects due to the big opening in September. Vice Chair Glover asked when will the two terminals reconnect. President Kreulen stated January 24, 2023 and in September 2023 everything will be open.

Chairman Byrd asked for a motion to approve as presented and Vice Chair Glover made a motion and Commissioner Granbery seconded the motion. The motion carried by a 3 to 0 vote.

V. <u>INFORMATION ITEMS</u>

1. BNA Concessions Program Update

Ms. Von Hoene reported that 18 of the 19 concessions are open. The last one, Tennessee Rickhouse, in the C Triangle, is under construction and continuing work on main bar/service area. The twelve locations scheduled to open in January 2023 are actively under construction and meeting their construction deadlines. Nashville Music City started construction on November 1, 2022.

Ms. Von Hoene provided construction photos of the 2023 locations under construction. Pharmacy Burger has installed faux brick finish on the wall and is installing the kitchen and bar. Parnassus, across from Pharmacy Burger, is installing flooring and painting. The Atrium is installing ceiling grid. Nashville Music City and In Tune have storefront and interior framing in progress. To the South side, Country Music HOF, Nashville Jam and Whiskey Trailhead, are all doing utility install and basic structure. Natalie's Candy, Draper James and Johnston & Murphy are installing store enclosures and security gates.

Ms. Von Hoene stated 15 locations are opening in September 2023, with 10 of them at 30% design review approved. President Kreulen stated he appreciates Ms. Van Hoene's leadership and the partnership with Fraport. Commissioner Stevenson stated MNAA has done a good job with the social media as new locations open, and it is helpful to share. President Kreulen stated when MNAA only had four ribbon cuttings, each one was individually shared. We will have 27 in design for next year, which will get us to about 98 locations. Commissioner Granbery asked if there has been any progress on the PIT Pass concept. President Kreulen stated it is something on Fraport's radar but has not been a focus area to this point. There are 12 months or so to try to replicate that success from Pittsburgh. Chairman Byrd stated he read about it in Pittsburgh. President Kreulen stated a couple of other airports have a similar program where non-ticketed and security screened visitors can go into the airport to shop and dine. Commissioner Granbery mentioned it would also be practical for hotel guests to walk next door for dining and shopping.

Ms. Van Hoene stated that on satellite concourse, 30% design reviews will be completed next week on November 15, 2022.

2. Insurance Program Review and Analysis

President Kreulen introduced Kristen Deuben, VP, Finance & Deputy CFO, to provide information on the insurance program review. Ms. Deuben reported that in February 2022 when we brought our FY23 insurance policies to the Finance Committee for approval, they suggested we have an independent assessment of MNAA's insurance program. Anderson Kreiger engaged Albert Risk Management Consultants ("ARMC"), who completed the review in July 2022.

ARMC found no insurable gaps in MNAA's insurance program and noted Marsh's comparative data and benchmarking are some of the best they have seen in the airport and public sector.

ARMC reviewed MNAA's property insurance, aviation liability, worker's compensation, automotive, general and governance liability, and cyber insurance. The structure of the insurance program properly protects the assets and resources of the authority, and the limits, with a few minor exceptions, are appropriate to the exposures. Deductibles are low, but reasonable, and prices are in the expected range.

Overall, our FY22 program is sound, and we kept the program substantially the same for FY23. We did increase the limits for property from $800M to $1.25B and we have additional excess for law enforcement policy. Staff is working with Marsh to review deductibles and the self-insurance program, which approximately takes about 18 months to review. Staff will keep the Board updated and will engage a review every 3-5 years. President Kreulen stated coming out of 2020 tornado, there were lots of questions as to whether MNAA had the appropriate amount of insurance. MNAA hired a new broker, Marsh, and brought on a Risk Manager here to review all our policies, and with the Finance Committee's direction got an outside firm to review. President Kreulen stated that this has been a two-year process to get to this point and the Finance Committee should feel assured that MNAA has taken appropriate action to close insurance gaps. Chairman Byrd thanked President Kreulen for doing the independent review.

Chairman Byrd asked about the status of the Bond issue. Ms. Basrai replied she is going to New York next week, with investor calls Monday and Tuesday and plans on pricing and selling the next week. President Kreulen stated Mayor Cooper did sign our bond document letter stating that he acknowledges that as the head of Metro government, he is aware that one of the authorities is going out to borrow up to $1.25B and next week we should get really good news.

Commissioner Granbery asked about the status of the gas pipeline, and if it was complete. Mr. Bedrock replied that the insurance side is complete, and we have portion of the liability, so we are in mediation on December 12, 2002. It is nonbinding mediation and if we do not resolve it, we will come back to the Board to brief on next steps in an Executive session.

President Kreulen stated TDOT work on the Donelson Pike relocation is progressing, and Colonial is getting ready to drill to relocate their pipeline. Operationally nothing has stopped us, but we have two issues in mediation – the engineering contractor related to the Colonial fuel strike and the JWN hangar appraisals. Commissioner Sullivan asked if the engineer mentioned is working for TDOT. Mr. Bedrock replied for the airport.

3. Quarterly Retirement/OPEB/Investment Report

Ms. Deuben reported that the Retirement Plan for FY23-Q1 market value was $71.6M, a decrease of $4.8M. The OPEB FY23-Q1 market value is $34.6M, a decrease of $4.0M. The pension portfolio underperformed their benchmark while the OPEB overperformed their benchmark. During the first quarter of FY23 MNAA had total available funds of $699.3M with 97.7% funds invested. MNAA has about $16M in DDA account which represents about 2.3% of our total funds which exceeds our internal goal of keeping our liquid cash below 8% of total available funds. The first quarter of 2023 earnings were $2.6M and were more than FY22-Q4 despite having $116.2M fewer available funds. President Kreulen stated this is another success story, and he thanked the Committee for their leadership.

Vice Chair Glover asked if there any connections or contributions to the Titans stadium. President Kreulen responded that he is on the CVC Board, not on the Chamber Board, and MNAA is aware of what is going on and there is no financial involvement. MNAA wants it approved to generate business and leisure travel.

VI. ADJOURN

There being no further business brought before the Finance Committee, Chairman Byrd adjourned meeting at 10:18 a.m.

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Jimmy Granbery, Board Secretary

STAFF ANALYSIS
Finance Committee

Date: January 11, 2023

Facility: North Development Parcels #2 & #3 at John C. Tune Airport

Subject: Lawrence Hangar LLC (Gaylon Lawrence) Lease Terms

I. <u>Recommendation</u>

Staff requests that the Finance Committee recommend to the Board of Commissioners that it:

1) Approve the terms negotiated between MNAA and Lawrence Hangar LLC (the "Tenant"); and

2) Authorize MNAA Staff and the Board of Commissioners to execute a lease agreement between MNAA and Lawrence Hangar LLC that is consistent with these terms.

II. <u>Analysis</u>

A. Background

On April 5, 2021, MNAA released a Notice of Availability ("NOA") for ten 0.84-acre parcels of land at JWN, commonly referred to as the North Development. These parcels of vacant land run between the State hangar and the Air Traffic Control Tower (ATCT) on the north end of the airport. Eight responsive proposals for the NOA were received, of which Real Estate executed Letters of Intent (LOI) with three entities for a total of five parcels.

B. Lease Terms

1. Tenant will lease two parcels of land for a total of 1.68 acres. These parcels are depicted as #2 & #3 on the attached exhibit.

2. Tenant will have a 2-year construction term, 30-year initial term, and one 5-year renewal option for a total potential term of 37 years.

3. Tenant will pay rent at $3.05 p/sf beginning on the effective date of the lease (2/1/2023). Rent will increase each year by 3% except for in years 10 and 20 of the initial term, upon which rent will be increased based on an appraisal. In no event will rent increase by more than 110% of the immediately prior year, nor will rent decrease.

4. Tenant will pay a monthly fuel flowage fee for all fuels dispensed and the current rate is $0.06 per gallon.

5. During the 2-year construction term, the Tenant will invest a minimum of $5M for construction of a fuel storage and hangar facility. The design of the improvements is ongoing, but Tenant is planning to construct one large hangar of approximately 20K – 30K square feet, with adjacent vehicle parking.

6. Tenant will complete the improvements within 24 months of the effective date.

7. Tenant is responsible for obtaining all necessary permits to complete the project, including compliance with MNAA's AIR process.

8. The lease is a triple net lease; therefore, Tenant will be responsible for all costs associated with the property during the term of the lease including maintenance, insurance, and taxes.

9. Tenant will be responsible for completing property condition and pavement condition assessments every 5 years. These assessments will be submitted to MNAA with a report from the Tenant setting forth any deficiencies that have been repaired in the prior 5-year period and a plan for the repairs needed during the following 5-year period.

10. Tenant holds the right to assign the lease to an affiliate or successor organization of Tenant with notice to MNAA. Any other assignment or transfer must be approved by MNAA and will include payment to MNAA of a percentage of the gross transaction value. MNAA's percentage of the proceeds is based on scale dependent upon how far along in the term such assignment or transfer is done. MNAA will receive 20% of the gross transaction value if there are 10 or more years remaining on the term, 15% if there are less than 10 years remaining, and 10% if there are less than 5 years remaining.

11. Tenant has the right to sublease with written approval from MNAA. If approved, MNAA will share in the revenue paid to Tenant by any approved sublessee(s). The revenue share amount is 50% of any consideration Tenant receives in excess of the current base rent, which on the effective date, will be $3.05 per square foot.

C. Impact/Findings

This lease will provide MNAA with an immediate revenue source of $223,406.40 in year one and a new asset that will vest in 32-37 years.

This redevelopment is being supported by MNAA project "JWN 2297 - North Development, Airside Improvements and Apron Expansion" whereby MNAA will be constructing facilities to support the tenant(s) development including an access road, natural gas, electricity, water, and sewer utilities and taxilane and taxiway connections. The contractual substantial completion date for MNAA's project is August 2, 2023.

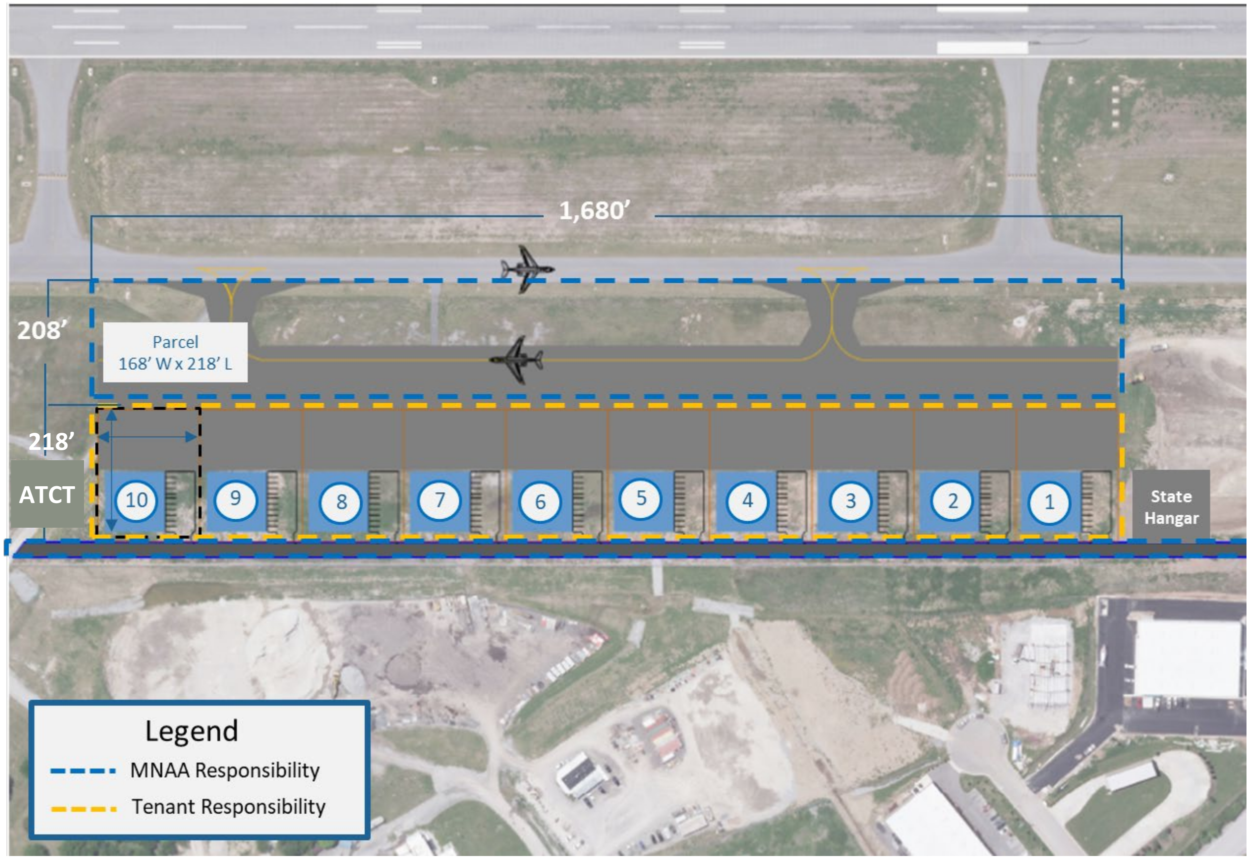
D. Strategic Priorities

- Invest in BNA/JWN
- Plan for the future

E. Options/Alternatives

The Finance Committee could decline to recommend approval of the proposed Tenant and Real Estate could attempt to negotiate with another entity for the lease of parcels #2 & #3.

EXHIBIT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STAFF ANALYSIS
Finance Committee

Date: January 11, 2023

Facility: North Development Parcels #4 & #5 at John C. Tune Airport

Subject: V3 Realty LLC Deal Terms

I. Recommendation

Staff requests that the Finance Committee recommend to the Board of Commissioners that it:

1) Approve the deal terms negotiated between MNAA and V3 Realty LLC (future special purpose entity) (the "Tenant"); and

2) Authorize MNAA Staff and the Board of Commissioners to execute the lease agreement between MNAA and V3 Realty LLC.

II. Analysis

A. Background

On April 5, 2021, Real Estate, with Executive Staff approval, released a Notice of Availability (NOA) for ten 0.84-acre parcels of land at JWN commonly referred to as the North Development. These parcels of vacant land run between the State hangar and the Air Traffic Control Tower (ATCT) on the north end of the airport. Eight responsive proposals for the NOA were received, of which Real Estate executed Letters of Intent (LOI) with three entities for a total of five parcels.

B. Lease Terms

1. Tenant will lease two parcels of land for a total of 1.68 acres. These parcels are depicted as #4 & #5 on the attached exhibit.

2. Tenant will have a 2-year construction term, 30-year initial term, and one 5-year renewal option for a total potential term of 37 years.

3. Tenant will pay rent at $2.00 p/sf beginning on the effective date of the lease (2/1/2023). Rent will increase each year by 3% except for in years 10 and 20 of the initial term, upon which rent will be increased based on an appraisal. In no event will rent increase by more than 110% of the immediately prior year, nor will rent decrease.

4. Tenant will pay a monthly fuel flowage fee for all fuels dispensed at $0.06 per gallon.

5. During the 2-year construction term, the Tenant will invest a minimum of $5M for construction of a fuel storage and hangar facility. The design of the improvements is ongoing, but Tenant is planning to construct one large hangar of approximately 29K – 30K square feet, with adjacent vehicle parking.

6. Tenant will complete the improvements within 24 months of the effective date.

7. Tenant is responsible for obtaining all necessary permits to complete the project, including compliance with MNAA's AIR process.

8. The lease will be triple net therefore Tenant will be responsible for all costs associated with the property during the term of the lease including maintenance, insurance, and taxes.

9. Tenant will be responsible for completing property condition and pavement condition assessments every 5 years. These assessments will be submitted to MNAA with a report from the Tenant setting forth any deficiencies that have been repaired in the prior 5-year period and a plan for the repairs needed during the following 5-year period.

10. Tenant holds the right to assign the lease to an affiliate or successor organization of Tenant with notice to MNAA. Any other assignment or transfer must be approved by MNAA and will include payment to MNAA of a percentage of the gross transaction value, minus the Tenants unamortized capital investment. MNAA's percentage of the proceeds is based on scale dependent upon how far along in the term such assignment or transfer is done. MNAA will receive 20% of the gross transaction value if there are 10 or more years remaining on the term, 15% if there are less than 10 years remaining, and 10% if there are less than 5 years remaining.

11. Tenant has the right to sublease with written approval from MNAA. If approved, MNAA will share in the revenue paid to Tenant by any approved sublessee(s). The revenue share amount is 50% of any consideration Tenant receives in excess of the current base rent, which on the effective date, will be $2.00 p/sf.

C. Impact/Findings

This lease will provide MNAA with an immediate revenue source of $146,496.00 in year one and a new asset that will vest in 32-37 years.

This redevelopment is being supported by MNAA project "JWN 2297 - North Development, Airside Improvements and Apron Expansion" whereby MNAA will be constructing facilities to support the tenant(s) development including an access road, natural gas, electricity, water, and sewer utilities and taxilane and taxiway connections. The contractual substantial completion date for MNAA's project is August 2, 2023.

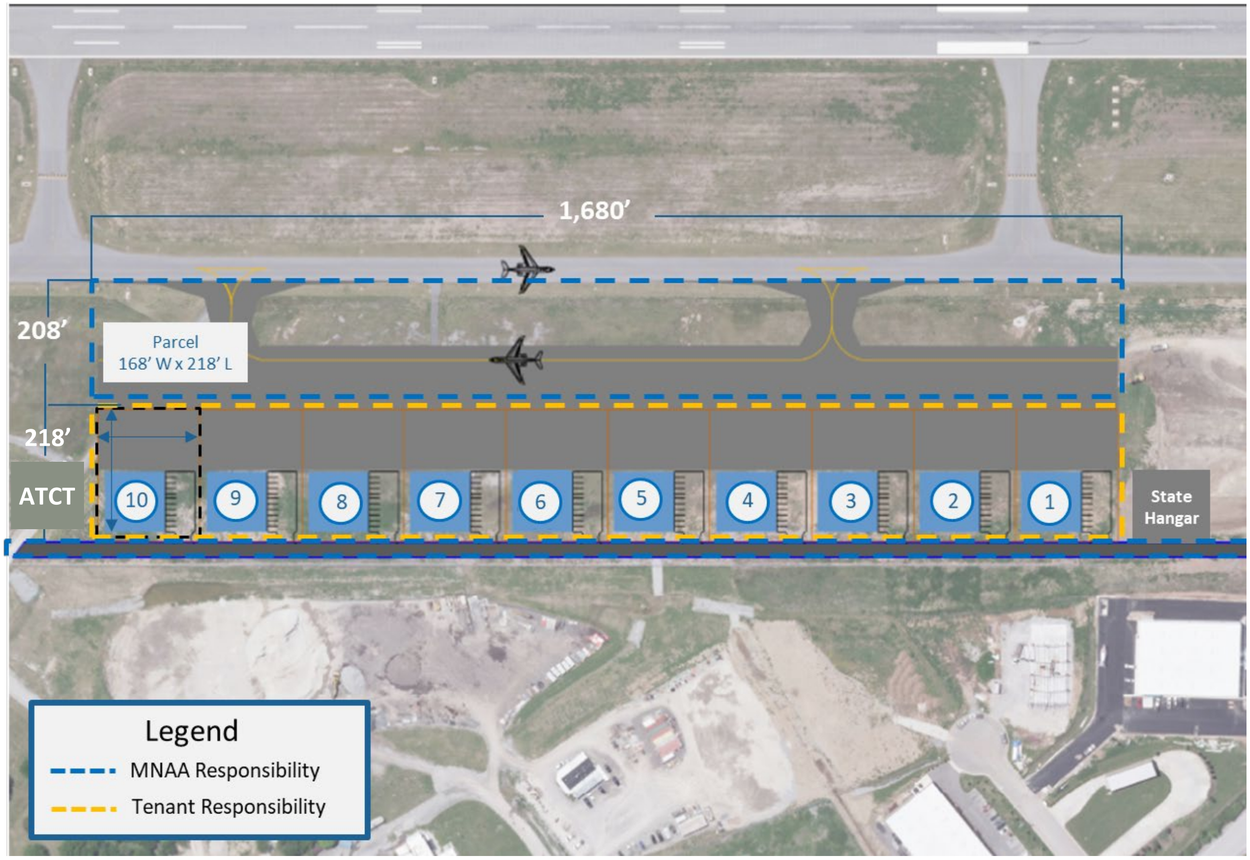
D. Strategic Priorities

- Invest in BNA/JWN
- Plan for the future

E. Options/Alternatives

The Finance Committee could decline to recommend approval of the proposed Tenant and Real Estate could attempt to negotiate with another entity for the lease of parcels #4 & #5.

<u>**EXHIBIT**</u>



1,680’
208’
Parcel
168’ W x 218’ L
218’
ATCT
10
9
8
7
6
5
4
3
2
1
State
Hangar
Legend
MNAA Responsibility
Tenant Responsibility