

# CITY OF REDDING, CALIFORNIA

## Council Policy

|  |                   |               |                |      |
|--|-------------------|---------------|----------------|------|
| <b>SUBJECT</b><br><b>MARKETING/LEASING POLICY FOR THE REDDING AIRPORT BUSINESS PARK (RABP)</b> | Resolution Number | Policy Number | Effective Date | Page |
|  | 95-146            | 303           | 06-06-95       | 1    |

**PURPOSE:**

The purpose of this Policy is threefold:

1. To formally establish the City's intent to compensate a real estate broker, if that broker is determined to be the procuring cause of a lease within RABP;
2. To set forth a realistic rate of return upon which rental amounts will be based within the RABP; and
3. To provide a means, through either an "Option Agreement" or a "First Right of Refusal Agreement" whereby a potential lessee might reserve a particular parcel of land within the RABP for a short period of time in order to facilitate completion of a specific site evaluation.

**POLICY:**

**I. BROKER PARTICIPATION**

- A. The City will allow a licensed real estate broker to participate in the leasing of RABP land and shall pay a commission to such broker if:
  - 1) The broker is certified by lessee to be the procuring cause of the lease;
  - 2) The broker certifies that he/she is not the lessee, an employee of the lessee, or does not own or have substantial control over or in the lessee's business; and
  - 3) The broker certifies that he/she has represented the City's interest in the lease transaction.
- B. The City has the sole right to accept or reject any offers to lease and no commissions will be paid on a transaction which the City has rejected.
- C. No rental rates will be lowered solely due to the absence of broker involvement.
- D. The monetary commission payable shall be established at the equivalent to the first year rent on the subject lease, subject to receipt of rental payments by lessee.
- E. Commission payments deemed by the City to be incurred and payable shall be paid only after scheduled lease payments have been received by the City and in accordance with a formula which provides that twelve and one-half (12½) percent of the total commission due is payable at the end of each three (3) months period during the first twenty-four (24) months of the lease term.

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|   | 95-146               | 303              | 06-06-95          | 2    |

- F. The City will pay commissions for transactions involving present lessees acquiring additional sites provided the real estate broker meets the requirements outlined in Paragraph A.
- G. The City shall not pay commissions on any break-out (divided) leases or subleases. Also, the City shall not pay commissions on any "First Right of Refusal" or "Option to Lease" transactions.
- H. Leasing commissions shall be established at lease onset and no adjustments shall be made in the established commission due to changes in the lease rental rates.
- I. In the event more than one broker is involved in any one lease transaction, the City will only pay a single commission, which will be determined from the certification of the lessee establishing the procuring broker.

### II. LEASE TERM & RATES

A. A lease agreement for land within the RABP may have a fixed term of 30, 35, or 40 years, depending upon the rental rate initially established. Specifically, a lease term of 30 years shall be based upon an initial rate of return equal to 7.0 percent of the Market Value, a lease term of 35 years shall be based upon 7.5 percent, and a lease term of 40 years shall be based upon 8.0 percent.

B. Rental rates shall be established/adjusted every 5 years in accordance with the following:

| <u>YEARS</u> | <u>METHOD</u>                                      |
|--------------|--|
| 1 - 5        | (7.0, 7.5, or 8.0%) OF APPRAISED VALUE             |
| 6 - 10       | 1/2 OF CPI INCREASE                                |
| 11 - 15      | (7.5, 8.0, or 8.5%) OF APPRAISED/ESTIMATED VALUE 1 |
| 16 - 20      | 1/2 OF CPI INCREASE                                |
| 21 - 25      | (8.0, 8.5, or 9.0%) OF APPRAISED/ESTIMATED VALUE   |
| 26 - 30      | 1/2 OF CPI INCREASE                                |
| 31 - 35      | (8.5, 9.0, or 9.5%) OF APPRAISED/ESTIMATED VALUE   |
| 36 - 40      | 1/2 OF CPI INCREASE                                |
| OPTIONS      | (7.0, 7.5, or 8.0%) OF APPRAISED/ESTIMATED VALUE   |

Note: Each of the above percentages are related to the applicable lease term, i.e., 30, 35, or 40 years. Also, each 5 year adjustment shall not be greater than 10% of the previous, but never less.

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|--|----------------------|------------------|-------------------|------|
|  | 95-146               | 303              | 06-06-95          | 3    |

- C. An "Option to Extend" a lease agreement may be negotiated in conjunction with the initial establishment of such lease agreement, but in no event shall the amounts of the fixed term and the options combined exceed 50 years.
- D. A "First Right of Refusal" with a fifteen day call-period may be offered for a rate that is one half the calculated regular monthly rental rate.
- E. An "Option to Lease" for a period of sixty days may be offered for a rate equal to the calculated regular monthly rental rate.
- F. Gross leasing of land within RABP consisting of five or more acres may have a rental which is phased in over a three year period, i.e., 33 1/3% for the first eighteen months and 66 2/3% for the second eighteen months.