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January 26, 2021

Ms. Sharon Hanson
City Administrator
City of Marshall
344 W. Main Street
Marshall, MN 56258

Dear Sharon,

Thank you for reaching out to me to discuss this opportunity at the Southwest Minnesota Regional Airport. I have had a chance to review our discussion and the kick-off call we had on January 21st. To provide a framework for the internal call, attached is a draft term sheet that outlines positions on the key economic points. These are the points that lead the discussion and I recommend we focus on these with the client first rather than send the full lease and spend a lot of time and money getting into details if we can't agree on the most important issues.

There is a bigger issue that I feel I need to raise based on our initial conversations and a conversation I had with TKDA. It is my understanding that Minimum Standards do not exist for the airport. Minimum Standards are the operational and enforcement guidelines that define what tenants and operators can and cannot do. They define the services that need to be provided to become an FBO and to sell fuel to the public, what the rights are for specialized aeronautical service providers (SASOs) who operate business at the airport, and what rights and regulations other airport tenants are expected to follow. Absent these, decisions on individual development and operations are done on a case by case basis and are subject to challenge through an FAA complaint process when one tenants feel they not being treated equitably with other similarly situated tenants. Causes for such claims can be land rent rates, term of leases, reversion rights, rights to sell services, how land rent is applied, what is allowed to be done in their premises, and many more items that tend to occur when there is not a set policy. Unlike commercial operations, airports are under the scrutiny of the FAA as an additional level of oversight in addition to the oversight the City provides. Minimum Standards also serve as the backbone for defining and enforcing the City's interests.

For example, prior to pursuing the recent developments that were successfully completed in Park Rapids, the City Administrator wanted to put Minimum Standards in place, adopt standard lease forms for the various types of leases, develop a leasing policy that was used to determine the appropriate category of rates for each type of tenant, and adopt a schedule of lease rates for the various types of leases that would be adopted by the City Council. These documents and policies were used consistently in developing the agreements and have effectively served as the basis for each discussion without controversy.

From what I understand, historically, leases in Marshall have been negotiated based on the specifics of each situation and there has not been an adopted policy or rental structure guiding those discussions. Nor have there been Minimum Standards adopted that provided the framework for defining and supporting the various types of tenants. With your vision of trying to develop the airport to be an economic engine for Marshall, it would be good to have an adopted basis with regard to Minimum Standards, standard lease forms, a leasing policy that covers the various categories of tenants/users on the airport, and an adopted rent schedule to provide the framework for those future discussions.

For the immediate task at hand, I need to get an agreement in place to cover my time for this transaction. I propose a discounted billing rate of \$250/hr. If you would be interested in the more comprehensive approach, I could develop a



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scope and flat fee for that assignment. If you choose to go that direction after the fact, I would credit the time spent on Chet's lease to that task.

Historically, general aviation airports have not paid attention to the business side of the equation which has resulted in the tenants pretty much determining what happens at the airport. As you discuss moving forward and developing the airport for local economic growth and use that development to generate revenue to fund the cost of the operation of the airport and the local share for capital projects, a more business-like approach similar to the tasks I have outlined is becoming more commonplace. While I appreciate the opportunity to address this current opportunity, I think the City should consider a more comprehensive approach to avoid future issues and have an orchestrated plan to move airport development forward.

Please let me know if you have any questions or would like to discuss.

Sincerely,

A handwritten signature in black ink that reads "John DeCoster". The signature is written in a cursive, flowing style.

John DeCoster

Associate Vice President