



Arlington Municipal Airport

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18204 59th Avenue Arlington, WA 98223

LEASE

LOT 404B-N.W. CUSTOM AIRCRAFT HANGERS, LLC

The parties hereto are the CITY OF ARLINGTON, a municipal corporation of the State of Washington, (hereinafter "Arlington"), and N.W. CUSTOM AIRCRAFT HANGERS, LLC, a Washington limited liability company, (hereinafter "Lessee").

FOR AND IN CONSIDERATION of the mutual covenants hereinafter contained, there parties agree as follows:

1. **LEASE AND DESCRIPTION.** Upon the terms and conditions hereinafter set forth, Arlington does hereby lease to Lessee and the Lessee does hereby lease from City those certain premises situated in the City of Arlington, County of Snohomish, State of Washington, being a part of the Arlington Municipal Airport, according to the map thereof filed with the City's Clerk, said airport being situated in Sections 15, 16, 21 and 22 Township 31 North, Range 5 East, W.M., and being described as follows:

See legal description and map attached hereto as Exhibit "A" which is incorporated herein by reference, hereinafter called "premises."

2. **BUSINESS PURPOSE.** The premises are to be used for aircraft hangars and aircraft storage only; provided that no use may be made of the premises which can or does interfere with use of the airport by aircraft by reasons of electrical, electronic, or smoke emanations, lighting conditions, height of any structure or appurtenance, or any use which may attract birds. Unauthorized development of residential living quarters, whether by Lessee or any subtenant, is prohibited and may be declared an event of default under the lease. Arlington Municipal Airport may declare any noncomplying subleases null and void under this provision.
3. **TERM.** The term of this lease shall be for fifty (50) years, commencing January 1, 2018, and ending at midnight on December 31, 2067, subject to the provisions of paragraph 7, below.
4. **RENTAL.** The annual rental for the period from January 1, 2018 through December 31, 2019, shall be paid in advance on the first day of each rental period, commencing January 1, 2018, and shall be mailed or hand delivered to the Airport Office at 18204 59th Drive N.E., Arlington, Washington 98223, and shall be in the following amounts:



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First Rental Period: (January 1, 2018 to December 31st, 2018) the annual sum of \$ -0- (12 month grace period for building construction, or until certificate of occupancy has been issued, whichever occurs first).

Second Rental Period: (January 1, 2018 to December 31, 2018) the sum of \$14,563.80 plus leasehold excise tax of \$1,869.99.

Fifth Rental Period: (January 1 2019 to December 31st 2019) the annual sum of \$14,563.80 plus leasehold excise tax of \$1,869.99.

Future Rental Periods: An annual sum to be determined by Arlington based upon a reappraisal of land at the Arlington Municipal Airport (including the lease premises) by an MAI appraiser employed by Arlington for that purpose. Said sum shall be computed by the following formula:

$$R=LRR \times N$$

Where: R= annual rental sum;

LRR = Land Rental Rate, the rate per acre fixed by the most current appraisal of land at Arlington Municipal Airport. Appraisal to be conducted by an MAI appraiser employed by Arlington for valuation of land every 5 years;

N= number of acres in parcel leased by Lessee.

(a) **FUTURE REAPPRAISALS.** Arlington anticipates having a professional reappraisal of the airport land conducted every five years. The reappraisal shall provide the basis for computation of the rents for the five-year period thereafter, using the formula as set forth above.

(b) **READJUSTMENT AND ARBITARATION**

1. The rental sums for the remaining years of the term of this lease shall be readjusted at the commencement of each five-year term thereof, if written request for readjustment is given by either party to the other at least 30 days prior to the commencement of the five-year period concerning which readjustment is requested. If the parties cannot agree upon the Land Rental Rate for the five-year period, the Land Rental Rate for the subsequent five-year Rental Period shall be established by binding arbitration as provided by RCW 14.08.120 (5), as now enacted or subsequently amended.



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The only issue subject to arbitration is the Land Rental Rate (LRR) that Arlington has established.

2. Within fifteen (15) days after Lessee's written objection to the proposed adjusted rent, Lessee and Arlington will each select one arbitrator. The two selected arbitrators will select a third arbitrator. If the two arbitrators have not selected a third arbitrator within thirty (30) days after the last selection of the two, either Lessee or Arlington will apply to the presiding judge of the Superior Court of Snohomish County for the appointment of a third arbitrator. Each arbitrator will hold the MAI designation (or equivalent) with at least five (5) years commercial, industrial, and /or business park appraisal experience and will be a Washington State Certified Appraiser. The three arbitrators will determine the Land Rental Rate (LRR) thereon, and no other matter. The decision of a majority of the arbitrators will bind both Lessee and Arlington. At the conclusion of the arbitration, the arbitrators will submit a written report to Lessee and Arlington containing their decision. The costs of the arbitration will be divided equally between Lessee and Arlington. Each party shall otherwise be responsible for their own legal, consulting, and other costs.
3. In the event resolution of the rental adjustment is not completed prior to the commencement of the Rental Period being considered, Lessee shall, pending resolution of such rental adjustment, continue to pay Arlington the Rent then in effect and Arlington, at its option, may elect to require that interest in the amount of twelve percent (12%) per annum be payable on any sum due as a result of a retroactive rental increase determined under the terms of this lease.

- (c) LEASEHOLD EXCISE TAX/PERSONAL PROPERTY TAX. In addition to the rent, the lessee shall pay to Arlington at the same time the rent is paid such leasehold excise tax or other taxes as shall have been or may be lawfully levied by the State of Washington or Snohomish County, which leasehold excise tax or other tax may rise or fall as rentals increase or decrease, or as applicable laws may change.
- (d) LEASEHOLD EXCISE TAX PROVISIONS. In the event that the Lessee does not own the improvements as would be stated in the section 1 of the General Lease Terms and Conditions of this lease,



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then for the purpose of compliance with the State of Washington leasehold excise tax law, the Lessee shall within five days after demand of Arlington furnish to Arlington all information as to the actual cost of any improvements placed on the premises by the Lessee (and at least annually during the term of the Lease to furnish all information as to the actual cost of any improvements placed on the premises following construction of the building placed thereon), and if demanded, such information shall be in the form of a sworn affidavit. It is understood that said information may be furnished to the Washington State Department of Revenue for the purpose of auditing and regulating the payment or collection of such tax, and the tax may be based upon the information furnished. If Arlington shall in the future determine that it must adopt some other or different method of securing information to enable it to comply with said law, the Lessee agrees to cooperate fully and promptly in such manner and to furnish all information demanded of it, including but not limited to depreciation schedules used for federal income tax purposes.

- (e) LATE CHARGES. There shall be assessed and the Lessee shall pay upon any installment of rent or portion thereof not paid within 10 days after such rent installment is due and payable, a late charge penalty for each month or fraction thereof the rent or portion thereof is not paid equal to five percent (5%) of the amount of such rent or portion thereof (plus accrued late charge penalties, if any) due and payable. The amount of such late charge penalty shall be added to the amount due each month, and total thereof shall be subject to a late charge for each succeeding month or fraction thereof in the amount of five percent (5%) of the total.

5. GENERAL TERMS AND CONDITION/INCORPORATION BY REFERENCE. Attached hereto as Exhibit "B" and incorporated herein by this reference is that document entitled "Arlington Municipal Airport General Lease Terms and Conditions" (hereinafter "the General Terms and Conditions"). Compliance with said document is a material element of Lessee's performance under and obligations under this Lease. Minimum Standards for Commercial Aeronautical Activity shall also apply for those leases providing these services.
6. ENVIRONMENTAL STATUS. Lessee accepts the property in its present condition. For purposes of determining the Lessee's compliance with environmental laws as set forth in paragraph 13 of the General Terms and



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Conditions, Lessee warrants that: (a) it has had the opportunity to inspect the premises and conduct at its expense any and all studies, environmental audits, or other examinations of the property; and (b) that no contamination of the soil or other violations of environmental law exists on the site at the commencement of this Lease.

7. MODIFICATIONS. This lease constitutes the entire agreement between the parties, and may not be changed or modified except by a written agreement signed by both parties.
8. SEVERABILITY. If any term or provision of this lease or the application of any term or provision to any person or circumstance is declared invalid or unenforceable, the remainder of this Lease, or the application of the term or provision to persons or circumstances other than those as to whom it is held invalid or unenforceable, shall not be affected and will continue in full force and effect.



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IN WITNESS WHEREOF the parties hereto have executed this Lease on the 10th day of November, 2017.

CITY OF ARLINGTON

By Barbara Tolbert
Mayor Barbara Tolbert

ATTEST:

Kristin Banfield
Kristin Banfield, City Clerk

LESSEE:

N.W. CUSTOM AIRCRAFT HANGERS,
LLC

Duane Wilcox
Duane Wilcox, Member



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STATE OF WASHINGTON)

: ss

COUNTY OF SNOHOMISH)

On this 30th day of November, 2017 before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Barbara Tolbert and Kristin Banfield, to me known to be the Mayor and City Clerk, respectively, of the City of Arlington, the municipal corporation that executed the foregoing instrument and acknowledged the said instrument to be the free and voluntary act and deed of said municipal corporation, for the uses and purposes herein mentioned, and on oath stated that they are authorized to execute the said instrument and that the seal affixed (if any) is the corporate seal of said municipal corporation.

November GIVEN under my hand and official seal this 30th day of _____, 2017.



Wendy Van Der Meersche
NOTARY PUBLIC in and for the
State of Washington, residing
at Arlington
My commission expires: 12-19-18
Name: Wendy Van Der Meersche



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STATE OF WASHINGTON)

:SS

COUNTY OF SNOHOMISH)

On this 21 day of NOVEMBER, 2017, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared, to me known to be a member of N.W. CUSTOM AIRCRAFT HANGERS, LLC, the limited liability company that executed the foregoing instrument and acknowledged the said instrument to be the free and voluntary act and deed of said company, for the uses and purposes herein mentioned, and on oath stated that he was authorized to execute said instrument on behalf of said limited liability company.

GIVEN under my hand and official seal this 21 day of NOVEMBER, 2017.

NOTARY PUBLIC in and for the State of Washington, residing at Arlington
My commission expires: 3.9.2020
Name: KRISTIN FOSTER

