

AGENDA**REGULAR CITY COUNCIL MEETING****MARCH 27, 2023****5:30 p.m.****CITY HALL COUNCIL CHAMBER****313 COURT STREET****And****VIA ZOOM****<https://us06web.zoom.us/j/88147760127?pwd=bzF6UVBBS0EvaDIxTEVyRngrbExmQT09>**

Meeting ID: 881 4776 0127

Passcode: 007612

1. CALL TO ORDER
2. ROLL CALL OF COUNCIL
3. PLEDGE OF ALLEGIANCE
4. APPROVAL OF AGENDA
5. PRESENTATIONS/PROCLAMATIONS

A. Parkinson's Awareness Month Proclamation – Kevin Mansfield

6. AUDIENCE PARTICIPATION

During this portion of the meeting, anyone may speak on any subject which does not later appear on the agenda. Up to five minutes per person will be allowed. Citizens are encouraged to ask questions with the understanding that the City can either answer the question tonight or refer that question to the appropriate staff member who will get back to you within a reasonable amount of time. If a response by the City is requested, the speaker will be referred to the City Manager for further action. The issue may appear on a future meeting agenda for City Council consideration.

7. CITY MANAGER REPORT
8. CITY COUNCIL REPORTS
9. CONSENT AGENDA

Items of a routine and non-controversial nature are placed on the Consent Agenda to allow the City Council to spend its time and energy on the important items and issues. Any Councilor may request an item be "pulled" from the Consent Agenda and be considered separately. Items pulled from the Consent Agenda will be placed on the Agenda at the end of the "Action Items" section.

CITY OF THE DALLES**"By working together, we will provide services that enhance the vitality of The Dalles."**

- A. Approval of the February 27, 2023 Regular City Council Meeting Minutes
- B. Resolution No. 23-010 Concurring with the Mayor's Appointments to Various Committees
- C. Resolution No. 23-011 Repealing Resolution No. 95-073 Return to Work Policy
- D. Surplus and dispose of outdated telephone equipment from the Police Department

10. ACTION ITEMS

- A. Land Leases Private Hangar at Columbia Gorge Regional Airport

11. EXECUTIVE SESSION

In accordance with ORS 192.660(2)(d) to consult with persons designated to carry on labor negotiations;

AND

ORS 192.660(2)(e) to conduct deliberations with persons you have designated to negotiate real property transactions

- A. Recess Open Session
- B. Reconvene Open Session
- C. Decision, if any

12. ADJOURNMENT

This meeting conducted VIA Zoom

Prepared by/
Izetta Grossman, CMC
City Clerk

CITY OF THE DALLES

"By working together, we will provide services that enhance the vitality of The Dalles."

CITY OF THE DALLES PROCLAMATION

2023 Parkinson's Awareness Month

Parkinson's disease is a chronic, progressive neurological disease and is the second most common neurodegenerative disease in the United States.

Parkinson's disease is the 14th leading cause of death in the United States according to the Centers for Disease Control and Prevention.

There are millions of Americans who are caregivers, family members and friends greatly impacted by Parkinson's disease.

There is no known cure or drug to slow or halt the progression of the disease, and available treatments are limited in their ability to address patients' medical needs and remain effective over time.

Increased research, education and community support services are needed to find more effective treatments and to provide access to quality care to those living with the disease today.

Therefore, I, Richard A. Mays, of the City The Dalles do hereby proclaim April as Parkinson's Awareness Month in The Dalles.

Mayor Richard A. Mays

Date

Attest:

Izetta Grossman, CMC City Clerk





AGENDA STAFF REPORT

AGENDA LOCATION: Item #9 A-D

MEETING DATE: March 27, 2023

TO: Honorable Mayor and City Council

FROM: Izetta Grossman, CMC, City Clerk

ISSUE: Approving items on the Consent Agenda and authorizing City staff to sign contract documents.

- A. **ITEM:** Approval of the March 13, 2023 Regular City Council meeting minutes.

BUDGET IMPLICATIONS: None.

SYNOPSIS: The minutes of the March 13, 2023 Regular City Council meeting have been prepared and are submitted for review and approval.

RECOMMENDATION: That City Council review and approve the minutes of the March 13, 2023 Regular City Council meeting minutes.

- B. **ITEM:** Resolution No. 23-010 Concurring with the Mayor's Appointments to Various Committees

BUDGET IMPLICATIONS: None.

SYNOPSIS: The Resolution has been prepared and submitted for review and approval.

RECOMMENDATION: That City Council approve Resolution No. 23-010 Concurring with the Mayor's Appointments to Various Committees.

- C. **ITEM**: Resolution No. 23-011 Repealing Resolution No. 95-073 Return to Work Policy

BUDGET IMPLICATIONS: None.

SYNOPSIS: Resolution No. 23-011 repeals Resolution No. 95-073 Return to Work Policy. Resolution No. 95-073 is outdated. The policy intent of the original Resolution is covered by several Administrative Policies that are in place.

RECOMMENDATION: That City Council approve Resolution No. 23-011 Repealing Resolution No. 95-073 Return to Work Policy.

- D. **ITEM**: Surplus and dispose of outdated telephone equipment from the Police Department

BUDGET IMPLICATIONS: None.

SYNOPSIS: The analogue Nortel phone system was replaced in early 2022 with a voice over internet protocol phone system from Nextiva. The new phone system has had sufficient time for adoption and is meeting the needs of the department.

To be disposed are:

- 20 Nortel Networks phones manufactured in 2001
- One Sprint phone that appears the same age, and doesn't match the others
- Three phone extension appliances

RECOMMENDATION: Approve surplus of old phones

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MINUTES

CITY COUNCIL MEETING
COUNCIL CHAMBER, CITY HALL
MARCH 13, 2023
5:30 p.m.

VIA ZOOM/ IN PERSON

PRESIDING: Mayor Richard Mays

COUNCIL PRESENT: Tim McGlothlin, Rod Runyon, Dan Richardson

VIA ZOOM: Scott Randall

COUNCIL ABSENT: Darcy Long

STAFF PRESENT: City Manager Matthew Klebes, City Attorney Jonathan Kara, City Clerk Izetta Grossman, Public Works Director Dave Anderson, Finance Director Angie Wilson, Community Development Director Joshua Chandler, Human Resources Director Daniel Hunter, Police Chief Tom Worthy, IT Manager David Collins, Associate Planner Kaitlyn Cook

CALL TO ORDER

The meeting was called to order by Mayor Mays at 5:30 p.m.

ROLL CALL OF COUNCIL

Roll Call was conducted by City Clerk Grossman. Runyon, Richardson, McGlothlin present; Randall present via Zoom; Long absent.

PLEDGE OF ALLEGIANCE

Mayor Mays invited the audience to join in the Pledge of Allegiance.

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APPROVAL OF AGENDA

It was moved by Richardson and seconded by McGlothlin to approve the agenda as submitted. The motion carried 4 to 0; Richardson, McGlothlin, Randall, Runyon voting in favor; Long absent; none opposed.

PRESENTATIONS PROCLAMATIONS

Employee Recognition

Mayor Mays read the nominations.

He said the Employee Recognition Program recognizes employees annually in three areas: Excellent Customer Service, Innovative Thinker and Team Player. Both Employees and City Council Members may nominate a deserving employee in any of the three areas. The Mayor, City Manager and Human Resources Director review nominations annually and select the winner for each award.

While all nominations received were very strong, the winners were unanimously selected by the review group. The nominees for 2022 are:

Excellent Customer Service Award Nominees

Maintenance Worker, Terry Harkrader
Transportation Division Manager, David Mills
Police Sergeant, Christopher Simonds

Team Player Award Nominees

Police Officer, Tyler Caldwell
Codes Enforcement Officer, Nikki Lesich
Executive Assistant, Nubia Sanchez
Transportation Division Manager, David Mills (multiple nominations)

Innovative Thinker

There were no nominees this year for this award.

Awards went to:

Excellence in Customer Service Winner, Sergeant Chris Simonds

Team Player Winner, Transportation Manager David Mills

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Historic Landmarks 2023 Goals

Associate Planner Kaitlyn Cook presented the Goals as is required under the rules of the Historic Landmarks Commission. (rules in the agenda packet)

Cook said the City was a Certified Local Government Agency, and therefore is required to have an Historic Landmarks Commission.

She said the Historic Landmarks Commission reviews land use issues on historical properties in the two historic districts of the City.

She said they were applying for an Oregon Cemetery Grant to help with preservation planning.

Drone Policy Update

Chief Tom Worthy presented the update, reviewing the process, policy structure and policy elements. He introduced Office Kanyon Reams who is the officer expert on drones.

Worthy identified the following partners who assisted in the development of the Drone Policy.

- Bend Police Department – policy
- Eugene Police Department – policy
- Gresham Police Department – drone training at no charge
- Columbia Gorge Community College – training and expertise
- Federal, State and local law
- FAA Drone Pilot Certification

He summarized:

- policy was sound,
- process was transparent and involved the community
- drone could aid in community and officer safety
- policy can be revised
- required to log flights – could bring those statistics to Council in 6 months to a year

AUDIENCE PARTICIPATION

Judy Richardson, 3515 Crest Court. Ms. Richardson said she was a member of D21 School Board, however, was speaking as a citizen of The Dalles.

She thanked The Dalles Police Department for the interactive shooter drills they had done at the schools. She said the hope was the training would never have to used. She said the Police

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Department presented the information in a way the students could understand, and it was appreciated.

The Dalles Area Chamber of Commerce President/CEO, Lisa Farquharson gave a summary of the two trade shows the Chamber had participated in.

- Redmond 5 day show - very receptive, many coming to Cherry Festival again
- Portland 3 day show – great turn out
- 3000 contacts made
- Just under 1000 emails obtained
- \$110,000 of income if only half of the contacts came to The Dalles

CITY MANAGER REPORT

City Manager Matthew Klebes reported:

- Ground Breaking on the Navigation Center scheduled for March 24th
- Main Street Oregon walk about tour with State director
- American Cruise lines cancelations due to passenger request for more time on the river; City Clerk and City Manger meeting with Cruise Lines
- Community Outreach Team – Councilor Long representative
- Amerities Fire – DEQ, EPA monitoring air quality; DEQ will provide a report to the City of The Dalles
- New IT Manager – David Mills
- Senate Bill 0847-5 addressing rural liability regarding safe resting spaces – submitting logos in support of the bill. Important to have the tools if needed.

CITY COUNCIL REPORTS

Councilor Richardson reported:

Traffic Safety Commission

City Manager

Climate Resiliency Committee – report out April

Richardson requested that staff research the nuisance issues that were brought up at the last Council meeting and develop strategies to address them. He asked for the report at the June 12th City Council meeting.

McGlothlin said he supported the request.

City Manager Matthew Klebes said staff had been discussing what could be done. He said June

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12th would be the target date for a report to Council.

Councilor McGlothlin reported:

- Tour of Police Department by Police Chief with grandson.
- lifted weights in the physical exercise room
- completed a simulation exercise with possible scenarios that an office might face
- Grandson now thinks that he will become a policeman one day

Airport Commission

- No updates to report

Meeting with city manager, mayor, police chief, and attorney

- To discuss issues raised by citizens during the last council meeting

Senior center

- The Senior center has received the go ahead to replace the stolen sign on the corner of 10th and Cherry Heights by planning.
- They will replace with a much improved LED sign and secure with anti-theft bolts and improved cameras.

Shopping Carts

- Follow up on report last meeting. The volunteer understands the law and will follow it to the letter.
- Never approach a person that is walking with a cart.
- Nine times out of ten, the carts are abandoned and filled with refuse. Rotting food, cardboard, and misc. If the cart has camping gear, stoves to keep warm, or other personal items, the police will be contacted and items stored for 30 days.

Mayor Mays reported:

Forms for evaluation of City Manager, City Attorney, Municipal Court Judge will be distributed next week

KACI

Governmental Affairs

Town Hall Representative Dan Bonham

Main Street interview with City Manager and Main Street Oregon director

Child Care Center meeting

The Wizard of Oz production by the Children's Theater at Civic 7pm this weekend

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CONSENT AGENDA

It was moved by Randall and seconded by Richardson to approve the Consent Agenda as presented. The motion carried 4 to 0; Randall, Richardson, Runyon, McGlothlin voting in favor; Long absent; none opposed.

Items approved on the consent agenda were: 1) The minutes of the February 27, 2023 Regular City Council Meeting.

CONTRACT REVIEW BOARD

Contract 2023-002 East 9th Street Water Main Construction

Public Works Director Dave Anderson reviewed the staff report.

It was moved by McGlothlin and seconded by Randall to authorize the City Manager to enter into contract with James Dean Construction in an amount not to exceed \$224,208.00 for Contract No. 2023-002, the East 9th Street Water Extension project. The motion carried 4 to 0; McGlothlin, Randall, Richardson, Runyon voting in favor; Long absent; none opposed.

ACTION ITEMS

Franchise Agreement The Dalles Disposal

City Manager Matthew Klebes reviewed the staff report.

Runyon asked about the end date. City Attorney Kara said expiration was April 5, 2033 on page 1 of the Resolution Section 1.

It was moved by Richardson and seconded by McGlothlin to approve Special Ordinance No. 23-596 Amending Special Ordinance No. 93-412 to modify the Terms of the Franchise Agreement Granted to Waste Connections of Oregon, Inc. (dba The Dalles Disposal Service, Inc.). The motion carried 4 to 0; Richardson, McGlothlin, Runyon, Randall voting in favor; Long absent; none opposed.

Opioid Settlement Teva, Allergan, CVS, Walgreens, and Walmart

City Attorney Jonathan Kara reviewed the staff report.

Councilor Runyon asked if there were thoughts on how the funds would be spent.

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Kara said there were 17 pages of permissible uses, including drug education; treatment; harm reduction. He said the City Manager determines how the funds were dispersed.

City Manager Klebes said he was working with Molly Rodgers, Wasco County Youth Services; The Dalles Police Department and Debi Jones, Director YouthThink to identify collaborative ways to use the funds.

Kara said the funds were fully transferable to any agency/partner.

It was moved by McGlothlin and seconded by Richardson to authorize the City Manager to execute the Participation Forms and all other necessary documentation for the Teva, Allergan, CVS, Walgreens, and Walmart national opioid settlements. The motion carried 4 to 0; McGlothlin, Richardson, Runyon, Randall voting in favor; Long absent; none opposed.

ADJOURNMENT

Being no further business, the meeting adjourned at 6:27 p.m.

Submitted by/
Izetta Grossman, CMC
City Clerk

SIGNED: _____
Richard A. Mays, Mayor

ATTEST: _____
Izetta Grossman, CMC City Clerk

RESOLUTION NO. 23-010

**A RESOLUTION CONCURRING WITH THE
MAYOR'S REAPPOINTMENTS TO THE URBAN RENEWAL BUDGET COMMITTEE and
HISTORIC LANDMARKS COMMISSION; APPOINTMENT TO THE DALLES/WASCO
COUNTY LIBRARY BOARD**

WHEREAS, there are expired terms of Doug Nelson and Forust Ercole on the Urban
Renewal Budget Committee, and expiring terms on the Historic Landmarks Commission; and a
vacancy on the Library Board due to the resignation of George Hext; and

WHEREAS, the Mayor has elected to reappoint Doug Nelson and Forust Ercole to the Urban
Renewal Budget Committee, and Robert McNary and Eric Gleason to the Historic Landmarks
Commission, and appoint Rita Rathkey to complete the term of George Hext on the Library Board .

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL AS FOLLOWS:

Section 1. The City Council concurs with the appointments of:

Doug Nelson and Forust Ercole to the Urban Renewal Budget Committee; with term expiring
June 30, 2025; Robert McNary and Eric Gleason to the Historic Landmarks Commission with terms
expiring May 31, 2027; and Rita Rathkey to the Library Board with term expiring June 30, 2025

Section 2. This Resolution shall be effective March 27, 2023.

PASSED AND ADOPTED THIS 27th DAY OF MARCH, 2023.

Voting Yes, Councilors: _____
Voting No, Councilors: _____
Absent, Councilors: _____
Abstaining, Councilors: _____

AND APPROVED BY THE MAYOR THIS 27th DAY OF MARCH, 2023.

SIGNED:

ATTEST:

Richard A. Mays, Mayor

Izetta Grossman, CMC, City Clerk

RESOLUTION NO. 23-011

**A RESOLUTION REPEALING RESOLUTION NO. 95-073 ESTABLISHING A
RETURN TO WORK POLICY FOR WORKERS WITH TEMPORARY OR
PERMANENT DISABILITY**

WHEREAS, the City Council of The City of The Dalles adopted Resolution 95-073 in 1995;

WHEREAS, Resolution 95-073 is no longer valid; and

WHEREAS, The City of The Dalles has Administrative Policies covering return to work;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL AS FOLLOWS:

Resolution 95-073 is repealed and Return to Work will be addressed as Administrative Policy.

PASSED AND ADOPTED THIS 27th DAY OF MARCH, 2023

Voting Yes, Councilors: _____
Voting No, Councilors: _____
Absent, Councilors: _____
Abstaining, Councilors: _____

AND APPROVED BY THE MAYOR THIS 27th DAY OF MARCH, 2023

SIGNED:

ATTEST:

Richard A. Mays, Mayor

Izetta Grossman, CMC, City Clerk



AGENDA STAFF REPORT

AGENDA LOCATION: Action Item #10 A

MEETING DATE: March 27, 2023

TO: Honorable Mayor and City Council

FROM: Jeff Renard, Airport Manager

ISSUE: Approving and authorizing the City Manager to execute airside property ground leases with Kenn Francis (*Building Sites 1 & 2*) and Chak Chak LLC (*Building Sites 3 & 4*) at the Columbia Gorge Regional Airport.

BACKGROUND: The City Council and Klickitat County Board of County Commissioners (BOCC) recently approved a uniform rate structure for airside property ground leases at the Airport to charge a flat, ***\$0.20 per sf per year*** in rent. To continue supporting Airport lease uniformity efforts, the City Attorney and Klickitat County Prosecuting Attorney drafted a master ground lease template for airside properties on the Airport.

Ground leases are typically long-term leases of undeveloped land at reduced rental rates offset by the Tenant's investment into developing the land. For the Airport, the developments offsetting the reduced rental rates are limited to the construction of a 50' by 50' hangar for aviation purposes (allowing storage, maintenance, restoration, other FAA-approved services of aircraft-related parts, equipment, and office space, related to aircraft and related parts and equipment, only). At the end of the ground lease's term (or if the Tenant defaults before the ground lease expires), the Airport has the option to take the hangar and all other Tenant improvements to the land at no additional cost.

The master template's key provisions include:

- Tenant's agreement all of its rights under the lease are subordinate to the Airport's federal obligations;
- **20-year initial term** with two **10-year renewal options** (**40 year maximum term**);
- Rent calculated at \$0.20/sf/year, subject to 2.6% annual increase each July 1 until

- July 1, 2026, when the Airport can then adjust rent up to 10%;
- Tenant holds all maintenance and repair obligations;
- Before constructing the hangars, Tenant is required to submit the plans and specifications to the Airport Board for its approval, who will review for the purposes of overseeing Tenant's compliance with the terms of the ground lease and Airport rules;
- The Tenant must secure Klickitat County land use and building codes approval prior to hangar construction, and hangar construction must be complete within 12 months from the commencement date;
- Airport enjoys a right of first refusal throughout the ground lease term (i.e., if a third-party makes a bona fide offer to purchase the hangar(s) from the Tenant, the Tenant must first inform the Airport and give Airport the first opportunity to itself purchase the hangar(s) before the Tenant may sell it). If the Tenant does sell to a third-party, they will take the hangar(s) subject to the terms of the ground lease;
- Tenant pays all taxes for the premises and hangars; and
- Tenant is fully responsible for all utility charges and utility connections.

The first two leases to use the new master template are attached to and made part of this staff report. Both leases are for **9,800 sf** of land to site two 50' by 50' hangars, each. The rent for each ground lease is **\$1,960/year** for the first fiscal year. Specifically:

- Ground Lease with Kenn Francis (*Building Sites 1 & 2*); and
- Ground Lease with Chak Chak, LLC (*Building Sites 3 & 4*).

At its March 17, 2023, regular meeting, the Airport Board unanimously approved recommending these leases for City Council and BOCC approval. I understand BOCC will be considering approval of these leases at its March 28, 2023, regular meeting.

BUDGET IMPLICATIONS: Annual rental income calculated at **\$1,960.00 for each ground lease** due and payable April 1, 2023, and increased by 2.6% each July 1 until July 1, 2026, at which time the Airport may increase annually by up to 10% for the remainder of each ground lease term.

COUNCIL ALTERNATIVES:

1. **Staff recommendation:** *Move to accept the Airport Board's recommendation to enter and authorize the City Manager to execute a ground lease with Kenn Francis for Building Sites 1 & 2 and a ground lease with Chak Chak, LLC for Building Sites 3 & 4, as presented.*
2. Make modifications before moving to accept the Airport Board's recommendation to enter and authorize the City Manager to execute either or both the ground lease with Kenn Francis for Building Sites 1 & 2 and/or the ground lease with Chak Chak, LLC for Building Sites 3 & 4, as amended.
3. Decline formal action and provide additional direction.

GROUND LEASE
between
CITY OF THE DALLES & KLICKITAT COUNTY
and
CHAK CHAK, LLC
Building Sites 3 and 4

WHEREAS, the City of The Dalles, an Oregon municipal corporation (**City**), and Klickitat County, Washington municipal corporation (**County**), jointly own and operate (together, **Landlord**) the Columbia Gorge Regional Airport (**Airport**) located in Dallesport, Washington;

WHEREAS, Kenn Francis, an individual (**Tenant**), desires to enter into an agreement with Landlord for the lease of property located on the Airport, upon which Tenant proposes to construct an aircraft hangar at the Tenant's sole cost and expense; and

WHEREAS, the Parties intend this ground lease (**Lease**) to memorialize their complete intent with respect to Tenant's lease from Landlord and Landlord's lease to Tenant as described.

NOW, THEREFORE, in consideration of the provisions set forth herein, the Parties mutually agree:

SECTION 1. LEASE AND PREMISES. For and in consideration of the rent and faithful performance by Tenant of the terms and conditions and the mutual covenants hereof, Landlord does hereby lease to Tenant, and Tenant hereby leases from Landlord, subject to all easements and encumbrances of record, the property described in **Exhibit A (Premises)** and accepts the Premises as-is, finding it suitable for Tenant's intended use of constructing and maintaining an aircraft hangar. The Parties expressly agree this Lease shall be interpreted to preserve the Airport's compliance with Federal Aviation Administration (**FAA**) and other federal obligations and Tenant understands and accepts all rights conferred to it through this Lease are, at all times and in all ways, subordinate to the Airport's federal obligations.

SECTION 2. TERM. This lease shall be for a term of twenty (20) years, and shall commence **April 1, 2023 (Commencement Date)** and shall end at midnight on **April 1, 2043**, unless (a) sooner terminated as provided in this Lease or (b) the term is renewed as provided in this Section. This Lease may be renewed by the Tenant for two (2) additional terms of ten (10) years each. All of the provisions in the Lease for the initial twenty (20) year term shall apply to the additional ten (10) year renewal terms, including the provision for rental increases as set forth in Section 3. To exercise any Lease renewal, Tenant must (a) not be in default at the time any notice contemplated by this Section is given and (b) provide written notice to Landlord of its desire to renew by the later of the following dates:

- (a) by no later than one (1) year prior to the expiration of the initial twenty (20) year term, or by no later than six (6) months after the Landlord has given written notice to Tenant the Lease will expire unless it has been renewed for an additional ten (10) year term; and
- (b) by no later than one (1) year prior to the expiration of the first additional ten (10) year term, or by no later than six (6) months after the Landlord has given written notice to Tenant the Lease will expire unless it has been renewed for a second additional ten (10) year term.

SECTION 3. RENT. Tenant shall pay Landlord a yearly rent for use of the Premises during the term of this Lease. For the period from the Commencement Date until July 1, 2024, the Tenant shall pay rent at the rate of twenty cents per square foot (**\$0.20/sf**) of real property. The property comprises **9,800 sf** (140' by 70') of dedicated ground, representing *Building Sites 3 and 4* (each 50' by 50') plus a 10' buffer around each Site. Therefore, the base rent shall be *one thousand nine hundred sixty dollars and no cents* (**\$1,960.00/year**) per year, with the first payment to be made on the Commencement Date and with a like payment to be made on each Commencement Date anniversary thereafter during the Lease term; provided, however, Tenant's rent shall be adjusted by, at least, an annual increase of two and three-fifths (**2.6%**) percent each July 1 during the Lease term and Landlord reserves the right and privilege to further adjust Tenant's rent effective July 1, 2026, and thereafter in amount not to exceed ten (**10%**) percent of the rent. Nothing in this Section precludes Landlord's potential adjustment of Tenant's rent (at any time) consistent with direction Landlord receives from the FAA connected with the fair market value of Airport property, revenue, and this Lease, and Tenant expressly assents to any adjustment so directed.

SECTION 4. USE.

4.1 Authorized Use. Tenant must use the Premises for the purpose of an aircraft hangar, which will allow for storage, maintenance, restoration, or any FAA-approved services of aircraft-related parts and equipment, and office space, related to aircraft and related parts and equipment, only. All of Tenant's use qualifications, restrictions, and obligations to use the Premises inures to all subtenants and licensees.

4.2 Use Restrictions. Tenant shall conform to all applicable laws and regulations of any public authority impacting the Premises and the use, including the Airport and its rules and regulations as amended.

4.3 Environmental Impacts and Hazardous Materials. Tenant shall not cause or permit any hazardous substance to be spilled, leaked, disposed of, or otherwise released on or under the Premises or into the stormwater system at the Airport. Tenants may use or otherwise handle on the Premises only the hazardous substances typically used or sold in the customary, prudent, and safe authorized use of the Premises. Tenants may store such hazardous substances on the Premises only in quantities necessary to satisfy Tenant's reasonably anticipated needs. Tenants shall comply with all environmental laws and exercise the highest degree of care in the use, handling, and storage of hazardous substances and shall take all practicable measures to minimize the quantity and toxicity of hazardous substances used, handled, or stored on the Premises. Upon the expiration or sooner termination of this Lease, Tenant shall remove all hazardous substances from the Premises. For purposes of this subsection, the term *environmental law* shall mean any federal, state, or local statute, regulation, or ordinance, or any judicial or other governmental order pertaining to the protection of health, safety, or the environment. The term *hazardous substances* shall mean any hazardous, toxic, infectious, or radioactive substance, waste, and material as defined or listed by any environmental law and shall include, without limitation, petroleum oil and its fractions. Tenants shall maintain for the duration of the Lease term "Material Safety Data Sheets" for all hazardous substances used or stored on the Premises in a place known and accessible to the Landlord and the Airport Manager.

Ground Lease

SECTION 5. REPAIRS, MAINTENANCE, INSPECTION, AND IMPROVEMENTS.

5.1 Repairs and Maintenance. Tenant shall have the total responsibility for all repairs and maintenance required to keep the Premises, including, but not limited to, the Hangar and paving to be constructed thereon, in good repair.

5.2 Inspection of Premises. Landlord shall have the right to inspect the Premises at any reasonable time or times.

5.3 Improvements. Tenant shall construct, at Tenant's sole expense, a steel aircraft hangar and asphalt paving, as generally shown on **Exhibit B (Hangar)**. Prior to construction of the Hangar, Tenant shall submit the plans and specifications to the Airport Board (**Board**), seeking the Board's approval. The Board shall review the plans and specifications submitted by Tenant for the purposes of overseeing Tenant's compliance with the terms of this Lease and the Airport rules adopted by the Board, including installation at (Tenant's sole expense) of paving for taxiways and the like on the Premises. Tenant shall comply with and obtain all approvals required under Klickitat County's land use regulations and building codes prior to submitting the plans and specifications to the Board. Within seven (7) days after the Board considers the plans and specifications, the Board shall notify Tenant of its approval or disapproval of the plans and specifications as presented or as modified by the Board at a regular public meeting. If disapproved, the Board shall also provide Tenant with the reason(s) for such disapproval. Once approved by the Board, the plans and specification shall either be attached to this Lease as **Exhibit C** or identified in such exhibit by date and name of the architect or engineer who prepared them. Construction shall be completed within twelve (12) months from the Commencement Date. Upon expiration or the sooner termination, for any reason, of this Lease, the surrender provisions of Section 13 apply.

5.4 Right of First Refusal. During the Lease term, including any extensions pursuant to Section 2, Landlord (or its successor in interest, assignee, or designee) shall have a right of first refusal (**ROFR**) to purchase (a) all or any part of the fee ownership of the Hangar, (b) all or any part of Tenant's interest in or rights under this Lease, including, without limitation the right to collect rents, or (c) any other legally recognizable interest in the Hangar Tenant may seek to transfer (each, **Tenant's Interest**) whenever Tenant receives a bona fide offer from an unrelated third party to purchase, directly or indirectly, all or any part of Tenant's Interest that Tenant desires to accept (**Offer**). If the Offer is part of a larger transaction, including, without limitation, involving Tenant's business, Hangar, Tenant's equity, or a larger package of assets which includes the Tenant's Interest, Tenant shall make a good faith estimate of the portion of such larger offer price attributable to the Tenant's Interest and provide that price to Landlord. Prior to accepting such Offer, Tenant shall give Landlord a copy of the Offer and other relevant documents, including the price and the terms and conditions upon which Tenant proposes to transfer Tenant's Interest (collectively, **ROFR Notice**). Landlord shall have forty-five (45) days from the receipt of the ROFR Notice to agree to purchase Tenant's Interest for the price and upon the terms and conditions specified in the Offer (**Landlord Approval Period**).

If Landlord elects to so purchase Tenant's Interest, Landlord shall give to Tenant written notice thereof within said Landlord Approval Period (**Acceptance Notice**). If Landlord delivers an Acceptance Notice as provided herein, then Landlord and Tenant shall enter into a mutually acceptable purchase and sale agreement pertaining to such Tenant's Interest (**Purchase and Sale Agreement**), reflecting the terms of the Offer and other customary covenants, representations, and warranties contained in purchase and sale agreements for similar

Ground Lease

acquisitions in the region, all subject to FAA rules, regulations, and grant assurances. The Parties agree to act reasonably and cooperatively in negotiating, executing, and delivering the Purchase and Sale Agreement. Except as otherwise specified in the Offer, at the closing for the sale of all or any part of the Hangar, Tenant shall deliver to Landlord a bill of sale or other evidence of ownership sufficient (as determined by Landlord's reasonable judgment) to convey to Landlord absolute title in the Tenant's Interest transferred.

If Landlord does not exercise the ROFR during the Landlord Approval Period, then Tenant may proceed to transfer the relevant Tenant's Interest upon the same terms and conditions set forth in the Offer; provided, however, such transfer occurs within three (3) months following the end of the Landlord Approval Period, the transfer is made in accordance with all the other terms and conditions of this Lease, and such purchaser assumes the obligations of Tenant under this Lease including, without limitation, this ROFR which shall be an ongoing ROFR during the Lease term and extensions. If Tenant has not transferred Tenant's Interest within such three (3) month period, or in the event any terms or conditions of the proposed deal change from the terms and conditions provided in the initial ROFR Notice, then Tenant shall not thereafter transfer Tenant's Interest to an unrelated third party without first renewing the ROFR Notice to Tenant in the manner provided above. Landlord's failure to exercise its ROFR or its express waiver of its ROFR in any instance shall not be deemed a waiver of Landlord's ROFR for subsequent instances when Tenant proposes to transfer Tenant's Interest to an unrelated third party during the Lease term. Notwithstanding the foregoing, Tenant's right to sell all or any part of the Hangar to a third party shall not be encumbered or restricted, except to the extent set forth in this Section.

SECTION 6. ALTERATIONS AND ADDITIONS. Tenant shall not make any material external alterations to or erect any additional structures or make any material improvements on the Premises without prior written consent of the Landlord, which consent shall not be unreasonably withheld. Any external alteration or addition approved by Landlord shall be constructed at the sole expense of Tenant. Upon approval by Landlord of any such alteration or addition, Landlord shall notify Tenant whether such alterations made shall remain on the Premises and be acquired by Landlord or be removed from the Premises by Tenant at its sole cost and expense upon expiration or earlier termination of this Lease. If Landlord elects to require Tenant to remove any alterations, Tenant at its sole cost shall remove such alterations and restore the Premises to the conditions existing immediately prior to the addition of such alteration (reasonable wear and tear excepted) on or before the last day of the Lease term.

SECTION 7. INSURANCE.

7.1 Fire Insurance. Tenant shall keep the Premises and all improvements thereon insured at Tenant's expense against fire and other risks covered by a standard fire insurance policy with an endorsement for extended coverage. Insurance shall be on a replacement-cost basis to the full insurable value of the improvement. Neither Party shall be liable to the other for any loss or damage caused by fire or any of the risks enumerated in a standard fire insurance policy with an extended endorsement if such insurance was obtainable at the time of such loss or damage.

7.2 Liability Insurance. Before taking possession of the Premises, Tenant shall procure and shall continue during the Lease term public liability and property damage insurance which shall cover all risks arising directly or indirectly out of its activities on or any condition of the Premises whether or not related to an occurrence caused or contributed to by Landlord's negligence. The policy limits shall not be less than \$2,000,000 on a combined single limit basis. The *City of The*

Ground Lease

Dalles, Klickitat County, and the Columbia Gorge Regional Airport Board shall be named as additional insureds on said policy. Certificates evidencing such insurance and bearing endorsements requiring thirty (30) days written notice to Landlord prior to any change or cancellation shall be furnished to Landlord prior to Tenant's occupancy of the Premises. Tenant's failure to maintain an approved insurance policy shall constitute a default under this Lease.

7.3 Insurance Review. On each fifth (5th) anniversary date of the Commencement Date during the Lease term, including the two (2) additional terms of ten (10) years each if the Lease is renewed, Landlord and Tenant shall review the amount of coverage for public liability and property damage insurance to be maintained by Tenant, to ensure the amount of coverage is equivalent in value to \$2,000,000. If Tenant fails to provide proof of increased coverage in an amount which Landlord and Tenant have mutually agreed is necessary, Landlord may terminate this Lease under the provisions of Section 12.

7.4 Sublease Insurance. Any subleases of the Premises entered into by Tenant with a subtenant shall contain a provision indicating liability insurance policies obtained by the subtenants must name the *City of The Dalles, Klickitat County, and the Columbia Gorge Regional Airport Board* as additional insureds under the policies.

SECTION 8. TAXES AND UTILITIES.

8.1 Taxes. Tenant shall pay as due all taxes, personal and property, assessments, license fees, and other charges which are levied and assessed upon Tenant's interests in the Premises, by any legally authorized governmental authority. Tenant is responsible for real property taxes imposed by Klickitat County upon the Premises which reflect the property's pro rata share of the real property taxes imposed by Klickitat County upon the Airport.

8.2 Utility Charges. Tenant shall pay when due all charges for services and utilities incurred in connection with the use, occupancy, operation, and maintenance of the Premises, including, but not limited to water, gas, electricity, internet, telephone, and sewage disposal.

8.3 Utility Installation. Tenant acknowledges the Premises are currently vacant and unimproved and Tenant shall be responsible for the costs of connecting all necessary utilities from the location to which the utilities are currently stubbed in order to provide services to the Hangar which Tenant shall construct, all connections and utility infrastructure being installed pursuant to applicable law. Tenant shall also be responsible for the costs of any required relocation of the utilities during the Lease term.

SECTION 9. INDEMNIFICATION. Tenant shall indemnify, defend, save, protect, and hold harmless the Landlord, its officers, agents, and employees from any claim, loss or liability, including reasonable attorney fees, arising out of or related to any activity of Tenant on the Premises or any condition of the Premises in the possession or under the control of Tenant. Landlord shall have no liability to Tenant for any injury to Tenant for any injury, loss, or damage caused by third parties or by any condition of the Premises, except to the extent caused by Landlord's negligence or breach of duty under this Lease.

SECTION 10. ASSIGNMENT. Tenant shall not assign, sell, or transfer its interest in this Lease without having first obtained the express written consent of the Landlord, which consent shall not be unreasonably withheld by Landlord; provided, however, as conditions to any consent to

Ground Lease

any assignment, sale, or transfer, Landlord may require the following: (a) financial statements, credit reports, or other such information about an assignee as Landlord may deem reasonably necessary to ascertain transferee's ability to satisfy its financial and other obligations under this Lease; (b) that Tenant and transferee enter into Landlord's then-current form of ground lease or an amendment to this Lease; (c) an environmental assessment of the Premises, at Tenant's expense; and/or (d) that any agreement between Tenant and the transferee does not include any payment or compensation to Tenant other than transferee's agreement to pay the then-current rental rate due and perform all obligations of Tenant required under this Lease. Landlord's consent to an assignment of this Lease shall not be construed to release or discharge Tenant of its obligations and liabilities under this Lease. In the event Tenant shall attempt to assign, sell, or transfer its interest in this Lease or any part hereof, without having first obtained the express written consent of Landlord, this Lease shall be null and void and Landlord shall have an immediate right of entry.

SECTION 11. DEFAULT. The following shall be events of default:

11.1 Default in Rent. Tenant's failure to pay any rent or other charge within ten (10) days after it is due.

11.2 Default in Other Covenants. Tenant's failure to comply with any term or condition or fulfill any obligation of the Lease (other than the payment of rent or other charges) within twenty (20) days after written notice by Landlord.

11.3 Insolvency of Tenant. Assignment by Tenant for the benefit of creditors, filing by Tenant of a voluntary petition in bankruptcy, adjudication that Tenant is bankrupt or the appointment of a receiver of the properties of Tenant, Tenant's failure to secure dismissal of an involuntary petition of bankruptcy within thirty (30) days after filing, and/or attachment or levying of execution on Tenant's leasehold interest.

SECTION 12. REMEDIES ON DEFAULT.

12.1 Termination. In the event of default, the Lease may be terminated by Landlord upon written notice to Tenant. Whether the Lease is terminated by the election of Landlord or otherwise, Landlord shall be entitled to recover damages from Tenant for the default. Landlord may reenter and/or take possession of the Premises and remove any persons or property by legal action or by self-help with the use of reasonable force and without liability for damages and without having accepted a surrender.

12.2 Disposition of Hangar and Tenant's Interests. Upon the sooner termination, for any reason, of this Lease, the surrender provisions of Section 13 apply.

12.3 Re-letting. Following reentry or abandonment, Landlord may re-let the Premises and may make any suitable alterations and/or refurbish the Premises. Landlord may re-let the Premises for a term longer or shorter than the term of this Lease, upon any reasonable terms and conditions, including the granting of some rent-free occupancy or other rent concessions.

12.4 Damages. In the event of termination or retaking of possession following default, Landlord shall be entitled to recover immediately, without waiting until the due date, of any future rent or until the date fixed for expiration of the Lease term, the following damages:

Ground Lease

12.4.1 The loss of rental from the date of default until a new tenant is, or with the exercise of reasonable efforts could have been, secured and paying out.

12.4.2 The reasonable costs of reentry and re-letting, including without limitation the cost of any cleanup, refurbishing, removal of Tenant's property and fixtures, remodeling or repairs costs, attorney fees, court costs, recording costs, broker commissions, and advertising costs.

12.5 Late Fee. In the event Landlord fails to receive rent, or any other payment required by this Lease, within ten (10) days after the due date, Tenant shall pay to Landlord a late charge of five percent (5%) of the payment amount. Tenant shall pay the late charge upon demand by Landlord. Landlord may levy and collect a late charge in addition to all other remedies available for Tenant's default, and collection of a late charge shall not waive the breach caused by the late payment.

12.6 Remedies Cumulative. The foregoing remedies shall be in addition to and shall not exclude any other remedy available to Landlord under applicable law.

SECTION 13. SURRENDER. Upon expiration or the sooner termination, for any reason, of this Lease, Landlord may elect and shall notify Tenant of Landlord's election to either (a) acquire the Hangar and all Tenant's Improvements or (b) require Tenant to remove the Hangar. If Landlord determines it desires to acquire ownership of the Hangar, Landlord shall also acquire ownership of any alterations, additions, and/or improvements made by Tenant during the term of this Lease at Landlord's election. In the event Landlord determines the Hangar must be removed, Tenant shall terminate any subleases and remove the Hangar within the time period specified in the notice for removal provided by the Landlord to Tenant. Further:

13.1 Ownership of Hangar and Tenant's Interests. Within thirty (30) days before this Lease's expiration and if Landlord determines it desires to acquire ownership of the Hangar and/or Tenant's Interests, Tenant shall deliver to Landlord a bill of sale or other evidence of ownership sufficient (as determined by Landlord's reasonable judgment) to convey to Landlord absolute title to the Hangar and/or Tenant's Interests, all at no additional cost to Landlord. To exercise this privilege, Landlord shall notify Tenant of its desire to so acquire ownership thirty (30) days prior to this Lease's expiration. Upon this Lease's sooner termination, for any reason, Landlord shall have no obligation to notice its desire to so acquire and may instead notice Tenant of its desire to so acquire up to thirty (30) days after this Lease's sooner termination. Landlord's privilege to notice its desire to so acquire is exercisable as applied to the twenty (20), thirty (30), and forty (40) year dates indicated in Section 2 and may further be exercised at any time in the event of default pursuant to Section 12. Tenant's obligation to surrender and Landlord's privilege to notice its desire to so acquire the Hangar and Tenant's Interests as described in this Section shall survive this Lease's expiration or sooner termination and is a material inducement to Landlord entering this Lease and consideration for the rent it charges Tenant.

13.2 Tenant's Personal Property. Title to personal property belonging to Tenant shall at all times during the Lease term, or any extension thereof, remain in Tenant, and Tenant shall have the right at any time to remove any or all personal property of every kind and nature whatsoever which Tenant may have placed, affixed, or installed upon the Premises; provided, however, upon Tenant's removal of such personal property Tenant also restores the Premises to its original condition. Tenant shall have the right to remove said personal property; provided, however, upon any such removal Tenant shall repair, at its own expense, any damages

Ground Lease

resulting therefrom and leave the Premises in a reasonably clean and neat condition, with all other improvements in place.

13.3 Holdover. In the event Tenant shall remain in possession of the Premises after the expiration, cancellation, or earlier termination of this Lease, such holding over shall not be deemed to operate as renewal or extension of this Lease, but shall only create a tenancy from month-to-month which may be terminated at any time by Landlord on thirty (30) days written notice. The amount of monthly rent paid during any holdover tenancy shall be increased by ten percent (10%) over the monthly amount Tenant was paying prior to creation of the holdover tenancy.

SECTION 14. MISCELLANEOUS.

14.1 Non-waiver. Waiver by either Party of strict performance of any provision of this Lease shall not be a waiver of or prejudice the Party's right to require strict performance of the same provision in the future or of any other provision.

14.2 Attorney Fees. Each Party shall be responsible for the cost of their attorney fees in the event any action is initiated in connection with any controversy arising out of this Lease, including attorney fees at trial or on appeal, unless otherwise more specifically provided elsewhere in this Lease.

14.3 Notices. All notices or other communications required or permitted under this Lease shall be in writing and shall be: (a) personally delivered (including by means of professional messenger service), which notices and communications shall be deemed received on receipt at the office of the addressee; (b) sent by registered or certified mail, postage prepaid, return receipt requested, which notices and communications shall be deemed received three (3) days after deposit in the United States mail; or (c) electronically mailed pursuant to Section 18.

14.4 Interest on Rent and Other Charges. Any rent or other payments required of Tenant by this Lease shall, if not paid within ten (10) days after it is due, bear interest at the rate of twelve percent (12%) per annum (but not in any event at a rate greater than the maximum rate of interest permitted by law) from the due date until paid. This is in addition to the five percent (5%) "late fee."

14.5 Time of Essence. Time is of the essence of the performance of each of Tenant's obligations under this Lease.

14.6 Damage or Destruction by Fire or Other Casualty. If the Hangar is damaged or destroyed and Tenant elects to repair the Hangar, then Tenant shall promptly do whatever is necessary to repair, rebuild, or restore the Hangar to the condition allowed under this Lease. Any insurance proceeds must be used to restore the Premises, including any improvements, at Landlord's election. If the Premises are not repaired, then Tenant shall promptly remove whatever is left of the Hangar and other improvements and all debris and shall restore the Premises to Landlord's reasonable satisfaction.

14.7 Aircraft Use and Development. Landlord reserves the right to further develop or improve the landing area of the Airport as it sees fit, regardless of the desires of Tenant and without interference. Landlord reserves the right, but shall not be obligated to Tenant, to maintain and keep in repair the landing area of the Airport and all publicly-owned facilities of the Airport,

Ground Lease

together with the right to direct and control all activities of Tenant in this regard. This Lease shall be subordinate to the provisions and requirements of any existing or future Lease between the Landlord and the United States, relative to the development, operation, and maintenance of the Airport.

There is hereby reserved to the Landlord, and its successors and assigns, for the use and benefit of the public, a right of flight for the passage of aircraft in the airspace above the surface of the Premises. This public right of flight shall include the right to cause in said airspace any noise inherent in the operation of any aircraft used for navigation or flight through said airspace or landing at, taking off from, or operation on the Airport.

Any physical taking of the Premises for use by the Landlord, other than as provided herein, shall be considered a taking pursuant to the governmental power of eminent domain.

Tenant agrees to comply with the notification and review requirements covered in Part 77 of the Federal Aviation Regulation in the event future construction of a building is planned for the Premises, or in the event of any planned modification or alteration of any present or future building or structure located upon the Premises. Tenant agrees it will not erect or permit the erection of any structure or object, nor permit the growth of any tree on the Premises to exceed the established height contours. In the event of a breach of the foregoing covenants, Landlord reserves the right to enter upon the Premises and remove the offending structure or object and cut the offending tree, all of which shall be at the expense of Tenant.

Tenant agrees it will not make use of the Premises in any manner which might interfere with the landing and taking off of aircraft from the Airport or otherwise constitute a hazard. In the event of a breach of the foregoing covenant, Landlord reserves the right to enter on the Premises and cause the abatement of such interference at the Tenant's expense.

It is understood and agreed nothing contained herein shall be construed to grant or authorize the granting of an exclusive right within the meaning of Section 308(a) of the Federal Aviation Act of 1958 (49 U.S.C. 1349a). This Lease and all provisions hereof shall be subject to whatever right the United States Government now has or in the future may have or acquire, affecting the control, operation, regulation, and taking over of the Airport by the United States during the time of war or national emergency.

14.8 Mechanic's and Materialman's Liens. Neither Landlord or Tenant shall permit any mechanic's, materialman's, or other lien against the Premises or the property of which the Premises forms a part in connection with any labor, materials, or services furnished or claimed to have been furnished. If any such lien shall be filed against the Premises or property of which the Premises forms a part, the Party charged with causing the lien will cause the same to be discharged; provided, however, that either Party may contest any such lien, so long as the enforcement thereof is stayed.

14.9 Savings Clause. In the event any part of this Lease or application thereof shall be determined to be invalid by a court of competent jurisdiction, such findings shall have no effect on the remaining portions of this Lease.

14.10 Written Lease. Neither Party has relied upon any promise or representation not contained in this Lease. All previous conversations, negotiations, and understandings are of no further force or effect. This Lease may be modified only in writing signed by both Parties.

Ground Lease

14.11 Parties Bound. The covenants herein contained shall, subject to the provisions as to assignment and transfer, apply to and bind the heirs, successors, executors, administrators, and assigns of all of the Parties hereto; and all of the Parties hereto shall be jointly and severally liable hereunder.

14.12 Subleases and Licenses. Tenant shall ensure all subtenants and licensees use the Premises consistent with Section 4; Tenant's failure to prohibit subtenant and licensee use of the Premises consistent with Section 4 shall be a default of this Lease subject to the provisions of Section 12.

14.13 Section Captions. The captions appearing before the section number designations of this Lease are for convenience only and are not a part of this Lease and do not in any way limit or amplify the terms and provisions of this Lease.

SECTION 15. NON-DISCRIMINATION.

Tenant for itself, its heirs, successors, and assigns, as part of the consideration hereof, does hereby covenant and agree that in the event facilities are constructed, maintained, or otherwise operated on the Premises for a purpose for which a United States Department of Transportation (DOT) program or activity is extended or for another purpose involving the provision of similar services or benefits, Tenant shall maintain and operate such facilities and services in compliance with all other requirements imposed pursuant to Title 49, Code of Federal Regulations, DOT, Sub-Title A, Office of the Secretary, Part 21, Non-discrimination in Federally Assisted Programs of the Department of Transportation, Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended.

The Tenant, for itself, its heirs, successors and assigns, as part of the consideration hereof, does covenant and agree that: (1) no person on the grounds of race, color, sex, or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subjected to, discrimination in the use of said facilities; (2) that in the construction of any improvements on, over, or under the Premises and the furnishing of services thereon, no person on the grounds of race, color, sex or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination; and (3) that the Tenant shall use the Premises in compliance with all other requirements imposed by or pursuant to Title 49, Code of Federal Regulations, DOT, Sub-Title A, Office of the Secretary, Part 21, Non-discrimination in Federally Assisted Programs of the Department of Transportation, Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended.

In the event of a breach of any of the above non-discrimination covenants, Landlord shall have the right to terminate this Lease and re-enter and repossess said Premises and the facilities thereon, and hold the same as if said Lease had never been made. This provision does not become effective until the procedures of 49 CFR Part 21 are followed and completed, including expiration of appeal rights.

SECTION 16. GOVERNING LAW.

This Lease shall be construed in accordance with the laws of the State of Washington, and any litigation arising from the Lease shall be filed in Klickitat County; provided, however, laws applicable to governmental entities under Oregon law, including but not limited to the Oregon

Ground Lease

Tort Claims Act and Article IX, Sections 5, 7, and 10 of the Oregon Constitution, shall apply to the City. Further, Tenant shall comply with all federal, state, and local laws applicable to the Airport, and to the Tenant's use and occupancy of the Premises, including rules adopted by the Board and Klickitat County's land use regulations.

SECTION 17. PAYMENTS. Tenant shall make payment checks to the *City of The Dalles* and mail Lease payments to:

Finance Department
City of The Dalles
313 Court Street
The Dalles, Oregon 97058

SECTION 18. NOTICES AND COMMUNICATIONS. All notices must comply with Section 14.3 and addressed to:

Landlord:

City Manager
City of The Dalles
313 Court Street
The Dalles, Oregon 97058
mklebes@ci.the-dalles.or.us

Chairperson, Board of County Commissioners
Klickitat County
115 W. Court Street, Mail Stop 201
Goldendale, WA 98620
lees@klickitatcounty.org

Tenant:

Governor
Chak Chak, LLC
269 NW Lincoln Street
White Salmon, WA 98672
jcoombs2@gmail.com

Signature page follows.

IN WITNESS WHEREOF, the Parties bind themselves to this Ground Lease effective upon the Commencement Date.

LANDLORD
City of The Dalles, an
Oregon municipal corporation

TENANT
Chak Chak, LLC

Matthew B. Klebes, City Manager

Joshua B. Coombs, Governor

Date: _____

Date: _____

ATTEST:

Izetta Grossman, CMC, City Clerk

Approved as to form:

Jonathan Kara, City Attorney

Board of County Commissioners
Klickitat County, a Washington municipal corporation

Chair

Commissioner

Commissioner

Date: _____

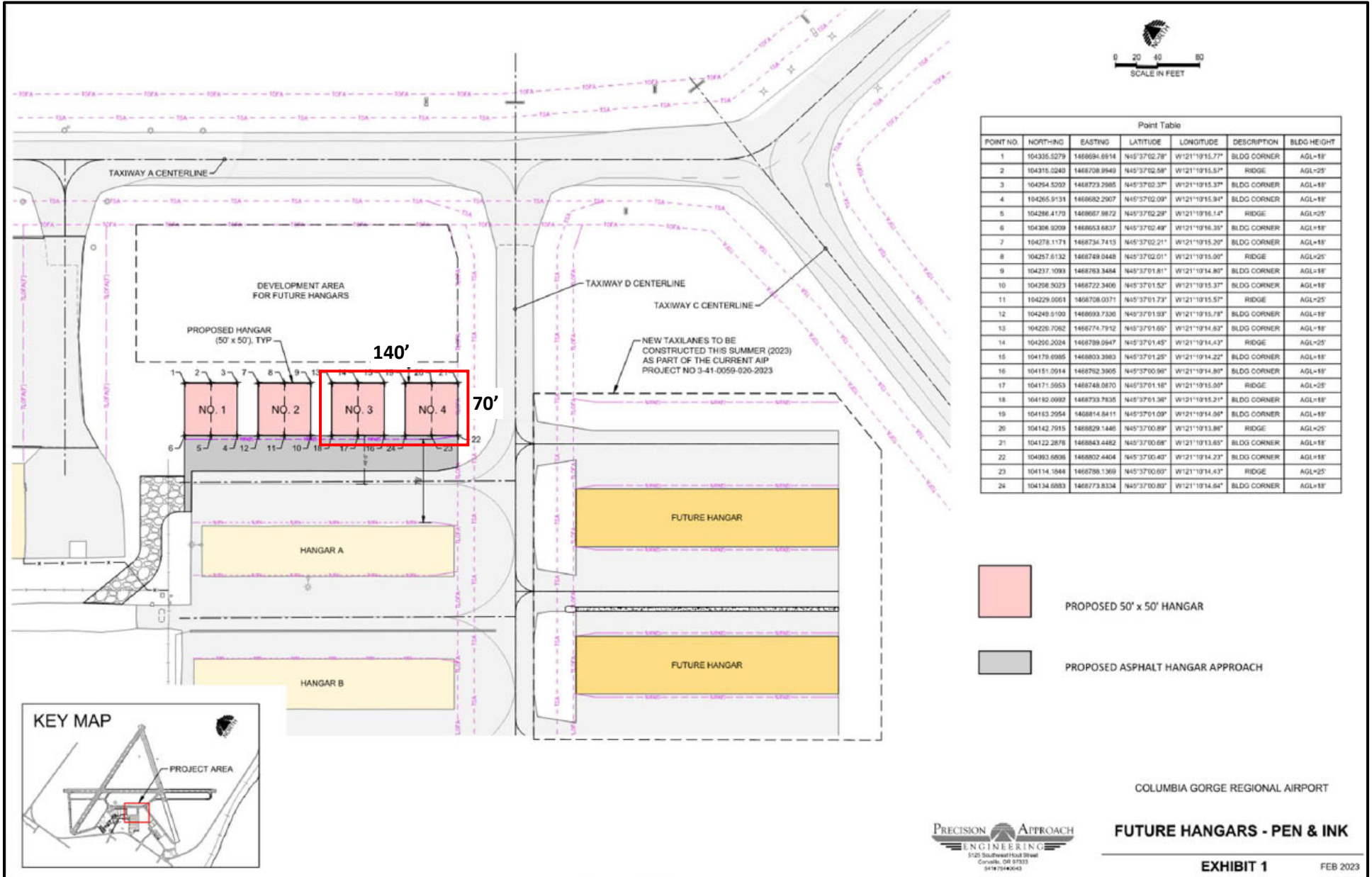
ATTEST:

Lee Snell, Clerk of the Board



Approved as to form:

Prosecuting Attorney

Exhibit A: Chak Chak Ground Lease



Point Table						
POINT NO.	NORTH-ING	EASTING	LATITUDE	LONGITUDE	DESCRIPTION	BLDG HEIGHT
1	104335.5279	148694.8914	N45°37'02.78"	W121°10'15.77"	BLDG CORNER	AGL=18'
2	104315.0240	148708.9949	N45°37'02.58"	W121°10'15.57"	RIDGE	AGL=25'
3	104254.5209	148723.2985	N45°37'02.37"	W121°10'15.37"	BLDG CORNER	AGL=18'
4	104265.9131	148668.2907	N45°37'02.09"	W121°10'15.91"	BLDG CORNER	AGL=18'
5	104286.4170	148667.9872	N45°37'02.29"	W121°10'16.14"	RIDGE	AGL=25'
6	104306.9209	148663.6837	N45°37'02.48"	W121°10'16.35"	BLDG CORNER	AGL=18'
7	104278.1171	148734.7413	N45°37'02.21"	W121°10'15.20"	BLDG CORNER	AGL=18'
8	104257.6132	148679.0448	N45°37'02.01"	W121°10'15.00"	RIDGE	AGL=25'
9	104237.1093	148679.3484	N45°37'01.81"	W121°10'14.80"	BLDG CORNER	AGL=18'
10	104258.5023	148672.3406	N45°37'01.52"	W121°10'15.37"	BLDG CORNER	AGL=18'
11	104229.0051	148678.0371	N45°37'01.73"	W121°10'15.57"	RIDGE	AGL=25'
12	104249.5100	148693.7336	N45°37'01.93"	W121°10'15.79"	BLDG CORNER	AGL=18'
13	104226.7062	148674.7932	N45°37'01.65"	W121°10'14.63"	BLDG CORNER	AGL=18'
14	104250.2024	148679.0947	N45°37'01.45"	W121°10'14.43"	RIDGE	AGL=25'
15	104170.6985	148683.3983	N45°37'01.25"	W121°10'14.22"	BLDG CORNER	AGL=18'
16	104151.0914	148672.3905	N45°37'00.98"	W121°10'14.80"	BLDG CORNER	AGL=18'
17	104171.5953	148674.8870	N45°37'01.16"	W121°10'15.00"	RIDGE	AGL=25'
18	104182.0989	148673.7835	N45°37'01.36"	W121°10'15.21"	BLDG CORNER	AGL=18'
19	104183.2954	148681.8411	N45°37'01.09"	W121°10'14.58"	BLDG CORNER	AGL=18'
20	104142.7915	148682.1485	N45°37'00.89"	W121°10'13.88"	RIDGE	AGL=25'
21	104122.2876	148684.4482	N45°37'00.68"	W121°10'13.65"	BLDG CORNER	AGL=18'
22	104093.6806	148682.4404	N45°37'00.40"	W121°10'14.23"	BLDG CORNER	AGL=18'
23	104114.1844	148679.1369	N45°37'00.60"	W121°10'14.43"	RIDGE	AGL=25'
24	104134.6883	148677.9334	N45°37'00.80"	W121°10'14.64"	BLDG CORNER	AGL=18'

 PROPOSED 50' x 50' HANGAR
 PROPOSED ASPHALT HANGAR APPROACH

COLUMBIA GORGE REGIONAL AIRPORT



FUTURE HANGARS - PEN & INK

Exhibit B: Chak Chak Ground Lease



GROUND LEASE
between
CITY OF THE DALLES & KLICKITAT COUNTY
and
KENN FRANCIS
Building Sites 1 and 2

WHEREAS, the City of The Dalles, an Oregon municipal corporation (**City**), and Klickitat County, Washington municipal corporation (**County**), jointly own and operate (together, **Landlord**) the Columbia Gorge Regional Airport (**Airport**) located in Dallesport, Washington;

WHEREAS, Kenn Francis, an individual (**Tenant**), desires to enter into an agreement with Landlord for the lease of property located on the Airport, upon which Tenant proposes to construct an aircraft hangar at the Tenant's sole cost and expense; and

WHEREAS, the Parties intend this ground lease (**Lease**) to memorialize their complete intent with respect to Tenant's lease from Landlord and Landlord's lease to Tenant as described.

NOW, THEREFORE, in consideration of the provisions set forth herein, the Parties mutually agree:

SECTION 1. LEASE AND PREMISES. For and in consideration of the rent and faithful performance by Tenant of the terms and conditions and the mutual covenants hereof, Landlord does hereby lease to Tenant, and Tenant hereby leases from Landlord, subject to all easements and encumbrances of record, the property described in **Exhibit A (Premises)** and accepts the Premises as-is, finding it suitable for Tenant's intended use of constructing and maintaining an aircraft hangar. The Parties expressly agree this Lease shall be interpreted to preserve the Airport's compliance with Federal Aviation Administration (**FAA**) and other federal obligations and Tenant understands and accepts all rights conferred to it through this Lease are, at all times and in all ways, subordinate to the Airport's federal obligations.

SECTION 2. TERM. This lease shall be for a term of twenty (20) years, and shall commence **April 1, 2023 (Commencement Date)** and shall end at midnight on **April 1, 2043**, unless (a) sooner terminated as provided in this Lease or (b) the term is renewed as provided in this Section. This Lease may be renewed by the Tenant for two (2) additional terms of ten (10) years each. All of the provisions in the Lease for the initial twenty (20) year term shall apply to the additional ten (10) year renewal terms, including the provision for rental increases as set forth in Section 3. To exercise any Lease renewal, Tenant must (a) not be in default at the time any notice contemplated by this Section is given and (b) provide written notice to Landlord of its desire to renew by the later of the following dates:

- (a) by no later than one (1) year prior to the expiration of the initial twenty (20) year term, or by no later than six (6) months after the Landlord has given written notice to Tenant the Lease will expire unless it has been renewed for an additional ten (10) year term; and
- (b) by no later than one (1) year prior to the expiration of the first additional ten (10) year term, or by no later than six (6) months after the Landlord has given written notice to Tenant the Lease will expire unless it has been renewed for a second additional ten (10) year term.

SECTION 3. RENT. Tenant shall pay Landlord a yearly rent for use of the Premises during the term of this Lease. For the period from the Commencement Date until July 1, 2024, the Tenant shall pay rent at the rate of twenty cents per square foot (**\$0.20/sf**) of real property. The property comprises **9,800 sf** (140' by 70') of dedicated ground, representing *Building Sites 1 and 2* (each 50' by 50') plus a 10' buffer around each Site. Therefore, the base rent shall be *one thousand nine hundred sixty dollars and no cents* (**\$1,960.00/year**) per year, with the first payment to be made on the Commencement Date and with a like payment to be made on each Commencement Date anniversary thereafter during the Lease term; provided, however, Tenant's rent shall be adjusted by, at least, an annual increase of two and three-fifths (**2.6%**) percent each July 1 during the Lease term and Landlord reserves the right and privilege to further adjust Tenant's rent effective July 1, 2026, and thereafter in amount not to exceed ten (**10%**) percent of the rent. Nothing in this Section precludes Landlord's potential adjustment of Tenant's rent (at any time) consistent with direction Landlord receives from the FAA connected with the fair market value of Airport property, revenue, and this Lease, and Tenant expressly assents to any adjustment so directed.

SECTION 4. USE.

4.1 Authorized Use. Tenant must use the Premises for the purpose of an aircraft hangar, which will allow for storage, maintenance, restoration, or any FAA-approved services of aircraft-related parts and equipment, and office space, related to aircraft and related parts and equipment, only. All of Tenant's use qualifications, restrictions, and obligations to use the Premises inures to all subtenants and licensees.

4.2 Use Restrictions. Tenant shall conform to all applicable laws and regulations of any public authority impacting the Premises and the use, including the Airport and its rules and regulations as amended.

4.3 Environmental Impacts and Hazardous Materials. Tenant shall not cause or permit any hazardous substance to be spilled, leaked, disposed of, or otherwise released on or under the Premises or into the stormwater system at the Airport. Tenants may use or otherwise handle on the Premises only the hazardous substances typically used or sold in the customary, prudent, and safe authorized use of the Premises. Tenants may store such hazardous substances on the Premises only in quantities necessary to satisfy Tenant's reasonably anticipated needs. Tenants shall comply with all environmental laws and exercise the highest degree of care in the use, handling, and storage of hazardous substances and shall take all practicable measures to minimize the quantity and toxicity of hazardous substances used, handled, or stored on the Premises. Upon the expiration or sooner termination of this Lease, Tenant shall remove all hazardous substances from the Premises. For purposes of this subsection, the term *environmental law* shall mean any federal, state, or local statute, regulation, or ordinance, or any judicial or other governmental order pertaining to the protection of health, safety, or the environment. The term *hazardous substances* shall mean any hazardous, toxic, infectious, or radioactive substance, waste, and material as defined or listed by any environmental law and shall include, without limitation, petroleum oil and its fractions. Tenants shall maintain for the duration of the Lease term "Material Safety Data Sheets" for all hazardous substances used or stored on the Premises in a place known and accessible to the Landlord and the Airport Manager.

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SECTION 5. REPAIRS, MAINTENANCE, INSPECTION, AND IMPROVEMENTS.

5.1 Repairs and Maintenance. Tenant shall have the total responsibility for all repairs and maintenance required to keep the Premises, including, but not limited to, the Hangar and paving to be constructed thereon, in good repair.

5.2 Inspection of Premises. Landlord shall have the right to inspect the Premises at any reasonable time or times.

5.3 Improvements. Tenant shall construct, at Tenant's sole expense, a steel aircraft hangar and asphalt paving, as generally shown on **Exhibit B (Hangar)**. Prior to construction of the Hangar, Tenant shall submit the plans and specifications to the Airport Board (**Board**), seeking the Board's approval. The Board shall review the plans and specifications submitted by Tenant for the purposes of overseeing Tenant's compliance with the terms of this Lease and the Airport rules adopted by the Board, including installation at (Tenant's sole expense) of paving for taxiways and the like on the Premises. Tenant shall comply with and obtain all approvals required under Klickitat County's land use regulations and building codes prior to submitting the plans and specifications to the Board. Within seven (7) days after the Board considers the plans and specifications, the Board shall notify Tenant of its approval or disapproval of the plans and specifications as presented or as modified by the Board at a regular public meeting. If disapproved, the Board shall also provide Tenant with the reason(s) for such disapproval. Once approved by the Board, the plans and specification shall either be attached to this Lease as **Exhibit C** or identified in such exhibit by date and name of the architect or engineer who prepared them. Construction shall be completed within twelve (12) months from the Commencement Date. Upon expiration or the sooner termination, for any reason, of this Lease, the surrender provisions of Section 13 apply.

5.4 Right of First Refusal. During the Lease term, including any extensions pursuant to Section 2, Landlord (or its successor in interest, assignee, or designee) shall have a right of first refusal (**ROFR**) to purchase (a) all or any part of the fee ownership of the Hangar, (b) all or any part of Tenant's interest in or rights under this Lease, including, without limitation the right to collect rents, or (c) any other legally recognizable interest in the Hangar Tenant may seek to transfer (each, **Tenant's Interest**) whenever Tenant receives a bona fide offer from an unrelated third party to purchase, directly or indirectly, all or any part of Tenant's Interest that Tenant desires to accept (**Offer**). If the Offer is part of a larger transaction, including, without limitation, involving Tenant's business, Hangar, Tenant's equity, or a larger package of assets which includes the Tenant's Interest, Tenant shall make a good faith estimate of the portion of such larger offer price attributable to the Tenant's Interest and provide that price to Landlord. Prior to accepting such Offer, Tenant shall give Landlord a copy of the Offer and other relevant documents, including the price and the terms and conditions upon which Tenant proposes to transfer Tenant's Interest (collectively, **ROFR Notice**). Landlord shall have forty-five (45) days from the receipt of the ROFR Notice to agree to purchase Tenant's Interest for the price and upon the terms and conditions specified in the Offer (**Landlord Approval Period**).

If Landlord elects to so purchase Tenant's Interest, Landlord shall give to Tenant written notice thereof within said Landlord Approval Period (**Acceptance Notice**). If Landlord delivers an Acceptance Notice as provided herein, then Landlord and Tenant shall enter into a mutually acceptable purchase and sale agreement pertaining to such Tenant's Interest (**Purchase and Sale Agreement**), reflecting the terms of the Offer and other customary covenants, representations, and warranties contained in purchase and sale agreements for similar

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acquisitions in the region, all subject to FAA rules, regulations, and grant assurances. The Parties agree to act reasonably and cooperatively in negotiating, executing, and delivering the Purchase and Sale Agreement. Except as otherwise specified in the Offer, at the closing for the sale of all or any part of the Hangar, Tenant shall deliver to Landlord a bill of sale or other evidence of ownership sufficient (as determined by Landlord's reasonable judgment) to convey to Landlord absolute title in the Tenant's Interest transferred.

If Landlord does not exercise the ROFR during the Landlord Approval Period, then Tenant may proceed to transfer the relevant Tenant's Interest upon the same terms and conditions set forth in the Offer; provided, however, such transfer occurs within three (3) months following the end of the Landlord Approval Period, the transfer is made in accordance with all the other terms and conditions of this Lease, and such purchaser assumes the obligations of Tenant under this Lease including, without limitation, this ROFR which shall be an ongoing ROFR during the Lease term and extensions. If Tenant has not transferred Tenant's Interest within such three (3) month period, or in the event any terms or conditions of the proposed deal change from the terms and conditions provided in the initial ROFR Notice, then Tenant shall not thereafter transfer Tenant's Interest to an unrelated third party without first renewing the ROFR Notice to Tenant in the manner provided above. Landlord's failure to exercise its ROFR or its express waiver of its ROFR in any instance shall not be deemed a waiver of Landlord's ROFR for subsequent instances when Tenant proposes to transfer Tenant's Interest to an unrelated third party during the Lease term. Notwithstanding the foregoing, Tenant's right to sell all or any part of the Hangar to a third party shall not be encumbered or restricted, except to the extent set forth in this Section.

SECTION 6. ALTERATIONS AND ADDITIONS. Tenant shall not make any material external alterations to or erect any additional structures or make any material improvements on the Premises without prior written consent of the Landlord, which consent shall not be unreasonably withheld. Any external alteration or addition approved by Landlord shall be constructed at the sole expense of Tenant. Upon approval by Landlord of any such alteration or addition, Landlord shall notify Tenant whether such alterations made shall remain on the Premises and be acquired by Landlord or be removed from the Premises by Tenant at its sole cost and expense upon expiration or earlier termination of this Lease. If Landlord elects to require Tenant to remove any alterations, Tenant at its sole cost shall remove such alterations and restore the Premises to the conditions existing immediately prior to the addition of such alteration (reasonable wear and tear excepted) on or before the last day of the Lease term.

SECTION 7. INSURANCE.

7.1 Fire Insurance. Tenant shall keep the Premises and all improvements thereon insured at Tenant's expense against fire and other risks covered by a standard fire insurance policy with an endorsement for extended coverage. Insurance shall be on a replacement-cost basis to the full insurable value of the improvement. Neither Party shall be liable to the other for any loss or damage caused by fire or any of the risks enumerated in a standard fire insurance policy with an extended endorsement if such insurance was obtainable at the time of such loss or damage.

7.2 Liability Insurance. Before taking possession of the Premises, Tenant shall procure and shall continue during the Lease term public liability and property damage insurance which shall cover all risks arising directly or indirectly out of its activities on or any condition of the Premises whether or not related to an occurrence caused or contributed to by Landlord's negligence. The policy limits shall not be less than \$2,000,000 on a combined single limit basis. The *City of The*

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Dalles, Klickitat County, and the Columbia Gorge Regional Airport Board shall be named as additional insureds on said policy. Certificates evidencing such insurance and bearing endorsements requiring thirty (30) days written notice to Landlord prior to any change or cancellation shall be furnished to Landlord prior to Tenant's occupancy of the Premises. Tenant's failure to maintain an approved insurance policy shall constitute a default under this Lease.

7.3 Insurance Review. On each fifth (5th) anniversary date of the Commencement Date during the Lease term, including the two (2) additional terms of ten (10) years each if the Lease is renewed, Landlord and Tenant shall review the amount of coverage for public liability and property damage insurance to be maintained by Tenant, to ensure the amount of coverage is equivalent in value to \$2,000,000. If Tenant fails to provide proof of increased coverage in an amount which Landlord and Tenant have mutually agreed is necessary, Landlord may terminate this Lease under the provisions of Section 12.

7.4 Sublease Insurance. Any subleases of the Premises entered into by Tenant with a subtenant shall contain a provision indicating liability insurance policies obtained by the subtenants must name the *City of The Dalles, Klickitat County, and the Columbia Gorge Regional Airport Board* as additional insureds under the policies.

SECTION 8. TAXES AND UTILITIES.

8.1 Taxes. Tenant shall pay as due all taxes, personal and property, assessments, license fees, and other charges which are levied and assessed upon Tenant's interests in the Premises, by any legally authorized governmental authority. Tenant is responsible for real property taxes imposed by Klickitat County upon the Premises which reflect the property's pro rata share of the real property taxes imposed by Klickitat County upon the Airport.

8.2 Utility Charges. Tenant shall pay when due all charges for services and utilities incurred in connection with the use, occupancy, operation, and maintenance of the Premises, including, but not limited to water, gas, electricity, internet, telephone, and sewage disposal.

8.3 Utility Installation. Tenant acknowledges the Premises are currently vacant and unimproved and Tenant shall be responsible for the costs of connecting all necessary utilities from the location to which the utilities are currently stubbed in order to provide services to the Hangar which Tenant shall construct, all connections and utility infrastructure being installed pursuant to applicable law. Tenant shall also be responsible for the costs of any required relocation of the utilities during the Lease term.

SECTION 9. INDEMNIFICATION. Tenant shall indemnify, defend, save, protect, and hold harmless the Landlord, its officers, agents, and employees from any claim, loss or liability, including reasonable attorney fees, arising out of or related to any activity of Tenant on the Premises or any condition of the Premises in the possession or under the control of Tenant. Landlord shall have no liability to Tenant for any injury to Tenant for any injury, loss, or damage caused by third parties or by any condition of the Premises, except to the extent caused by Landlord's negligence or breach of duty under this Lease.

SECTION 10. ASSIGNMENT. Tenant shall not assign, sell, or transfer its interest in this Lease without having first obtained the express written consent of the Landlord, which consent shall not be unreasonably withheld by Landlord; provided, however, as conditions to any consent to

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any assignment, sale, or transfer, Landlord may require the following: (a) financial statements, credit reports, or other such information about an assignee as Landlord may deem reasonably necessary to ascertain transferee's ability to satisfy its financial and other obligations under this Lease; (b) that Tenant and transferee enter into Landlord's then-current form of ground lease or an amendment to this Lease; (c) an environmental assessment of the Premises, at Tenant's expense; and/or (d) that any agreement between Tenant and the transferee does not include any payment or compensation to Tenant other than transferee's agreement to pay the then-current rental rate due and perform all obligations of Tenant required under this Lease. Landlord's consent to an assignment of this Lease shall not be construed to release or discharge Tenant of its obligations and liabilities under this Lease. In the event Tenant shall attempt to assign, sell, or transfer its interest in this Lease or any part hereof, without having first obtained the express written consent of Landlord, this Lease shall be null and void and Landlord shall have an immediate right of entry.

SECTION 11. DEFAULT. The following shall be events of default:

11.1 Default in Rent. Tenant's failure to pay any rent or other charge within ten (10) days after it is due.

11.2 Default in Other Covenants. Tenant's failure to comply with any term or condition or fulfill any obligation of the Lease (other than the payment of rent or other charges) within twenty (20) days after written notice by Landlord.

11.3 Insolvency of Tenant. Assignment by Tenant for the benefit of creditors, filing by Tenant of a voluntary petition in bankruptcy, adjudication that Tenant is bankrupt or the appointment of a receiver of the properties of Tenant, Tenant's failure to secure dismissal of an involuntary petition of bankruptcy within thirty (30) days after filing, and/or attachment or levying of execution on Tenant's leasehold interest.

SECTION 12. REMEDIES ON DEFAULT.

12.1 Termination. In the event of default, the Lease may be terminated by Landlord upon written notice to Tenant. Whether the Lease is terminated by the election of Landlord or otherwise, Landlord shall be entitled to recover damages from Tenant for the default. Landlord may reenter and/or take possession of the Premises and remove any persons or property by legal action or by self-help with the use of reasonable force and without liability for damages and without having accepted a surrender.

12.2 Disposition of Hangar and Tenant's Interests. Upon the sooner termination, for any reason, of this Lease, the surrender provisions of Section 13 apply.

12.3 Re-letting. Following reentry or abandonment, Landlord may re-let the Premises and may make any suitable alterations and/or refurbish the Premises. Landlord may re-let the Premises for a term longer or shorter than the term of this Lease, upon any reasonable terms and conditions, including the granting of some rent-free occupancy or other rent concessions.

12.4 Damages. In the event of termination or retaking of possession following default, Landlord shall be entitled to recover immediately, without waiting until the due date, of any future rent or until the date fixed for expiration of the Lease term, the following damages:

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12.4.1 The loss of rental from the date of default until a new tenant is, or with the exercise of reasonable efforts could have been, secured and paying out.

12.4.2 The reasonable costs of reentry and re-letting, including without limitation the cost of any cleanup, refurbishing, removal of Tenant's property and fixtures, remodeling or repairs costs, attorney fees, court costs, recording costs, broker commissions, and advertising costs.

12.5 Late Fee. In the event Landlord fails to receive rent, or any other payment required by this Lease, within ten (10) days after the due date, Tenant shall pay to Landlord a late charge of five percent (5%) of the payment amount. Tenant shall pay the late charge upon demand by Landlord. Landlord may levy and collect a late charge in addition to all other remedies available for Tenant's default, and collection of a late charge shall not waive the breach caused by the late payment.

12.6 Remedies Cumulative. The foregoing remedies shall be in addition to and shall not exclude any other remedy available to Landlord under applicable law.

SECTION 13. SURRENDER. Upon expiration or the sooner termination, for any reason, of this Lease, Landlord may elect and shall notify Tenant of Landlord's election to either (a) acquire the Hangar and all Tenant's Improvements or (b) require Tenant to remove the Hangar. If Landlord determines it desires to acquire ownership of the Hangar, Landlord shall also acquire ownership of any alterations, additions, and/or improvements made by Tenant during the term of this Lease at Landlord's election. In the event Landlord determines the Hangar must be removed, Tenant shall terminate any subleases and remove the Hangar within the time period specified in the notice for removal provided by the Landlord to Tenant. Further:

13.1 Ownership of Hangar and Tenant's Interests. Within thirty (30) days before this Lease's expiration and if Landlord determines it desires to acquire ownership of the Hangar and/or Tenant's Interests, Tenant shall deliver to Landlord a bill of sale or other evidence of ownership sufficient (as determined by Landlord's reasonable judgment) to convey to Landlord absolute title to the Hangar and/or Tenant's Interests, all at no additional cost to Landlord. To exercise this privilege, Landlord shall notify Tenant of its desire to so acquire ownership thirty (30) days prior to this Lease's expiration. Upon this Lease's sooner termination, for any reason, Landlord shall have no obligation to notice its desire to so acquire and may instead notice Tenant of its desire to so acquire up to thirty (30) days after this Lease's sooner termination. Landlord's privilege to notice its desire to so acquire is exercisable as applied to the twenty (20), thirty (30), and forty (40) year dates indicated in Section 2 and may further be exercised at any time in the event of default pursuant to Section 12. Tenant's obligation to surrender and Landlord's privilege to notice its desire to so acquire the Hangar and Tenant's Interests as described in this Section shall survive this Lease's expiration or sooner termination and is a material inducement to Landlord entering this Lease and consideration for the rent it charges Tenant.

13.2 Tenant's Personal Property. Title to personal property belonging to Tenant shall at all times during the Lease term, or any extension thereof, remain in Tenant, and Tenant shall have the right at any time to remove any or all personal property of every kind and nature whatsoever which Tenant may have placed, affixed, or installed upon the Premises; provided, however, upon Tenant's removal of such personal property Tenant also restores the Premises to its original condition. Tenant shall have the right to remove said personal property; provided, however, upon any such removal Tenant shall repair, at its own expense, any damages

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resulting therefrom and leave the Premises in a reasonably clean and neat condition, with all other improvements in place.

13.3 Holdover. In the event Tenant shall remain in possession of the Premises after the expiration, cancellation, or earlier termination of this Lease, such holding over shall not be deemed to operate as renewal or extension of this Lease, but shall only create a tenancy from month-to-month which may be terminated at any time by Landlord on thirty (30) days written notice. The amount of monthly rent paid during any holdover tenancy shall be increased by ten percent (10%) over the monthly amount Tenant was paying prior to creation of the holdover tenancy.

SECTION 14. MISCELLANEOUS.

14.1 Non-waiver. Waiver by either Party of strict performance of any provision of this Lease shall not be a waiver of or prejudice the Party's right to require strict performance of the same provision in the future or of any other provision.

14.2 Attorney Fees. Each Party shall be responsible for the cost of their attorney fees in the event any action is initiated in connection with any controversy arising out of this Lease, including attorney fees at trial or on appeal, unless otherwise more specifically provided elsewhere in this Lease.

14.3 Notices. All notices or other communications required or permitted under this Lease shall be in writing and shall be: (a) personally delivered (including by means of professional messenger service), which notices and communications shall be deemed received on receipt at the office of the addressee; (b) sent by registered or certified mail, postage prepaid, return receipt requested, which notices and communications shall be deemed received three (3) days after deposit in the United States mail; or (c) electronically mailed pursuant to Section 18.

14.4 Interest on Rent and Other Charges. Any rent or other payments required of Tenant by this Lease shall, if not paid within ten (10) days after it is due, bear interest at the rate of twelve percent (12%) per annum (but not in any event at a rate greater than the maximum rate of interest permitted by law) from the due date until paid. This is in addition to the five percent (5%) "late fee."

14.5 Time of Essence. Time is of the essence of the performance of each of Tenant's obligations under this Lease.

14.6 Damage or Destruction by Fire or Other Casualty. If the Hangar is damaged or destroyed and Tenant elects to repair the Hangar, then Tenant shall promptly do whatever is necessary to repair, rebuild, or restore the Hangar to the condition allowed under this Lease. Any insurance proceeds must be used to restore the Premises, including any improvements, at Landlord's election. If the Premises are not repaired, then Tenant shall promptly remove whatever is left of the Hangar and other improvements and all debris and shall restore the Premises to Landlord's reasonable satisfaction.

14.7 Aircraft Use and Development. Landlord reserves the right to further develop or improve the landing area of the Airport as it sees fit, regardless of the desires of Tenant and without interference. Landlord reserves the right, but shall not be obligated to Tenant, to maintain and keep in repair the landing area of the Airport and all publicly-owned facilities of the Airport,

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together with the right to direct and control all activities of Tenant in this regard. This Lease shall be subordinate to the provisions and requirements of any existing or future Lease between the Landlord and the United States, relative to the development, operation, and maintenance of the Airport.

There is hereby reserved to the Landlord, and its successors and assigns, for the use and benefit of the public, a right of flight for the passage of aircraft in the airspace above the surface of the Premises. This public right of flight shall include the right to cause in said airspace any noise inherent in the operation of any aircraft used for navigation or flight through said airspace or landing at, taking off from, or operation on the Airport.

Any physical taking of the Premises for use by the Landlord, other than as provided herein, shall be considered a taking pursuant to the governmental power of eminent domain.

Tenant agrees to comply with the notification and review requirements covered in Part 77 of the Federal Aviation Regulation in the event future construction of a building is planned for the Premises, or in the event of any planned modification or alteration of any present or future building or structure located upon the Premises. Tenant agrees it will not erect or permit the erection of any structure or object, nor permit the growth of any tree on the Premises to exceed the established height contours. In the event of a breach of the foregoing covenants, Landlord reserves the right to enter upon the Premises and remove the offending structure or object and cut the offending tree, all of which shall be at the expense of Tenant.

Tenant agrees it will not make use of the Premises in any manner which might interfere with the landing and taking off of aircraft from the Airport or otherwise constitute a hazard. In the event of a breach of the foregoing covenant, Landlord reserves the right to enter on the Premises and cause the abatement of such interference at the Tenant's expense.

It is understood and agreed nothing contained herein shall be construed to grant or authorize the granting of an exclusive right within the meaning of Section 308(a) of the Federal Aviation Act of 1958 (49 U.S.C. 1349a). This Lease and all provisions hereof shall be subject to whatever right the United States Government now has or in the future may have or acquire, affecting the control, operation, regulation, and taking over of the Airport by the United States during the time of war or national emergency.

14.8 Mechanic's and Materialman's Liens. Neither Landlord or Tenant shall permit any mechanic's, materialman's, or other lien against the Premises or the property of which the Premises forms a part in connection with any labor, materials, or services furnished or claimed to have been furnished. If any such lien shall be filed against the Premises or property of which the Premises forms a part, the Party charged with causing the lien will cause the same to be discharged; provided, however, that either Party may contest any such lien, so long as the enforcement thereof is stayed.

14.9 Savings Clause. In the event any part of this Lease or application thereof shall be determined to be invalid by a court of competent jurisdiction, such findings shall have no effect on the remaining portions of this Lease.

14.10 Written Lease. Neither Party has relied upon any promise or representation not contained in this Lease. All previous conversations, negotiations, and understandings are of no further force or effect. This Lease may be modified only in writing signed by both Parties.

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14.11 Parties Bound. The covenants herein contained shall, subject to the provisions as to assignment and transfer, apply to and bind the heirs, successors, executors, administrators, and assigns of all of the Parties hereto; and all of the Parties hereto shall be jointly and severally liable hereunder.

14.12 Subleases and Licenses. Tenant shall ensure all subtenants and licensees use the Premises consistent with Section 4; Tenant's failure to prohibit subtenant and licensee use of the Premises consistent with Section 4 shall be a default of this Lease subject to the provisions of Section 12.

14.13 Section Captions. The captions appearing before the section number designations of this Lease are for convenience only and are not a part of this Lease and do not in any way limit or amplify the terms and provisions of this Lease.

SECTION 15. NON-DISCRIMINATION.

Tenant for itself, its heirs, successors, and assigns, as part of the consideration hereof, does hereby covenant and agree that in the event facilities are constructed, maintained, or otherwise operated on the Premises for a purpose for which a United States Department of Transportation (DOT) program or activity is extended or for another purpose involving the provision of similar services or benefits, Tenant shall maintain and operate such facilities and services in compliance with all other requirements imposed pursuant to Title 49, Code of Federal Regulations, DOT, Sub-Title A, Office of the Secretary, Part 21, Non-discrimination in Federally Assisted Programs of the Department of Transportation, Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended.

The Tenant, for itself, its heirs, successors and assigns, as part of the consideration hereof, does covenant and agree that: (1) no person on the grounds of race, color, sex, or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subjected to, discrimination in the use of said facilities; (2) that in the construction of any improvements on, over, or under the Premises and the furnishing of services thereon, no person on the grounds of race, color, sex or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination; and (3) that the Tenant shall use the Premises in compliance with all other requirements imposed by or pursuant to Title 49, Code of Federal Regulations, DOT, Sub-Title A, Office of the Secretary, Part 21, Non-discrimination in Federally Assisted Programs of the Department of Transportation, Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended.

In the event of a breach of any of the above non-discrimination covenants, Landlord shall have the right to terminate this Lease and re-enter and repossess said Premises and the facilities thereon, and hold the same as if said Lease had never been made. This provision does not become effective until the procedures of 49 CFR Part 21 are followed and completed, including expiration of appeal rights.

SECTION 16. GOVERNING LAW.

This Lease shall be construed in accordance with the laws of the State of Washington, and any litigation arising from the Lease shall be filed in Klickitat County; provided, however, laws applicable to governmental entities under Oregon law, including but not limited to the Oregon

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Tort Claims Act and Article IX, Sections 5, 7, and 10 of the Oregon Constitution, shall apply to the City. Further, Tenant shall comply with all federal, state, and local laws applicable to the Airport, and to the Tenant's use and occupancy of the Premises, including rules adopted by the Board and Klickitat County's land use regulations.

SECTION 17. PAYMENTS. Tenant shall make payment checks to the *City of The Dalles* and mail Lease payments to:

Finance Department
City of The Dalles
313 Court Street
The Dalles, Oregon 97058

SECTION 18. NOTICES AND COMMUNICATIONS. All notices must comply with Section 14.3 and addressed to:

Landlord:

City Manager
City of The Dalles
313 Court Street
The Dalles, Oregon 97058
mklebes@ci.the-dalles.or.us

Chairperson, Board of County Commissioners
Klickitat County
115 W. Court Street, Mail Stop 201
Goldendale, WA 98620
lees@klickitatcounty.org

Tenant:

Kenn Francis
4325 N. 66th Street
Scottsdale, AZ 85251
kfrancis@prainc.net

Signature page follows.

IN WITNESS WHEREOF, the Parties bind themselves to this Ground Lease effective upon the Commencement Date.

LANDLORD

City of The Dalles, an Oregon municipal corporation

TENANT

Matthew B. Klebes, City Manager

Kenn Francis

Date: _____

Date: _____

ATTEST:

Izetta Grossman, CMC, City Clerk

Approved as to form:

Jonathan Kara, City Attorney

Board of County Commissioners
Klickitat County, a Washington municipal corporation

Chair

Commissioner

Commissioner

Date: _____

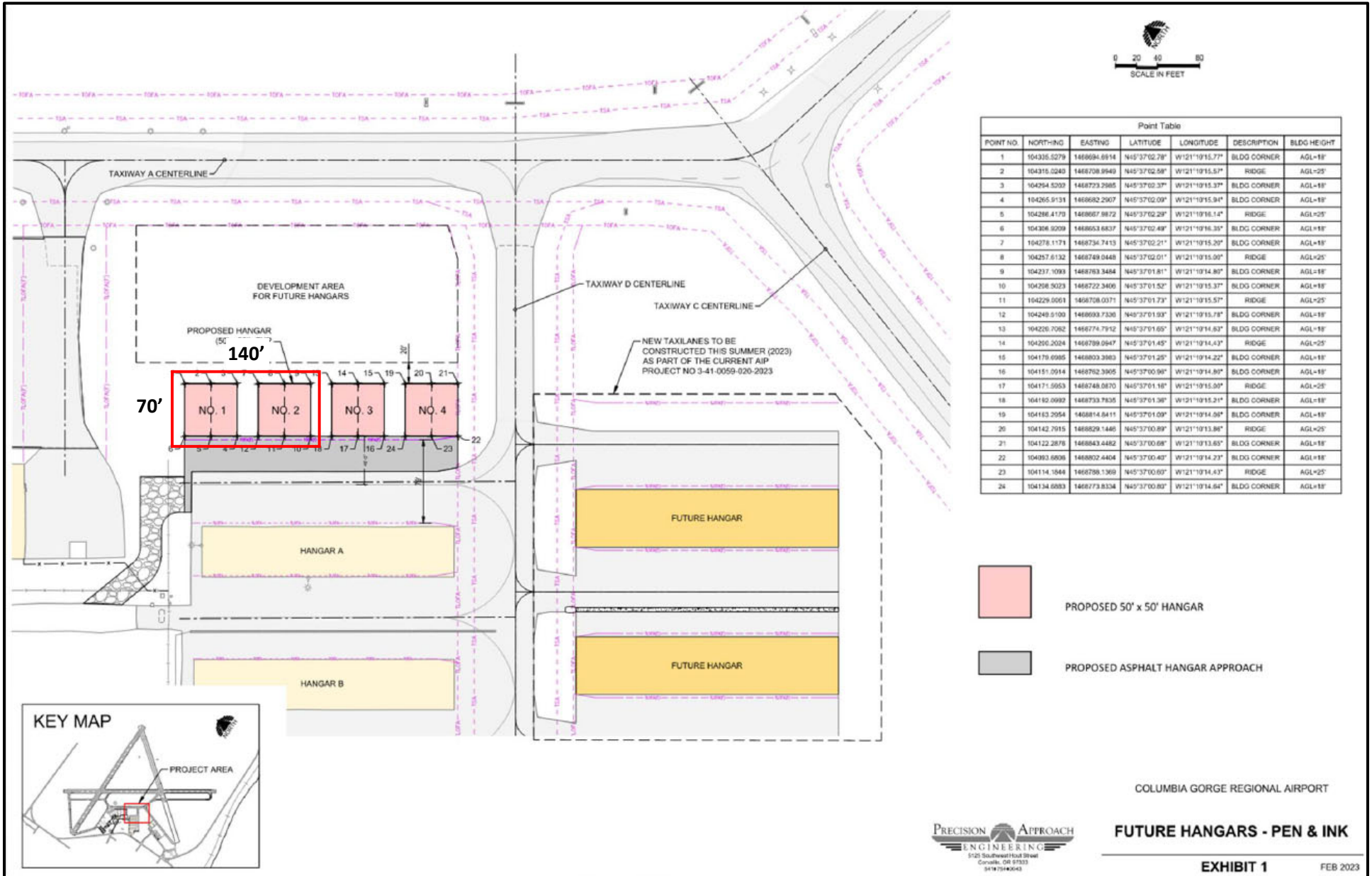
ATTEST:

Lee Snell, Clerk of the Board



Approved as to form:

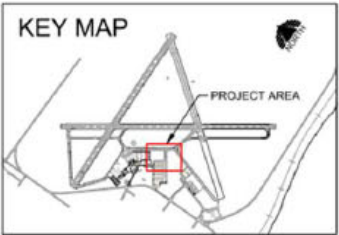
Prosecuting Attorney

Exhibit A: Francis Ground Lease



Point Table						
POINT NO.	NORTH-ING	EASTING	LATITUDE	LONGITUDE	DESCRIPTION	BLDG HEIGHT
1	104335.5279	148694.8914	N45°37'02.78"	W121°10'15.77"	BLDG CORNER	AGL=18'
2	104315.0240	148708.9549	N45°37'02.58"	W121°10'15.57"	RIDGE	AGL=25'
3	104254.5203	148723.2985	N45°37'02.37"	W121°10'15.37"	BLDG CORNER	AGL=18'
4	104265.9131	148668.2907	N45°37'02.09"	W121°10'15.91"	BLDG CORNER	AGL=18'
5	104286.4170	148667.9872	N45°37'02.29"	W121°10'16.14"	RIDGE	AGL=25'
6	104306.9209	148663.6837	N45°37'02.48"	W121°10'16.35"	BLDG CORNER	AGL=18'
7	104278.1171	148734.7413	N45°37'02.21"	W121°10'15.20"	BLDG CORNER	AGL=18'
8	104257.6132	148679.0448	N45°37'02.01"	W121°10'15.00"	RIDGE	AGL=25'
9	104237.1093	148679.3484	N45°37'01.81"	W121°10'14.80"	BLDG CORNER	AGL=18'
10	104258.5023	148672.3406	N45°37'01.52"	W121°10'15.37"	BLDG CORNER	AGL=18'
11	104229.0051	148678.0371	N45°37'01.73"	W121°10'15.57"	RIDGE	AGL=25'
12	104249.5100	148693.7336	N45°37'01.93"	W121°10'15.78"	BLDG CORNER	AGL=18'
13	104226.7062	148674.7932	N45°37'01.65"	W121°10'14.83"	BLDG CORNER	AGL=18'
14	104250.2024	148679.0947	N45°37'01.45"	W121°10'14.43"	RIDGE	AGL=25'
15	104170.0985	148680.3983	N45°37'01.25"	W121°10'14.22"	BLDG CORNER	AGL=18'
16	104151.0914	148672.3905	N45°37'00.98"	W121°10'14.80"	BLDG CORNER	AGL=18'
17	104171.5953	148674.8870	N45°37'01.16"	W121°10'15.00"	RIDGE	AGL=25'
18	104182.0992	148673.7835	N45°37'01.36"	W121°10'15.21"	BLDG CORNER	AGL=18'
19	104183.2954	148681.8411	N45°37'01.09"	W121°10'14.58"	BLDG CORNER	AGL=18'
20	104142.7915	1486829.1485	N45°37'00.89"	W121°10'13.88"	RIDGE	AGL=25'
21	104122.2876	1486843.4482	N45°37'00.68"	W121°10'13.65"	BLDG CORNER	AGL=18'
22	104093.6806	1486802.4404	N45°37'00.40"	W121°10'14.23"	BLDG CORNER	AGL=18'
23	104114.1844	1486798.1369	N45°37'00.60"	W121°10'14.43"	RIDGE	AGL=25'
24	104134.6883	1486773.8334	N45°37'00.80"	W121°10'14.64"	BLDG CORNER	AGL=18'

 PROPOSED 50' x 50' HANGAR
 PROPOSED ASPHALT HANGAR APPROACH



COLUMBIA GORGE REGIONAL AIRPORT



FUTURE HANGARS - PEN & INK

Exhibit B: Francis Ground Lease

