

13.1 Airport Land Lease Agreements**Author:** Jacky Clarke, Programme Delivery Manager**Authoriser:** Andrew Dixon, Group Manager Infrastructure

Section under the Act	The grounds on which part of the Council or Committee may be closed to the public are listed in s48(1)(a)(i) of the <i>Local Government Official Information and Meetings Act 1987</i> .
Sub-clause and Reason:	s7(2)(a) and s7(2)(b)(ii) - The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons and The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information
Plain English Reason:	To protect a person's privacy, including the privacy of deceased persons and To protect commercially sensitive information.

Recommendation

1. That the lease rate per square metre of land for the expired leases or leases that expire in the next 12 months be set at \$15 per square metre, with the exception of the leases for the South Canterbury Aero Club and the South Canterbury Aviation Heritage Centre which are set at \$3 per square metre due to the public benefit; and
2. That the non-compliance with the Council Revenue and Financing Policy is noted.
3. Council resolves that the report and recommendations be released to the public with the redaction of commercially sensitive information and the names of lease holders.

Purpose of Report

- 1 To consider rates that should be charged for land leases at the airport.

Assessment of Significance

- 2 This matter is considered to be of low significance in terms of the Timaru District Council Significance and Engagement policy. There are a very limited of people affected and potential for positive impact on rating.

Background

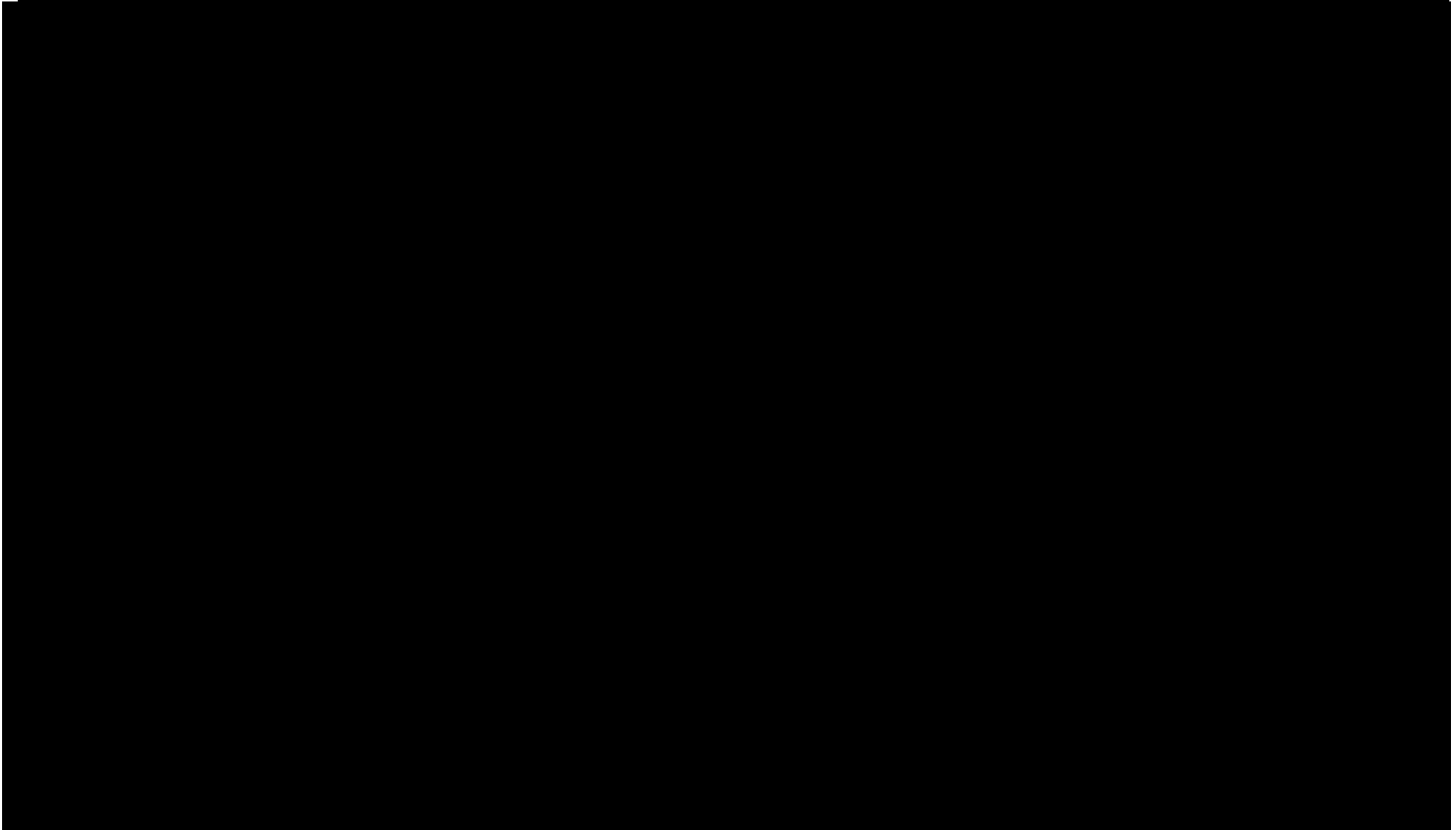
- 3 The airport has a number of privately owned hangars situated on airport land. The land for these hangars is leased to the hangar owners on a medium-term basis being periods of 15 years including rights of renewals.
- 4 The use of these private hangars and land is a mix of commercial activities, private use and clubs or societies.

- 5 Council Officers have been working with the airport users for some time regarding their land leases and have now finalised a standard template (attachment 1) which has been shared with the users who currently have expired leases.
- 6 The next step in the process is to set the rate per square metre for each of the expired leases.
- 7 There are 21 hangar site land leases at the airport and the other lease holders will have their lease terms and conditions reviewed upon expiry of their existing leases.

Discussion

- 8 Council Officers have noted the Councillors direction to increase user pays where there is clearly a private benefit that was given at the Annual Plan Workshop 1 on 28 January 2025.
- 9 A market valuation has been carried out (attachment 2) this shows that the fair market rental for hangar ground leases is in the range of \$15-\$20 per square metre of land, per annum, plus GST.
- 10 Set out in the table below the rates currently being paid and the proposed rates for your consideration. All rates exclude GST.
- 11 Historically we have also offered different rates to commercial users as opposed to recreational users. For this assessment we have applied the public versus private benefit to the thinking and as there is a public benefit to leasing to both the South Canterbury Aero Club and the South Canterbury Aviation Heritage Centre it is proposed they pay a lower rate. All other users whether recreational or commercial pay the higher rate.
- 12 While both the South Canterbury Aero Club and the South Canterbury Aviation Heritage Centre have limited ability to increase their costs to recover any fee increases, as this is likely to risk a reduction in patronage. Having both these entities at the Airport is considered an asset and any member of the public (albeit at a cost) can benefit from the services they provide should they wish.
- 13 As part of the recent discussions with the airport users around landing fees, a summary of Timaru Airport Operational actual costs for 2023/24 year was prepared (attachment 3). This shows that the hangar leases are only contributing 3% of the operational costs at the airport and rates funding 53% of this activity. The 2024/25 financial year will be very similar to the 2023/24 with some increase in landing charges that will generally offset inflationary cost increases.
- 14 If Council elects to make these changes and increase to a more user pays model, the ranges currently set in the Revenue and Finance Policy will change. Funding for the Airport is currently set at User Charges 30-50% and Rates of 50-70%. The rates funding is currently 53% of the total airport funding and a significant increase in lease rents will reduce this proportion to 40%.
- 15 Committee Members should acknowledge this non-compliance with the Revenue and Financing Policy. Any review of the Revenue and Financing Policy will need to be undertaken as part of a Long Term Plan or Annual Plan process and will require community consultation.

Lease Holder	Property	m ² leased	Current / m ² rate	Current amount p/a	Proposed / m ² rate	Proposed amount p/a	Reasoning	Alternative rate
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Options and Preferred Option

- 16 Option 1 (Recommended) is that the new leases including those that have expired are \$15 including GST per square metre of land leased. This new lease rate and comparison to past lease rates is shown in the table of proposed increases. The proposed lease includes annual CPI adjustment, and a rent review based on market valuation every 3 years.
- 17 Option 2 is setting a lower rate such as \$10 including GST per square metre of leased land considering the significant increase from past rates. However, at the next market rent review we could be in the same position where we were having to catch up. By not seeking market rates for the land, we are also doing our ratepayer an injustice as they are subsidising the operational costs for the airport, and Council has given a strong direction that it is preferable to move to a user pays model. This option has also been set out in the table for comparison.
- 18 Option 3 is Council determining an alternative lease rate and consideration could be given to differentiating between commercial and private use.

Consultation

- 19 We anticipate that the proposed increase will not be popular with the lease holders, and they may contact the elected members or media in relation to this. There have been previous discussions with the airport users around moving to a model which is more sustainable in the future and market rent was discussed and included in the draft lease template that refers to market rent. This agreement was sent to the expired lease holders at the airport for feedback and subsequent amendments were made to the final template.

Relevant Legislation, Council Policy and Plans

- 20 Property Law Act 2007
- 21 Timaru District Council Long Term Plan 2024-34

Financial and Funding Implications

- 22 At present the Airport activity is significantly funded by rates. With the Council indicating a preference to move towards a user pays model lease rates need to increase substantially. While there is a public benefit to a couple of the leases which has been recognised in the proposed changes, the majority have little to no public benefit.
- 23 The Council's funding policy recommends that private benefit activities should be funded by user charges.

Other Considerations

- 24 There are separate lease agreements for the terminal building space with Air New Zealand and car parking with rental car companies. The airport farm is also separately leased. All of these are based on market appraisals.
- 25 Other charges are also being reviewed as the opportunity arises and we have recently completed a review of landing fees with a move to a more user pays based model by having different rates based on the total number of landings in the previous year.

Attachments

1. Deed of Lease Template for Hangar Sites

- 2. Timaru Airport Hangar Ground Rental Valuation**
- 3. Timaru Airport Operational Costs and Revenue 2023/24 - Summary**



DEED OF LEASE

Timaru District Council
Lessor

Lessee

Hangar Site No: Timaru Airport

2 King George Place - PO Box 522 Timaru 7940 - Telephone 03 687 7200

Date:**Parties**

Timaru District Council of PO Box 522, Timaru (“the Lessor”)

(“the Lessee”)

Background

- A The Lessor is the Airport Authority as defined in section 2 of the Airport Authorities Act 1966.
- B The Lessor is authorised to grant a lease of all or any part of the land, buildings, installations vested in it as the Airport Authority under section 6 of the Airport Authorities Act 1966.
- C The Lessor has agreed to grant and the Lessee has agreed to take a lease of the Property on the terms in this Deed (**Lease**).

Operative Part**DEFINITIONS AND INTERPRETATION****Definitions**

- 1 In this Lease:
- | | |
|-------------|--|
| “Aircraft” | means any aircraft owned or operated by the Lessee. |
| “Airport” | means Richard Pearse Airport, also known as Timaru Airport, owned and operated by Timaru District Council under the Airport Authorities Act 1966. |
| “Authority” | means and includes every governmental, local, territorial and statutory authority having jurisdiction or authority over the Property or its use. |
| “Emergency” | for the purposes of clauses 34 to 36 means a situation that: <ol style="list-style-type: none"> (a) is a result of any event, whether natural or otherwise, including an explosion, earthquake, eruption, tsunami, land movement, flood, storm, tornado, cyclone, serious fire, leakage or spillage of any dangerous gas or substance, infestation, plague, epidemic, pandemic, failure of or disruption to an emergency service; (b) causes or may cause loss of life or serious injury, illness or in any way seriously endangers the safety of the public or property; and (c) is not caused by any act or omission of the Lessor or Lessee. |

“Hangar”	means all Lessee improvements to the Property.
“Local Authority”	means has the meaning given to it under section 5 of the Local Government Act 2002.
“Plans and Specifications”	means the Lessee’s plans and specifications and programme of works relating to the construction of the Hangar and any alterations, additions, or removal of the same.
“Outgoings”	means all utility and other services connected and/or supplied to the Property, including but not limited to water, sewage, drainage, electricity, gas, telephone rubbish collection, and local authority rates.
"Property"	has the meaning given in Schedule A.
“Working Day”	has the meaning given to it in the Property Law Act 2007.

Interpretation

- 2 A reference to any law, legislation or legislative provision includes any statutory modification, amendment or re-enactment, and any subordinate legislation or regulations issued under that legislation or legislative provision.
- 3 The express covenants and provisions contained in this Lease will supersede those referring to the same subjects and those implied in leases by the Property Law Act 2007.

AIRPORT AUTHORITIES ACT & CIVIL AVIATION ACT

- 4 The parties agree that the provisions of the Airport Authorities Act 1966, the Civil Aviation Act 1990 and the Civil Aviation Rules will apply to and be deemed to be included in this Lease to the extent that those Acts and the Civil Aviation Rules apply to the Lessor and the Airport.

RENT

Payment

- 5 The Lessee will pay the Rent plus GST (if any) in equal monthly instalments (unless otherwise agreed and set out in schedule A) without deduction or set-off whether legal or equitable, in the manner directed by the Lessor.

CPI Rent Review

- 6 The Rent payable from each CPI Rent Review Date will be determined as follows:
 - 6.1 The Lessor will adjust the Rent on the basis of increases (and not decreases) in the CPI by giving notice to the Lessee of the increase (if any) using the formula:

$$A = B \times (C/D)$$

Where:

A = the CPI reviewed Rent from the CPI Rent Review Date

- B = the annual Rent payable immediately before the relevant CPI Rent Review Date
- C = CPI for the quarter year ending immediately before the relevant CPI Rent Review Date
- D = CPI for the quarter year ending immediately before the last Rent Review Date or if there is no previous Rent Review Date, the Commencement Date of the then current Term of the Lease (and in any case where A is the CPI reviewed Rent for a Renewal Date then the last Rent Review Date of the immediately preceding Lease Term or if there is no Rent Review Date the Commencement Date of the preceding Term), where (C/D) will not be less than 1.
- 6.2 If the CPI is discontinued and not replaced, or if there is a material change to the basis of calculation of the CPI, or a resetting of the CPI, an appropriate index which reflects the change in the cost of living in New Zealand as agreed by the parties and failing agreement to be determined by an expert appointed by the President or one of the Vice Presidents of the New Zealand Law Society.
- 6.3 If the relevant CPI is not published at the relevant CPI Rent Review Date, as soon as the CPI is published an appropriate adjustment will be made to the Rent (if necessary) with effect from the relevant CPI Rent Review Date.
- 6.4 Notwithstanding any other provision of clause 6 the Rent payable as from the relevant CPI Rent Review Date will not be less than the Rent payable immediately preceding the CPI Rent Review Date (and in the case where the relevant CPI Rent Review Date is a Renewal Date, the Rent payable at the expiry of the preceding Term).
- 7 The new Rent will be payable from the relevant CPI Rent Review Date once it is determined by the Lessor giving notice under clause 6. Pending determination of the new Rent, the Lessee will pay the Rent that applies prior to the CPI Rent Review Date. On determination of the new Rent, the Lessee will immediately pay any shortfall to the Lessor.

Market Rent Review

- 8 The Rent may be reviewed on the Market Rent Review date(s) specified in Schedule A as follows:
- 8.1 The Lessor will commence a review by not earlier than three months prior to the Market Rent Review date or at any time up to the next following review date giving written notice to the Lessee specifying the annual rent considered by the Lessor to be the current market rent as at that Market Rent Review date (**Lessor's Notice**).
- 8.2 If the Lessee wishes to dispute the amount specified in the Lessor's Notice, the Lessee must advise the Lessor in writing (**Lessee's Notice**), stating the Lessee's estimate of annual rent, within 20 Working Days of receiving the Lessor's Notice. The Lessee's Notice must state the Lessee's estimate of annual rent.

- 8.3 If the Lessee fails to give such notice the Lessee will be deemed to have accepted the Rent specified in the Lessor's Notice.
- 8.4 If the Lessee gives the Lessee's Notice the parties must enter into negotiations to resolve the dispute. If they cannot agree within 10 Working Days (or a longer period if they agree) of the Lessor receiving the Lessee's Notice:
- (a) they will each within a further 10 Working Days appoint a valuer who is a member of the New Zealand Institute of Valuers (**Institute**) and has at least seven years' experience in undertaking valuations in the Timaru area. The valuers will fix the current market rent of the Property;
 - (b) if either party fails to appoint a valuer the Rent will be fixed by the valuer who is appointed;
 - (c) the valuers will appoint an umpire (also being a member of the Institute and having at least seven years' experience in undertaking valuations in the Timaru area) and obtain the umpire's written acceptance before they proceed further. If the valuers either fail to appoint an umpire or are unable to agree on an umpire within 10 Working Days of their appointment then either party may request the President of the Institute to appoint an umpire and obtain the umpire's written acceptance;
 - (d) the valuers will jointly fix the market rent of the Property at the relevant Market Rent Review Date within 20 Working Days' of their appointment; and
 - (e) if the valuers are unable to agree within that 20 Working Days' (or within any extended time the parties agree to) then the Rent will be fixed by the umpire.
- 8.5 All valuers' and umpire's costs will be paid equally by the parties.
- 8.6 Notwithstanding any other provision of this clause, the Rent payable as from the relevant Market Rent Review Date will not be less than the Rent payable as at the commencement date of the then current lease term.
- 8.7 The annual Rent agreed, determined or imposed under clause 8 will be the Rent payable from the relevant Market Rent Review Date or the date of the Lessor's notice if such notice was given later than three months after the Market Rent Review Date.
- 8.8 The parties will record the new annual Rent in a deed of rent review if required by the Lessor.

Default Interest

- 9 If the Lessee fails to pay the Rent or other money payable under this Lease for 10 Working Days then the Lessee will on demand pay interest at the Default Interest Rate on the unpaid money from the due date for payment to the date of payment.

OUTGOINGS**Utility and Outgoing Charges**

- 10 The Lessee must promptly pay to the relevant Authority or supplier all charges for Utilities which are separately metered or charged to the Property.
- 11 The Lessor will use reasonable endeavours to provide water free of charge to the Lessee, but such water will be piped at the Lessees' expense. If, in the Lessor's sole discretion, the Lessee's use of water exceeds the average rate of consumption for the Property, the Lessor may invoice the Lessee for provision of water under this clause as an outgoing,

COMMON AREAS**Use of Common Areas**

- 12 The Lessee acknowledges that parts of the Airport are used by the Lessor, the Lessor's other tenants, and members of the public (**Common Areas**). The Lessee agrees to use the Common Areas in common with the Lessor, the Lessor's other tenants, and members of the public but only for the purposes for which they are designed and subject to the reasonable directions of the Lessor.
- 13 The Lessor reserves the right to restrict the Lessee's access to the Common Areas and other parts of the Airport from time to time, including but not limited to during events held at the Airport.

LESSEE'S FURTHER COVENANTS**Use of the Property**

- 14 The Lessee must not use the Property for any purpose or activity other than the Permitted Use or any other use consented to by the Lessor in writing.
- 15 The Lessee is not permitted to use the Property or the Hangar for any residential purpose, which for the avoidance of doubt includes overnight stays.

Use of the Airport

- 16 The Lessee will comply with any reasonable requirements imposed by the Lessor or any other Authority in respect of security, safety, and the orderly operation of the Airport.

Maintenance and Care of Property

- 17 The Lessee will:
- 17.1 Keep the Property in good repair and condition.
 - 17.2 Keep the Property clean and tidy, free and clear from all rubbish, noxious weeds and plants to the satisfaction of the Lessor.
 - 17.3 Take steps to control any pest infestation occurring in, or emanating from or within the Property.

Construction of Hangar, Alterations and Additions

- 18 The Lessee will not undertake construction of the Hangar, or any alterations or additions to any part of the Property (**Works**) without first obtaining the consent of the Lessor (which will not be unreasonably withheld). The Lessee will provide Plans and Specifications to the Lessor, and the Lessor may grant consent to the Works subject to such conditions the Lessor sees fit (acting reasonably).
- 19 The Lessee will obtain any consents, approvals or permits required for the Works (**Consents**) and will undertake the Works at its sole cost. The Lessee will be solely responsible for the any compliance costs associated with any Consents associated with the Works.

Removal of Hangar, Works, Fixtures and Fittings by Lessee on Termination

- 20 The Lessee grants to the Lessor first option to purchase the Hangar and Works (if any) at the then market price, such price to be determined by a Registered Valuer or for such other price as the parties agree in writing.
- 21 If the Lessor does not wish to purchase the Hangar and Works or the Lease is not transferred, and if required to do so by the Lessor, at the end or earlier termination of the Lease the Lessee will, at its cost remove the Hangar, any Works, and other items belonging to the Lessee situated on the Property and make good any damage to the Property caused by that removal.
- 22 If the Lessee fails meets its obligations under clause 20 within 6 months from the date of termination of the Lease, the Lessor may at the Lessor's election:
- 22.1 meet the Lessee's obligation itself and recover the cost from Lessee; or
 - 22.2 the Hangar, Works and other items belonging to the Lessee situated on the Property will pass to the Lessor without compensation being payable to the Lessee.

No Noxious Use

- 23 The Lessee will not:
- 23.1 Except in conjunction with the Permitted Use, bring upon or store within the Property any plant, machinery, goods, or things of an offensive noxious illegal or dangerous nature or of a weight size or shape as is likely to cause damage to the Property or any surfaced area. The Lessor must ensure that all Contaminants (as defined in the Resource Management Act 1991) are:
 - (a) stored and handled safely and in accordance with the provisions of all laws and the requirements of all regulatory authorities;
 - (b) that no Contaminants are discharged, spilled, escape or are released into the environment; and

- (c) in the event of any such discharge, spillage, escape or release into the environment, will take all necessary steps to contain and clear up such Contaminants and all resulting damage.
- 23.2 Operate or permit to be operated on the Property or within the Airport any wireless systems, devices or radio frequency devices, other than those specified by the Lessor from time to time, without obtaining the Lessor's prior written consent.
- 23.3 Permit any television or radio antenna, sign, advertisement, name or notice to be placed on any part of the Property without the prior written consent of the Lessor.
- 24 To the extent legally required to do so the Lessee will at all times ensure that a valid dangerous goods licence is held, and all requisite safety and regulatory obligations are met by the Lessee without cost to the Lessor in respect of any such items.

Insurance

- 25 The Lessee will be responsible at its sole cost for insuring the Hangar, and other items belonging to the Lessee situated on the Property.
- 26 From the Commencement Date, the Lessee will keep and maintain a public liability insurance policy or or hangar keepers/aviation liability insurance for a sum of not less than \$2,000,000.00 in respect of any single event or such other increased sum that the Lessor requires from time to time.
- 27 The Lessee will provide the Lessor with evidence of all required insurance cover if requested by the Lessor.
- 28 The Lessee acknowledges that the Lessor has no obligation to insure any part of the Property.

Indemnity

- 29 The Lessee indemnifies the Lessor against all actions, proceedings, calls, liabilities, costs, expenses, claims, demands, damages or losses on account of breach of covenant or otherwise under the Lease which result from the Lessee's breach of any of the Lessee's obligations expressed or implied in this Lease.

LESSOR'S COVENANTS

Lessor's Obligation

- 30 If the Lessee complies with, observes and performs all the covenants, conditions, and agreements contained or implied in this Lease, the Lessee may quietly hold and enjoy the Property throughout the Term without any interruption by the Lessor or anyone acting on the Lessor's behalf until the expiration or earlier termination of this Lease.

Renewal of Lease

- 31 If the Lessee is not in breach of its obligations under this Lease the Lessee will have the right to renew the Lease on the relevant Renewal Date.
- 32 The Lessor must give the Lessee written notice of intention to renew at least four months before the relevant Renewal Date.
- 33 The Rent for the renewed Term will be fixed in accordance with clause 8 of this Lease.

DAMAGE OR DESTRUCTION TO AREA**No Access in Emergency**

- 34 If, for a period of six (6) months from the date of an Emergency, the Property is, as a result of the Emergency, inaccessible or incapable of being used for the Permitted Use, either party may, by serving written notice on the other party, terminate this Lease from the date of the Emergency, but without prejudice to the rights of either party against the other.
- 35 If the whole or any part of the Property is inaccessible or incapable of being used for the Permitted Use due to an Emergency, the whole or a fair proportion of the annual Rent will abate from the date of the Emergency until such time as the whole or part of the Property is again accessible or capable of being used for the Permitted Use.
- 36 If the parties are unable to agree as to the proportion referred to in clause 35, the provisions in clauses 46 and 47 of this Lease will apply.
- 37 Any termination under clause 34 will be without prejudice to the rights of either party against the other.

DEFAULT**Cancellation**

- 38 The Lessor may (in addition to the Landlord's right to apply to the Court for an order for possession) cancel this Lease by re-entering the Property at the time of cancellation, or at any time after that:
- 38.1 if the Rent will be in arrears 10 Working Days after any Rent payment date and the Lessee has failed to remedy that breach within 10 Working Days after service on the Lessee of a notice in accordance with section 245 of the PLA;
- 38.2 in case of breach by the Lessee of any covenant or agreement on the Lessee's part expressed or implied in this Lease (other than the covenant to pay Rent) after the Lessee has failed to remedy that breach within the period specified in a notice served on the Lessee in accordance with section 246 of the PLA.
- 39 The Lease will terminate on the cancellation but without prejudice to the rights of either party against the other.

GENERAL**Notices**

- 40 Any notice or other communication (**Notice**) given under this Lease must be in writing (time being of the essence) in accordance with sections 352 to 361 of the Property Law Act 2007.
- 41 A Notice may be served personally or sent to the relevant party's following communication points:

Lessor: Timaru District Council

Lessor's Address: PO Box 522, Timaru

Representative:

Email:

Lessee:

Lessee's Address:

Representative:

Email:

Waiver

- 42 No failure or delay by a party to exercise (in whole or in part) any right, power or remedy under this Lease will operate as a waiver of that right, power or remedy.

Costs

- 43 Each party will pay its own costs of and incidental to the negotiation, preparation and execution of this Lease, and any documentation to record a rent review or renewal of Lease.
- 44 Each party must pay the other party's reasonable costs (including legal costs as between lawyer and client) of an incidental to the enforcement of the other party's rights, remedies, and powers under the Lease.
- 45 The Lessee will pay the Lessor's reasonable costs incurred in relation to considering any request by the Lessee for a Lessor's consent to any matter contemplated by this Lease.

Disputes

- 46 The parties will first endeavour to resolve any dispute relating to the terms of the Lease by agreement and if they agree by mediation.
- 47 Unless any dispute is not resolved by mediation or other agreement within 30 Working Days of the dispute or difference arising, the dispute will be submitted to arbitration in accordance with the Arbitration Act 1996.

Holding Over

- 48 If the Lessor permits the Lessee to continue to occupy the Premises beyond the Final Expiry Date the Lessee will do so as a monthly lease only. The tenancy will be determinable by either party by twenty working days' notice in writing but otherwise the tenancy will continue on the same terms and conditions of this Lease.

Suitability

- 49 The Lessor does not warrant that the Property is or will be suitable for any of the purposes of the Lessee and to the extent permitted by law all implied warranties as to suitability are expressly negated.

No Registration

- 50 The Lessor will not be required to do any act or thing to enable this Lease to be registered and the Lessee will not register a caveat in respect of the Lessee's interest under this Lease.

Comply with Statutes

- 51 The Lessee will, at its own expense comply with all statutes, regulations and bylaws having reference to its activities and use of the Property.

Assignment

- 52 The Lessee will not assign, sublet, or otherwise part with possession of the Property, or any part of it, without first obtaining the consent of the Lessor which the Lessor will not unreasonably withhold or delay.

Severability

- 53 If any term, covenant or condition of this Lease, or the application of the same to any person or circumstance will be or becomes invalid or unenforceable the remaining terms, conditions, and covenants will not be affected.

Non-merger

- 54 The covenants, conditions, agreements and obligations of the parties in this Lease and this Lease document will not merge with or be extinguished by the grant of any further or other lease but will remain in full force and effect and operative.

Local Authority

- 55 The Lessee acknowledges that:
- 55.1 Timaru District Council enters into this Lease solely as the Lessor and not in its regulatory capacity.
 - 55.2 The Lessor is bound by statutory obligations to exercise its powers, including discretionary powers and duties under legislation without regard to any relationship it may have with the Lessee under this Lease;
 - 55.3 The granting by the Lessor of any consent or approval by the Lessor as territorial authority under any legislation will not of itself be deemed to be a consent or approval by the Lessor under this Lease.
 - 55.4 The Lessor will not be liable to any party if, in its regulatory capacity, the Lessor declines or imposes conditions on any consent or permission that any party to this Lease seeks for any purpose associated with this Lease, nor will a consent or approval be given as Lessor under the Lease be deemed to be a consent or approval as a territorial authority.

AIRPORT GOVERNANCE**Right of Cancellation**

- 56 If the Lessor wishes to develop or reconstruct the Airport or any part of the Airport during the Term to the extent that does or is likely to interfere with the Lessee's quiet enjoyment of the Property, the Lessor may terminate this Lease by giving the Lessee 12 months' notice in writing.
- 57 If the Airport ceases to be a reserve for aerodrome purposes during the Term, the Lessor may terminate this Lease by giving the Lessee no less than 6 months' notice of termination in writing.

- 58 If clauses 56 or 57 apply the Lease will terminate on the date specified in the Lessor's notice, without compensation payable by one party to the other but without prejudice as to any rights or obligations under this Lease prior to the termination date.

Airport Operations

- 59 The Lessee acknowledges that the Lessor owns and operates the Airport and that for the purposes of such operations the Lessor and other parties will/may discharge/emit noise arising from the Airport operations 24 hours a day and seven days a week. The Lessee will not complain about Airport noise or take any other steps that may be designed or intended to limit prohibit restrict or seek damages or restriction (whether by way of injunction or otherwise) to the continuation or extension of any Airport operations conducted by the Lessor.

Counterparts

- 60 This Deed may be signed in separate counterpart copies (including scanned and other electronic copies). When each party has signed at least one copy (including by electronic signature inserted via DocuSign® or any other means that complies with Part 4 of the Contracts and Commercial Law Act 2017) and delivered it to the other party, the separately signed documents when brought together will constitute one and the same document and a binding and enforceable Lease between the parties. Any electronic signatures inserted in accordance with this clause may be relied on by the other party and will be deemed equivalent to original signatures.

EXECUTION

Signed by **Timaru District Council** as Lessor by its duly authorised signatory in delegated authority in the presence of:

Authorised Signatory's signature

Authorised Signatory's name

Signature of witness

Name of witness

Occupation

Address

Signed by [] as Lessor in the presence of:

[]

Signature of witness

Name of witness

Occupation

Address



Schedule A - Reference

Property:	Hangar Site [] containing approximately []m2 and as more particularly outlined in red in the Property Plan in Schedule B. Situated on Reserve 5010 at 186 Falvey Road, Levels, Timaru
Commencement Date of Lease:	
Term:	
Rights of Renewal:	
Renewal Dates:	
Final Expiry Date:	
Rent:	
First Rent Payment Date:	
CPI Rent Review Dates:	
Market Rent Review Dates:	
Permitted Use:	As a hangar site for aircraft for personal and private use / Lessor approved commercial uses (which the landlord may determine in its absolute discretion).
Default Interest Rate:	3% above the trading bank overdraft rate payable by the Lessor to its bankers in New Zealand from time to time.
No Access Period:	Nine (9) months

Schedule B – Property Plan



79 Murchison Drive
Timaru 7910

Phone: (03) 686 0794
Mobile: (027) 238 8458
Email: steve.binnie@xtra.co.nz
Web: www.stevebinnie.co.nz

Stephen W.G. Binnie
ANZIV, SPINZ, Registered Valuer

3 October 2024

The Property Administration Officer
Timaru District Council
PO Box 522
TIMARU

Attention: Aline LeRoy

Dear Aline

RE: HANGAR GROUND RENTALS – TIMARU AIRPORT

Thank you for your letter of 1 October 2024 requesting an assessment of ground rental per m² for hangar sites at the Timaru airport. I am pleased to report as follows:

Lease Template

You have provided a template for the proposed leases. The template looks very thorough and takes the form of a five year initial term with four rights of renewal each five years. Market rent reviews at each renewal and CPI rent reviews annually except for market review dates.

The Premises

The lease is for a vacant hangar site. Any buildings or other improvements being the property of the lessee. To the best of my knowledge the site will have power and water supply.

RENTAL ASSESSMENT

In my opinion the fair market rental for hangar ground leases at Timaru airport is in the range:

**Fifteen Dollars (\$15.00) to Twenty Dollars (\$20.00)
per square metre of land area per annum plus GST**

Commentary

Ground rentals are generally expressed as a percentage of land value. At the moment ground rents are running at 5.25% - 5.75% of land value. The hangar sites at Timaru airport are akin to an industrial site. The nearest industrial properties are situated at Washdyke approximately 5km from the airport. Land values in Washdyke are typically \$200 - \$250 per m² which at a rental rate of 5.5% equates a ground rental of \$11.00 - \$13.75 per m². It could be argued that there is a scarcity factor at the airport that would drive values / rentals up.

The only freehold hangar site sales I'm aware of are at Pukaki Airport (Twizel). Sales are listed below. The most recent sale is at \$245 per m². I could be argued that Pukaki airport is considerably smaller and less developed than Timaru airport. On this basis Timaru airport hangar sites could potentially have a freehold value \$280 per m² which at 5.5% rental equates a rental of \$15.40 per m².

Direct comparison of rental rates for hangar and other sites at similar airports is another way of assessing rental per m². I have made extensive enquiry and have received no information or, in some cases no response from other airport authorities. A number of smaller airports are club fields that are owned by members of the aero club. Whilst hangar sites are leased they are at heavily discounted rentals. Some of the airport such as Dunedin lease out hangars which are owned by the airport authority. (no ground lease). I have however managed to gain useful ground rental information from colleagues within the valuation industry. I have details of ground leases at Wanaka and New Plymouth airports and a couple of rentals at Gisborne airport. Details are shown below on page 4.

A summary of rental rates are as follows:

Wanaka Airport	\$17.25 - \$23.00 per m ²
New Plymouth Airport	\$13.81 - \$16.90 per m ²
Gisborne Airport	\$18.40 - \$21.70 per m ²

Land Value Evidence – Pukaki Airport

6 Swallow Drive July 2024 \$359,000
A 1466m² hangar site adjacent to the runway. A rate of \$245 per m².

10 Dakota Drive April 2024 \$260,000
A 1521m² hangar site adjacent to the runway. A rate of \$171 per m².

5 Swallow Drive December 2023 \$255,000
A 1316m² hangar site adjacent to the runway. A rate of \$194 per m².

Land Value Evidence – Washdyke

76-80 Meadows Road May 2024 \$527,000
A 2445m² parcel in 3 titles. Previously gang affiliated properties. Purchased by the Timaru District Council. On-sold to Thompsons. Sale price is \$215.54 per m².

90 Meadows Road	March 2024	\$1,779,498
A 8776m ² parcel. Previously a gang property. Purchased by the Timaru District Council and on-sold. Sale price is \$202.77 per m ²		
1 Laughton Street	March 2024	\$330,000
A 1115m ² lot on the corner of Washdyke Flat Road. Sale price is \$296 per m ²		
44-48 High Street	February 2024	\$750,000
A 2016m ² parcel in three titles. Contains two old houses. Estimated cost to demolish \$52,000. Total land sale price \$698,000. Sale price is \$346 per m ² Purchase was for high density residential housing		
90 Meadows Road	May 2023	\$1,260,000
An 8776m ² parcel. Previously a gang property. Purchased by the Timaru District Council. Sale price is \$143.57 per m ² .		
76-80 Meadows Road	May 2023	\$860,000
A 2445m ² parcel in 3 titles. Previously gang affiliated properties. Purchased by the Timaru District Council Estimated cost to demolish \$24,000. Total land sale price \$884,000. Sale price is \$362 per m ²		
38-40 High Street	January 2023	\$700,000
A 1989m ² parcel in two titles. Previously a gang property. Estimated cost to demolish \$52,000. Total land sale price \$752,000. Sale price is \$378 per m ² Purchase was for high density residential housing		
42 High Street	January 2023	\$350,000
A 1007m ² parcel. Contained an old villa. Estimated cost to demolish \$21,000. Total land sale price \$371,000. Sale price is \$368 per m ² Purchase was for high density residential housing		
84 Sheffield Street	September 2022	\$860,000
A 4894m ² parcel, fenced and having a shingle topping. Sale price is \$175 per m ²		
36 Treneglos Street	September 2022	\$850,000
A 4206m ² parcel, partly fenced and part having a shingle topping. Sale price is \$202 per m ²		
17 Washington Drive	July 2022	\$530,380
This is an 2306m ² front lot. Sale price is \$230 per m ² .		
9 Washington Drive	April 2022	\$751,410
This is an 3267m ² front lot. Sale price is \$230 per m ² .		
8 Washington Drive	March 2022	\$626,520
This is an 2723m ² corner lot. Sale price is \$230 per m ² .		
24-26 Racecourse Road	March 2022	\$850,000
A 3217m ² parcel in two titles. Sale price is \$264 per m ²		

Rental Evidence

Location	Date	Term	Area m ²	Rental	Per m ²
<u>Wanaka Airport</u>					
Lot 17 Spitfire lane	Sep-23	11.4 years	1152	\$24,200	\$21.01
Lot 6 Spitfire lane	Jul-23	13.75 years	1750	\$35,800	\$20.46
Lot 10 Spitfire lane	Jul-23	13.75 years	700	\$13,900	\$19.86
Lot 9 Spitfire lane	Sep-23	8 years	1083	\$18,682	\$17.25
Lot 34 Lloyd Dunn Avenue	Nov-21	10 years	1210	\$24,200	\$20.00
Lot 23 Mustang Lane	Oct-21	8 years	1108	\$25,484	\$23.00
Lot 8 Lloyd Dunn Avenue	Jul-22	10 years	400	\$7,963	\$19.91
<u>New Plymouth Airport</u>					
Puketapu Cres	Aug-22	5 years	4952	\$74,795	\$15.10
Wipiti Way	Jan-22	5 years	1422	\$21,420	\$15.06
Wipiti Way	Aug-22	5 years	586	\$8,790	\$15.00
Katatore Lane	May-24	5 years	542	\$7,750	\$14.30
Katatore Lane	Feb-24	5 years	992	\$14,500	\$14.62
Airport southern periphery	Feb-23	5 years	1050	\$14,500	\$13.81
Katatore Lane	Feb-24	5 years	650	\$9,720	\$14.95
Katatore Lane	Feb-24	5 years	404	\$6,000	\$14.85
Puketapu Cres	Apr-24	5 years	1594	\$24,936	\$15.64
Puketapu Cres	Jan-23	5 years	345	\$5,831	\$16.90
<u>Gisborne Airport</u>					
Aerodrome Road	Mar-20	3.1 years	171	\$3,146	\$18.40
Aerodrome Road	Sep-23	3 years	1060	\$23,002	\$21.70

I trust this report is satisfactory, if you require further information or wish to discuss this valuation please don't hesitate to give me a call.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'S W G Binnie', written in a cursive style.

S W G Binnie
Registered Valuer ANZIV SPINZ

2023/24 Timaru Airport Operational costs - Summary

Service	Cost	Percentage for General Aviation users	General Aviation User Costs
Staff/Administration	\$ 107,281.67	25%	\$ 26,820.42
Water	\$ 27,012.20	30%	\$ 8,103.66
Electricity	\$ 18,751.66	30%	\$ 5,625.50
Rates	\$ 32,179.01	50%	\$ 16,089.51
Insurance	\$ 21,646.00	50%	\$ 10,823.00
Depreciation	\$ 464,348.00	15%	\$ 69,652.20
Vehicles	\$ 19,500.00	0%	\$ -
Interest	\$ 130,432.00	25%	\$ 32,608.00
Legal/asset mangement	\$ 52,649.00	10%	\$ 5,264.90
Subscription	\$ 3,658.86	0%	\$ -
Runway assessment tool	\$ 600.00	10%	\$ 60.00
Landings recording and stats	\$ 6,743.40	90%	\$ 6,069.06
Operations and SMS program	\$ 10,143.00	50%	\$ 5,071.50
Daily Aerodrome inspections	\$ 14,600.00	50%	\$ 7,300.00
Operational area and Apron Managememe	\$ 29,200.00	0%	\$ -
Movement data transposing	\$ 6,396.00	90%	\$ 5,756.40
Site inductions	\$ 800.00	0%	\$ -
Airside supervision	\$ 2,160.00	0%	\$ -
After hours call-outs	\$ 1,920.00	0%	\$ -
Terminal Cleaning	\$ 72,373.35	0%	\$ -
Rubbish bins	\$ 4,398.37	0%	\$ -
Airfield Maintenance - mowing	\$ 46,701.00	50%	\$ 23,350.50
Wildlife control	\$ 14,019.50	50%	\$ 7,009.75
Apron line marking and landside	\$ 3,609.11	0%	\$ -
Friction testing	\$ 4,400.00	0%	\$ -
Joint sealing	\$ 3,061.50	10%	\$ 306.15
Security gates	\$ 3,378.14	20%	\$ 675.63
Security camera servicing and repair	\$ 434.78	0%	\$ -
Rescue Fire training for emergency serv	\$ 1,161.76	20%	\$ 232.35
Airport vehicle lights and radios	\$ 2,106.71	0%	\$ -
Terminal maintenance - fencing	\$ 208.70	0%	\$ -

Garden Maintenance	\$ 8,161.68	20%	\$ 1,632.34
Tree removal	\$ 2,331.00	0%	\$ -
139 certificate FPP	\$ 1,296.54	0%	\$ -
CAA external review	\$ 1,350.00	0%	\$ -
	<u>\$ 1,119,012.94</u>		<u>\$ 232,450.86</u>

Revenue	Total 2023/24	% of revenue
Leases - AirNZ/Farm/fuel/buildings	\$ 174,366.75	16%
Leases hangars	\$ 37,369.25	3%
landing fees	\$ 12,416.00	1%
AirNZ	\$ 174,810.00	16%
Car parking	\$ 128,583.00	11%
Rates	\$ 595,185.00	53%
Total	<u>\$ 1,122,730.00</u>	