

Airside and Non-Airside
Land Management Guidelines



Vancouver International Airport Authority



Vancouver
International
Airport
Authority

Administration
de l'aéroport
international de
Vancouver



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Airside and Non-Airside

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I. INTRODUCTION

A. Land Management Guidelines: Objects and Principles

Vancouver International Airport Authority operates an international airport for the purpose of providing outstanding transportation facilities and services to the community and ensuring that the airport contributes to economic development in British Columbia. Two of the objects stated in the Authority's Letters Patent read in part:

"to undertake the development of the lands of the Vancouver International Airportfor uses compatible with air transport activities;"

and

"to generate, suggest and participate in economic development projects and undertakings which are intended to expand British Columbia's transportation activities and to generate economic activity in all areas compatible with air transportation."

The Airport Lands are a fundamental resource for enabling the Authority to fulfil its mandate to serve the community. The 1995-2015 Airport Master Plan, developed after extensive public and industry consultation and approved by the Minister of Transport, sets out the planning principles to be used by the Authority when it considers leasing Airport Lands for a commercial purpose, as follows:

1. To support and enhance the airport's competitive gateway position with commercial services that stimulate the local economy and create jobs;
2. To optimize the use of limited airport land resources and ensure land is put to its highest and best use;
3. To focus airport-compatible commercial developments on high value added economic activities related to travel, trade, finance and knowledge industries; and
4. To develop commercial lands on the basis of controlled land development, use and supply which will serve to optimize the monetary return to the airport.

The Authority's Guidelines should provide for a rigorous examination of any proposed development to ensure that the proposed development will serve the long term strategic objectives of an international airport and the economic interests of the community.

B. Underlying Considerations

Land at Vancouver International Airport is a scarce commodity. Only 15% of Airport Lands are suitable for lease or development.

As with any scarce resource, policymakers - in this case the Board of Directors of the Vancouver International Airport Authority - are required to weigh carefully the opportunities, benefits and disadvantages associated with a given land use. Broader community interests must be taken into consideration. This is particularly important when decisions may be for a long term. Land leases frequently have terms of 30 years.

C. Direction

The Board of Directors of the Authority has resolved that land leases should not be entered into merely on a “first come, first served” basis.

The Board of Directors recognizes that considerations vary among various classifications of land. A number of uses are defined in the 2015 Airport Land Use Plan. A key distinction is made between lands which have, or potentially have, direct access to runways, taxiways and aprons, which are defined below as “Airside Lands”; and those lands which do not, which are defined below as “Non-Airside Lands”.

Guidelines respecting Airside Lands:

Airside lands will be utilized in a strategic and planned manner to support the long-term needs of YVR as an international airport.

Rent on Airside Lands will reflect market conditions as determined by the Authority, but, recognising other factors and objectives, the Authority will not necessarily seek the highest monetary return.

Airside Lands will be developed primarily in the following ways:

- ◆ by an End-User through a direct lease with the Airport Authority;
- ◆ by an End-User who elects to utilize the services of a Third Party developer; or
- ◆ by a Third Party developer, selected by the Airport Authority through a public or competitive process for a specific property or project.

The Authority may build facilities itself or in conjunction with other companies and interests. Such companies and interests may be selected through a public or competitive process. The Authority would seek a reasonable rate of return on its investment.

Section II below elaborates upon the Authority’s Guidelines respecting Airside Lands.

Guidelines respecting Non-Airside Lands:

Land management of Non-Airside lands will support the Authority's mission of developing YVR as a vibrant economic hub through achieving the best practicable monetary returns on uses compatible with the 1995-2015 Airport Master Plan.

The Authority may build facilities itself or in conjunction with other companies and interests. Such companies and interests may be selected through a public or competitive process.

Section III below elaborates upon the Authority's Guidelines respecting Non-Airside Lands.

D. Overview

Section II below addresses Airside Lands.

Section III below addresses Non-Airside Lands.

Sections IV through VII address a number of leasing issues relating to existing and future leases:

- vesting of improvements;
- principles for granting additional term;
- land rent methodology; and
- lease registration.

E. Definitions

This section defines a number of key terms used in this document. The reader is also advised to refer to the glossary contained in the 1995-2015 Airport Master Plan.

1995-2015 Airport Master Plan: The document entitled *1995-2015 MasterPlan* and any amendments and supplements.

2015 Airport Land Use Plan or 2015 ALUP: The airport land use plan approved by the Minister of Transport on 5 September 1996, which forms part of the Ground Lease as Appendix C – Approved Land Use Plan.

Aeronautical Revenues: All fees and charges charged to the airlines for the use of the airport's runways and terminals, namely Landing Fees, General Terminal Fees, U.S. Preclearance Fees, Security Fees and Turnaround Fees. The Authority's policy is to keep these fees as low as practicable.

Affiliate: Has the meaning ascribed to it in the Canada Business Corporations Act.

Airport Lands: Those lands described in Schedule “A” to the Ground Lease between the Authority and Transport Canada. The lands comprise approximately 87% of Sea Island.

Airside: The aircraft movement area of the airport, including aprons, taxiways and runways, adjacent terrain and buildings or portions thereof, access to which is controlled. Airside includes the areas designated as *Airside System* and *Operational Services* in the 2015 Airport Land Use Plan.

Airside Lands: Those airport lands in the 2015 Airport Land Use Plan designated as *Airside Commercial* and *Airside Commercial-Air Cargo*. These lands have, or potentially have, direct access to airside.

Airport-Compatible Activities: Activities conducted on Non-Airside Lands that:

- a) do not interfere in the operation of the international airport;
- b) comply with the 1995-2015 Airport Master Plan, 2015 Airport Land Use Plan, Land Development and Construction ByLaws, and such Commercial Development, Area or Sub-area Plans as the Authority may develop; and
- c) are permitted in accordance with a lease or licence.

Aviation Activities: Those activities which require access to airside, including: operation of an airline for passengers and cargo; aircraft hangars; aircraft maintenance bases; helicopter service and maintenance; cargo operations; ground handling services; fixed base operations; flight kitchens; and other services directly related to the operation of an aircraft.

End-User: A business entity directly engaged in Aviation Activities at the Airport (which, for greater clarity, excludes Third Party developers).

Non-Aeronautical Revenues: All revenues which are not defined as Aeronautical Revenue, such as concession fees; land and terminal office space rent; film and other licence fees; and parking revenues.

Non-Airside Lands: Those Airport Lands designated as *Groundside Commercial* in the 2015 Airport Land Use Plan and the Private Lands owned by the Authority.

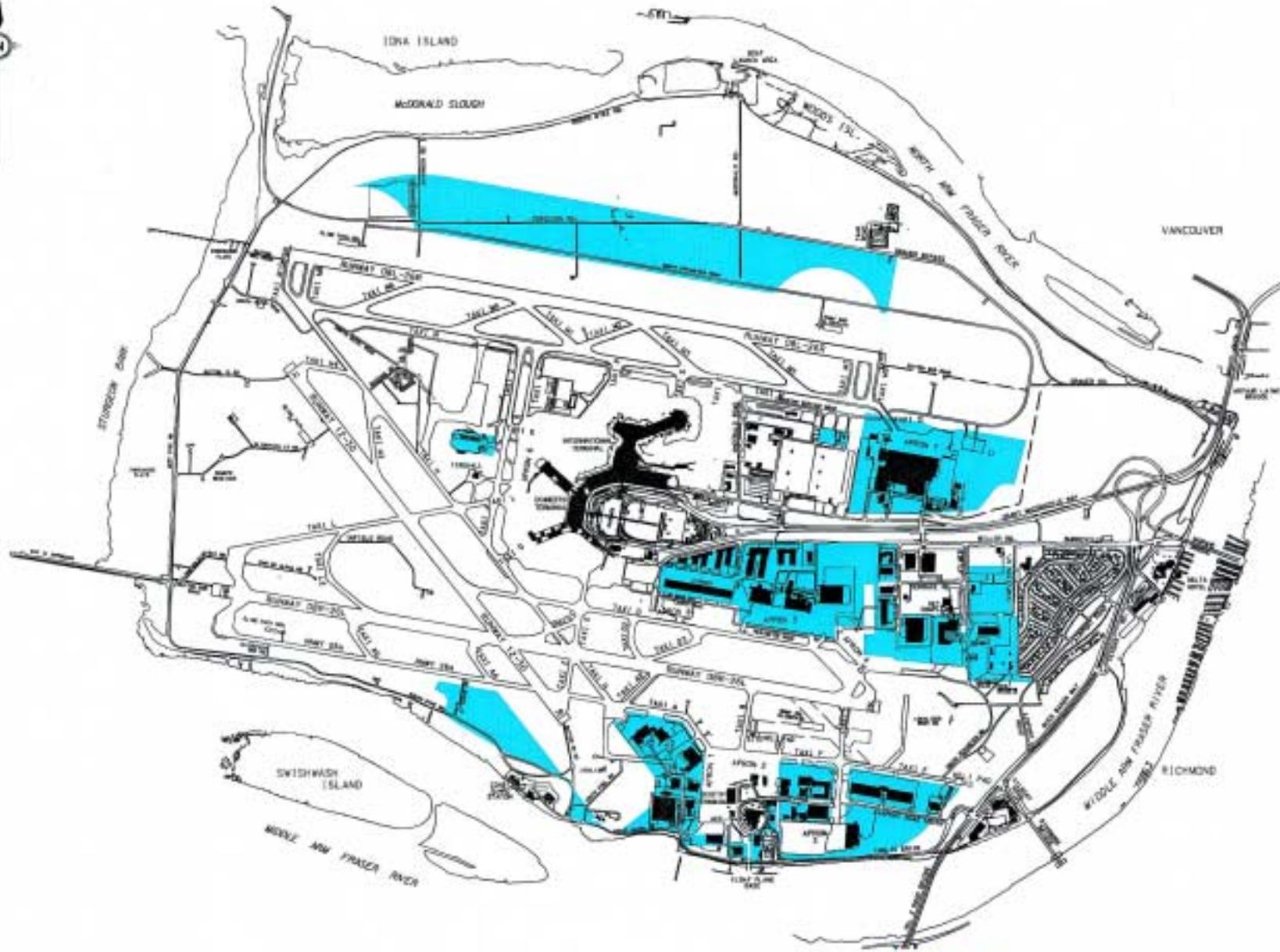
Private Lands: Lands owned in fee simple by the Authority - as opposed to being leased from the federal government - and reserved for Airport-Compatible Activities.

Third Party: A person or corporation who desires to lease Airport Land for use by a party or multiple parties that are unrelated to that person or corporation or a person or corporation who desires to lease land from the Authority and then sublease improvements placed on the land to unrelated parties.

F. Premises of the Guidelines

Existing leases and arrangements will be honoured and remain in place.

These Guidelines reflect the resolve and intention of the Authority at the time written. In order to present the Guidelines so that they can be readily understood, an effort has been made to avoid stating extensive qualifications and exceptions. These Guidelines do not confer any right upon anyone, or impose any obligation on the Authority. The Authority may from time to time change these Guidelines or depart from these Guidelines without liability to anyone.



AIRSIDE LANDS ARE DEFINED AS THOSE LANDS DESIGNATED FOR AIRSIDE COMMERCIAL AND AIR CARGO USE IN THE 2015 LAND USE PLAN.

WYVR LAND MANAGEMENT POLICY
AIRSIDE LANDS

II. AIRSIDE LANDS

A. Airside Lands Map

Airside Lands include those lands designated as *Airside Commercial* and *Airside Commercial-Air Cargo* in the 2015 ALUP. These lands have direct access to airside. The preceding map shows all Airside Lands.

B. Guidelines respecting Airside Lands

The Authority has adopted the following guidelines with respect to Airside Lands:

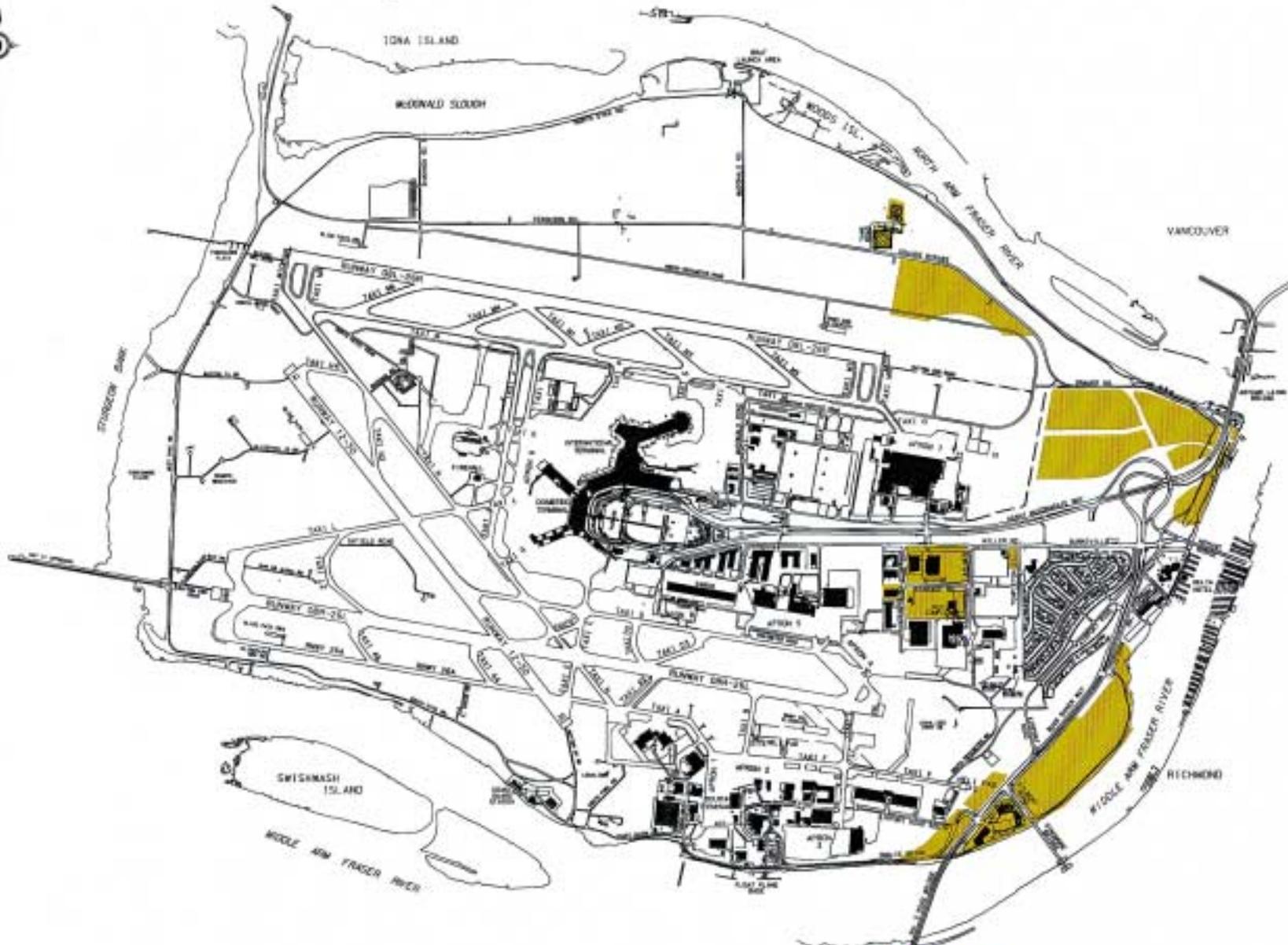
- 1) Airside Land is a finite resource with unique characteristics and few effective substitutes.
- 2) Airside Land development must support the Authority's strategic objectives.
- 3) The Authority wishes to ensure that all available space and buildings are managed and allocated efficiently.
- 4) Higher development densities and cargo processing rates are essential for the efficient use of Airside Land.
- 5) Rent on Airside Lands will reflect market conditions as determined by the Authority, but, recognising other factors and objectives, the Authority will not necessarily seek the highest monetary return.
- 6) Encouraging competition in the supply of airside facilities is desirable.
- 7) Airside Lands will be allocated in a fair and open manner.
- 8) The Authority may accept pre-payment of land rent for Airside Lands.
- 9) The Authority will actively work to attract End-Users and Third-Parties that support the Authority's strategic objectives.
- 10) Airside Lands will be developed primarily in the following ways:
 - ◆ by an End-User through a direct lease with the Airport Authority;
 - ◆ by an End-User who elects to utilize the services of a Third Party developer; or
 - ◆ by a Third Party developer, selected by the Airport Authority through a public or competitive process for a specific property or project.
- 11) Requests for land for single End-User facilities (that is, facilities that will be occupied or used solely or predominantly by one End-User) will only be entertained from the End-User.

- 12) End-Users may develop their facilities themselves or use the services of a Third-Party. Leases for Airside Lands will be between the Authority and End-User except, subject to approval of the Authority, where the End-User requests otherwise. Leases to Third Parties nominated by the End-User will specify the End-User and purposes for which the leased land may be used.
- 13) Airside Lands to be leased or developed for multi-tenant use (as opposed to single End-User facilities as contemplated in item 11 above) will be offered by way of a public or competitive process.
- 14) The Authority may elect to use a public or competitive process to allocate Airside Lands where the Authority determines that the Authority's objectives are better accomplished in that manner. For example, where the same parcel of land is desired by two or more End-Users, or where the Authority identifies a specific development opportunity for which there is more than one proponent, or where the Authority wishes to encourage competition in the allocation of the land resource.
- 15) Where a public or competitive process is followed, proposals will be evaluated against pre-established selection criteria that reflect the Authority's strategic objectives and guiding principles. As noted earlier, rent on Airside Lands will reflect market conditions as determined by the Authority, but, recognising other factors and objectives, the Authority will not necessarily seek the highest monetary return.
- 16) The Authority may consent to assignments, subleases or other changes of control of existing leases on Airside Lands but such consent will be subject to adherence to the Authority's strategic objectives and guiding principles.
- 17) The Authority may build facilities itself or in conjunction with other companies and interests. Such companies and interests may be selected through a public or competitive process. The Authority would seek a reasonable rate of return on its investment.

III. NON-AIRSIDE LANDS

A. Non-Airside Lands Map

Non-Airside Lands include those lands designated as *Groundside Commercial* in the 2015 ALUP and certain Private Lands owned by the Authority. The following map shows all Non-Airside Lands and Private Lands.



NON-AIRSIDE LANDS ARE DEFINED AS THOSE LANDS DESIGNATED FOR
GROUNDSIDE COMMERCIAL USE IN THE 2015 LAND USE PLAN.
THE EX-PROVINCIAL CROWN LAND ON RUSS BAKER WAY HAS BEEN ADDED
TO THE NON-AIRSIDE CATEGORY.

 **LAND MANAGEMENT POLICY**
NON-AIRSIDE LANDS

B. Guidelines respecting Non-Airside Lands

The Authority has adopted the following guidelines with respect to Non-Airside Lands:

- 1) Management of Non-Airside Lands will support the Authority's mission of developing YVR as a vibrant economic hub.
- 2) The Authority will for the most part seek the best practicable monetary return.
- 3) The Authority may establish standards for development, building and occupancy.
- 4) The Authority may build facilities itself or in conjunction with other companies and interests. Such companies and interests may be selected through a public or competitive process.

IV. VESTING OF IMPROVEMENTS

Future leases will contain similar provisions as in the past relative to the vesting of improvements.

V. GRANTING ADDITIONAL TERM

The Authority will honour any commitment contained in current leases with regard to renewal or extension.

Where the lease term and any tenant rights of renewal or extension have elapsed, the granting of an additional term or extension will be at the option of the Authority. The Authority may require that the tenant meet conditions stipulated or prescribed by the Authority. Where the improvements have vested or reverted to the Authority at the expiration of a lease the rent for any new lease or extension will be based on the land value plus the value of the improvements.

The Authority is not obliged to extend the term as a result of capital improvements undertaken by a tenant, unless the Authority has so agreed. The Authority may from time to time enter into negotiations for the grant of an additional term to a Tenant undertaking capital improvements. Relevant considerations include, but are not limited to:

- ◆ Whether the tenant has complied with all the terms of the lease;
- ◆ Whether environmental emergency and spill response plans are in place and relevant environmental management plans;
- ◆ Whether the tenant has satisfactorily maintained buildings and other improvements on the leased property;
- ◆ Whether the proposed or continued use complies with the 1995-2015 Airport Master Plan and the 2015 ALUP;

- ◆ Whether the proposed or continued use represents the highest and best use of the land;
- ◆ Whether the additional term will jeopardize reasonable competitive access for other airport businesses or tenants;
- ◆ Whether the tenant provides adequate disclosure about the continued use of the facility and, where applicable, the costs and nature of any new capital improvements; and
- ◆ In some cases, rent might be adjusted in conjunction with the grant of additional term.

Where the Authority grants an additional term in connection with capital improvements undertaken by a tenant, the length of the additional term will depend on several factors, including, but not limited to:

- ◆ The useful life of the capital improvements;
- ◆ The time period sufficient to amortize any new investment;
- ◆ The length of the term remaining on the original lease;
- ◆ The extent and nature of the capital improvements; and
- ◆ Any rent adjustment that is made at that time.

VI. LAND RENT METHODOLOGY

Lands currently under lease

The Authority will abide by all its existing agreements, including the rent provisions of the existing leases, and agreements on rent methodology for pre-1992 leases as established by reports entitled "A Methodology for Establishing Land Lease Rates at Vancouver International Airport (YVR)" dated October, 1994 and "Review of Base Rates and Classifications for Existing Ground Lease Rents (EGLR) at Vancouver International Airport (YVR)" dated May, 1997.

Leases entered into after July 1, 1992:

Airside Lands:

Rent on Airside Lands will reflect market conditions as determined by the Authority, but, recognising other factors and objectives, the Authority will not necessarily seek the highest monetary return.

Non-Airside Lands

In general, rent for new leases for Non-Airside Lands will be based on the best practicable monetary return for uses compatible with the 1995-2015 Airport Master Plan.

VII. LEASE REGISTRATION

Tenants sometimes wish to register their leases in connection with obtaining financing for building and improvements.

Airport Lands are a federal undertaking and, generally speaking, do not fall under the jurisdiction of the Province or the local government body, which is the City of Richmond.

Land Title Office registration of a lease of a parcel of bare land can only be effected if the parcel has been subdivided in accordance with the British Columbia Land Title Act. Such subdivision would require the approval of the Approving Officer for the City of Richmond and could invoke the jurisdiction of the Province and the City of Richmond. In particular such subdivision may invoke the application of certain provincial floodproofing requirements.

To accommodate the desire by tenants to register their leases the Authority will agree to registration of a lease of the building with an appropriate easement or easements on the remainder of the designated area (as opposed to a lease of a parcel of bare land). This method of registration may have to be adapted to ensure that Capital Cost Allowance under the federal Income Tax Act may be claimed by the tenant.

APPENDIX A

Additional Land Management Information

I. Land Available

Of the land available for lease or development on Sea Island more than half is Airside. Of this, the greater portion is unserved. The largest current users of Airside Lands are air carrier maintenance bases, cargo operators and corporate and general aviation. There is also “Non-Airside” land, i.e.: land that does not have direct access to the airside, available for lease. Two large parcels, the Russ Baker Way and the Grauer Lands, are unserved.

II. Existing Land Policies

The new Land Management Guidelines apply to the leasing of land parcels and the calculation of Airside rent. They do not change other existing policies and regulations. All leases for Airport Lands must continue to comply with:

- the 1995-2015 Airport Master Plan and any other area plans or sub-plans which the Authority may develop;
- the Facility Permit Process; and
- any other provisions or restrictions contained in an airport lease or licence.

III. The 1995-2015 Airport Master Plan and 2015 ALUP

The 1995-2015 Airport Master Plan and 2015 ALUP describe in broad terms the permissible uses for Airside Lands. In order to define the future needs of YVR to ensure it remains a premier international airport, the Authority will further examine Airside Land usage in light of the Strategic Plan and our Mission to serve the community. The analysis will assist the Authority in identifying the highest and best use for Airside Lands along with the needs of End-Users and the Authority.

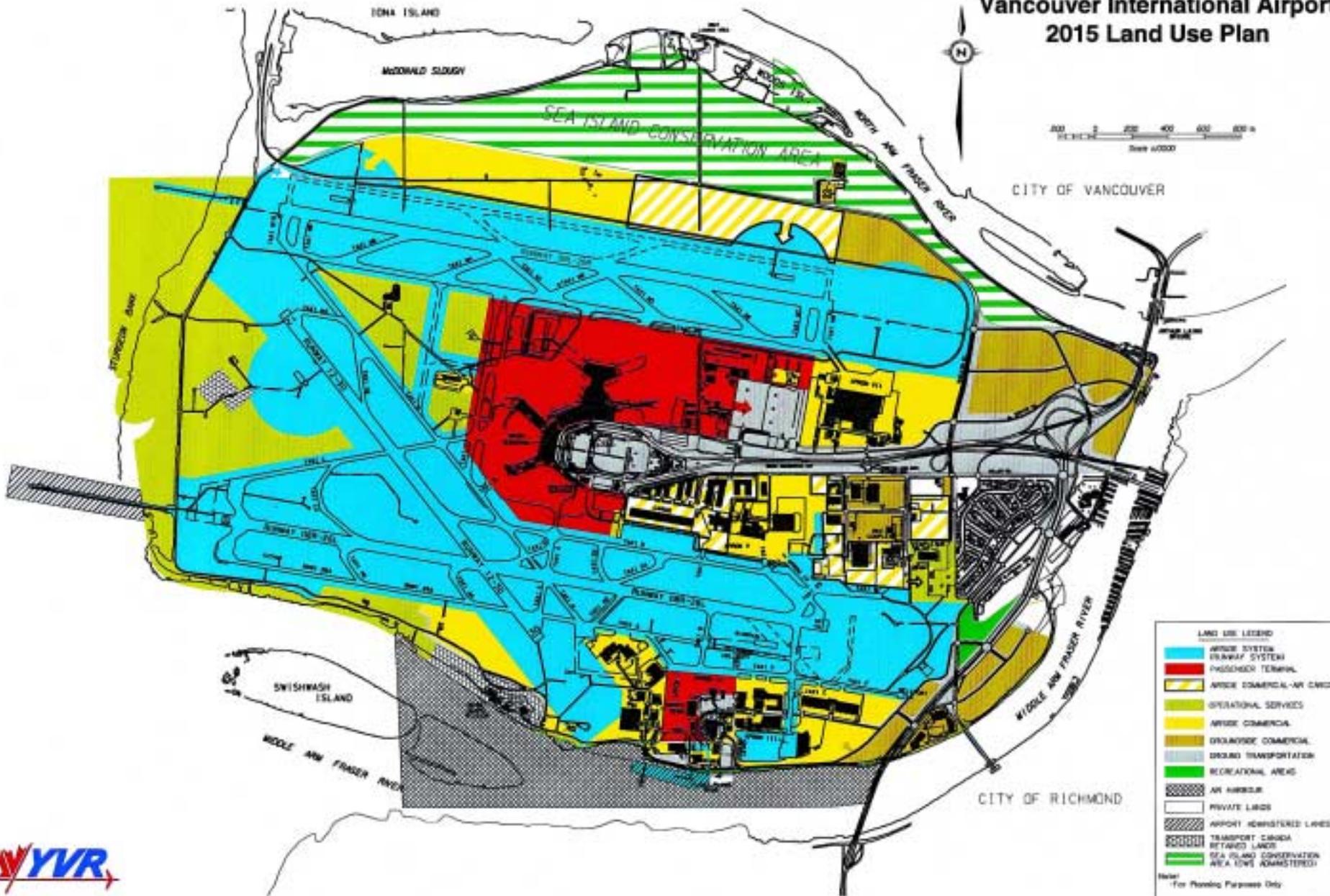
APPENDIX B

Maps

2015 Land Use Map

Airside and Non-Airside Lands Leased/Not Leased

Vancouver International Airport 2015 Land Use Plan



LAND USE LEGEND

- AIRSIDE SYSTEM
- PASSENGER TERMINAL
- AIRSIDE COMMERCIAL-AIR CARRIAGE
- OPERATIONAL SERVICES
- AIRSIDE COMMERCIAL
- EXTRACURRICULAR COMMERCIAL
- GROUND TRANSPORTATION
- RECREATIONAL AREAS
- AIR AIRSIDE
- PRIVATE LANDS
- AIRPORT ADMINISTERED LANDS
- TRANSPORT CANADA RETAINED LANDS
- SEA ISLAND CONSERVATION AREA (LOW ADMINISTERED)

Note: For Planning Purposes Only





Figure 1
Sea Island (YVR)



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