

AGENDA REPORT

Resolution: Consent to Change in Control of Ownership of DAL Global Services, LLC and Assignment of a *License and Concession Agreement* to Occupy Warehouse Space and to Provide Passenger, Baggage, Ground and Cargo Handling, Aircraft Cabin Cleaning and Ground Service Equipment Maintenance, Repair and Washing Business at Oakland International Airport, from 100% Owner Delta Air Lines, Inc. to AirCo Aviation Services, LLC, jointly owned by Argenbright Holdings IV, LLC (51%) and Delta Air Lines, Inc. (49%). **(Aviation)**

MEETING DATE: 1/24/2019

AMOUNT: \$576,000 Annual Budgeted Rental Revenue

PARTIES INVOLVED: DAL Global Services, LLC, Atlanta, Georgia
Phillip Skinner, Chief Commercial Officer
Delta Air Lines, Inc., Atlanta, Georgia
Argenbright Holdings IV, LLC, Atlanta, Georgia

SUBMITTED BY: Bryant L. Francis C.M., Director of Aviation

APPROVED BY: J. Christopher Lytle, Executive Director

ACTION TYPE: Resolution

EXECUTIVE SUMMARY

This action (i) consents to the change in control of ownership and assignment of a *License and Concession Agreement* from DAL Global Services, LLC, currently 100% owned by Delta Air Lines, Inc. to AirCo Aviation Services, LLC, a limited liability company jointly owned by Argenbright Holdings IV, LLC (51%) and Delta Air Lines, Inc. (49%); and, (ii) authorizes the Executive Director to execute appropriate documentation to effect the transaction.

BACKGROUND

At its meeting of January 20, 2004, the Board of Port Commissioners passed Resolution No. 04004 approving a *License and Concession Agreement* ("L&C") with DAL Global Services, Inc. ("DGS") to occupy office and warehouse space at Oakland International Airport, and to provide passenger, baggage, ground and cargo handling; aircraft cabin cleaning; and, ground service equipment maintenance, repair and washing business. The initial term of the L&C was one year and continuing on a month-to-month basis until terminated by either party by 30-day written notice. DGS occupied office space in Terminal 1 (Building M103) (since terminated) and continues to occupy warehouse space in the Port's Cargo Building (M112). Compensation to the Port is a combination of (i) warehouse space rent based on fair market

rental value, and (ii) a concession fee of 10% of gross revenue generated from ground and cargo handling services. For FY2018-19, budgeted revenue attributable to DGS is \$576,000.

Pursuant to Ordinance No. 4228 adopted by the Board on April 11, 2013, the term of the *L&C* was extended for five years through June 30, 2018, subject to termination by either party on 30-day written notice.

By a *First Supplemental Agreement* dated December 21, 2015, the corporate name was changed from DAL Global Service, Inc. to DAL Global Services, LLC.

Pursuant to Ordinance No. 4480 adopted by the Board on June 28, 2018, the term of the *L&C* was extended for five years through June 30, 2023, subject to termination by either party on 30-day written notice.

By letter dated November 30, 2018, DGS advised the Port of its pending transaction for Delta Air Lines, Inc. to transfer its ownership interest in DGS to a newly-formed holding company, AirCo Aviation Services, LLC (“AirCo”) which will own 100% of DGS. Upon closing of this pending transaction, Delta Air Lines, Inc. will be a 49% owner of AirCo and Argenbright Holdings IV, LLC will own the other 51% of AirCo.

ANALYSIS

Section 22 of the *L&C* prohibits assignment or change in ownership without the express consent of the Port; specifically, if the change of ownership is fifty percent (50%) or more of the membership. As noted, DGS has advised that its current 100% owner – Delta Air Lines, Inc. – will retain a 49% interest in the remaining entity; therefore, the Board’s consent is required.

The *L&C* does not require DGS to pay an assignment or administrative fee, or “Bonus Value” to receive the Port’s consent to the change in ownership, so none can or will be charged.

BUDGET & STAFFING

The proposed action constitutes a change in control and an assignment of the *L&C* with DGS, but does not change any of the financial terms of the *L&C*. There is no budget or staffing impact.

There is no staffing impact.

MARITIME AVIATION PROJECT LABOR AGREEMENT (MAPLA)

The matters contained in this agenda report do not fall within the scope of the Port of Oakland Maritime and Aviation Project Labor Agreement (MAPLA) and the provisions of the MAPLA do not apply.

STRATEGIC PLAN

The action described herein would help the Port achieve the following goals and objectives in the Port’s Strategic Business Plan (2018-2022).

<https://www.portofoakland.com/wp-content/uploads/Port-of-Oakland-Strategic-Plan.pdf>

Goal: Improve Customer Service

LIVING WAGE

Living wage requirements, in accordance with the Port's Rules and Regulations for the Implementation and Enforcement of the Port of Oakland Living Wage Requirements (the "Living Wage Regulations"), apply to this agreement as the tenant employs 21 or more employees working on Port-related work and the tenancy agreement is greater than \$50,000.

SUSTAINABILITY

DGS has not proposed any development for the licensed area. If DGS decides to develop the site in the future, DGS must comply with the 2000 Sustainability Policy and complete the Sustainability Opportunities Assessment Form.

ENVIRONMENTAL

CEQA Determination: This project has been determined to be categorically exempt from the California Environmental Quality Act (CEQA) Guidelines pursuant to Section 15301, Existing Facilities, which exempts the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, facilities, mechanical equipment or topographical features, involving negligible or no expansion of use beyond that existing at the time of the lead agency's determination. No changes to the premises or use are proposed.

GENERAL PLAN This action does not change the use of any existing facility, make alterations to an existing facility, or create a new facility; therefore, a General Plan conformity determination pursuant to Section 727 of the City of Oakland Charter is not required.

OWNER-CONTROLLED INSURANCE PROGRAM (OCIP)

The Owner Controlled Insurance Program (OCIP) does not apply to the matters addressed by this Agenda Report as they are not capital improvement construction projects.

OPTIONS

1. Pass a resolution to (i) consent to the change in control of ownership and assignment of the *License and Concession Agreement* from DAL Global Services, LLC owned 100% by Delta Air Lines, Inc. to AirCo Aviation Services, LLC, jointly owned by Argenbright Holdings IV, LLC (51%) and Delta Air Lines, Inc. (49%); and, (ii) authorize the Executive Director to execute the appropriate documentation to effect the transaction. This is Staff's recommendation.
2. Do not consent to the change in control of ownership and assignment of the *License and Concession Agreement* from DAL Global Services, LLC owned 100% by Delta Air Lines, Inc. to AirCo Aviation Services, LLC, jointly owned by Argenbright Holdings IV, LLC (51%) and Delta Air Lines, Inc. (49%); failure to consent would cause the proposed transfer of ownership to violate the terms of the *License and Concession Agreement*.

RECOMMENDATION

Staff recommends the Board's passage of a resolution to (i) consent to the change in control of ownership and assignment of the *License and Concession Agreement* from DAL Global

Services, LLC owned 100% by Delta Air Lines, Inc. to AirCo Aviation Services, LLC, jointly owned by Argenbright Holdings IV, LLC (51%) and Delta Air Lines, Inc. (49%); and, (ii) authorize the Executive Director to execute the appropriate documentation to effect the transaction, subject to the Port Attorney's approval as to form and legality.