

AGENDA REPORT

Ordinance: Approval of a *Space/Use Permit* with Two Airline Services Providers – Prospect International Airport Services Corporation and Standard Aero Serv, LLC – Operating at Oakland International Airport. **(Aviation)**

<u>MEETING DATE:</u>	9/12/2019
<u>AMOUNT:</u>	\$303,000 Estimated Annual Fixed and Percentage Rentals – Revenue
<u>PARTIES INVOLVED:</u>	Prospect International Airport Services Corporation, Des Plaines, Illinois Vicki Strobel, President, Secretary & Treasurer John Voyles, Operations Director Standard Aero Serv, LLC Playa Del Rey, California Sabah Hashalh, CFO Shawn Rteimeh, Director of Operations
<u>SUBMITTED BY:</u>	Bryant L. Francis C.M., Director of Aviation
<u>APPROVED BY:</u>	Danny Wan, Acting Executive Director
<u>ACTION TYPE:</u>	Ordinance

EXECUTIVE SUMMARY

This action would adopt an ordinance to approve the terms and conditions, and authorize the execution by the Executive Director, of a *Space/Use Permit (SUP)* with each of the following two airline services providers operating at Oakland International Airport (“OAK”):

- Prospect International Airport Services Corporation, and
- Standard Aero Serv, LLC

BACKGROUND

Airline services providers are third-party companies that provide various services to passenger and cargo airlines, including: passenger, ground and cargo handling; catering services; aircraft washing; airline tenant space janitorial services; aircraft maintenance and repair; passenger, catering and cargo security; and, specialized equipment maintenance and repair. Individual companies may not offer all of these airline services. Furthermore, Airlines are free to choose their airline services providers based on their individual needs and requirements.

- Prospect International Airport Services Corporation (“Prospect”) may provide the following services: passenger, baggage, ground and cargo handling services; aircraft

cabin cleaning; facilities janitorial services; skycap and wheelchair services; private security screening services; aviation security services; and, incidental uses reasonably related to these services.

- Standard Aero Serv, LLC (“Standard Aero”) may provide the following services: passenger and baggage handling services; aircraft cabin cleaning; facilities janitorial services; skycap and wheelchair services; private security screening services; aviation security services; and, incidental uses reasonably related to these services. Since December 2018, Standard Aero has been providing wheelchair assistance for Volaris’ passengers.

Neither Prospect nor Standard Aero will occupy Port-provided space (Prospect will use a small office leased by Southwest Airlines Co.).

ANALYSIS

Both Prospect and Standard Aero will be offering – and replacing – services provided by existing airline services providers. The proposed *SUPs* will have the following terms and conditions:

Permittee: Prospect International Airport Services Corporation, a Nevada corporation

Term: Approximately four years from September 1, 2019 through June 30, 2023¹, with a 30-day termination provision by either party.

Use: Access to OAK to provide third-party airline services.

Percentage of Gross: \$250 minimum monthly fee or 10% of gross revenues, whichever is greater. Total estimated annual revenue is \$300,000.

Performance Deposit: \$100,000.

Permittee: Standard Aero Serv, LLC, a California limited liability company

Term: Approximately four-and-a-half years from December 1, 2018² through June 30, 2023¹, with a 30-day termination provision by either party.

Use: Access to OAK to provide third-party airline services.

Percentage of Gross: \$250 minimum monthly fee or 10% of gross revenues, whichever is greater. Total estimated annual revenue is \$3,000.

Performance Deposit: \$5,000

¹ Pursuant to Ordinance No. 4480 adopted by the Board of Port Commissioners (the “Board”) on June 28, 2018, the Board extended the term for five years (through June 30, 2023) of seventy existing agreements with tenants and service providers. For consistency, all new agreements with airline services providers will share a concurrent June 30, 2023 expiration date.

² The By-Laws delegate authority to the Executive Director to enter into short-term rental agreements that permit immediate occupancy, provided that any extension of the term for longer than one year must be approved by the Board.

BUDGET & STAFFING

Entering into each *SUP* with Prospect and Standard Aero will not impact the FY2019-20 Operating Budget or Port staffing.

Prospect: The FY2019-20 Operating Budget anticipated \$1.6 million in annual percentage of gross revenues from all existing airline services providers. The “new” anticipated \$300,000 in revenue from Prospect would be offset by a similar loss in revenue from existing airline services providers that Prospect is replacing.

Standard Aero: The FY2019-20 Operating Budget anticipated the minimum \$250 monthly fee for Standard Aero (\$3,000 per year).

MARITIME AVIATION PROJECT LABOR AGREEMENT (MAPLA)

The matters included 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: Grow Net Revenues

Goal: Improve Customer Service

LIVING WAGE

Prospect: 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.

Standard Aero: 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”), do not apply to this agreement as the tenant does not employ 21 or more employees working on Port-related work. However, the tenant will be required to certify that should living wage obligations become applicable, the tenant shall comply with the Living Wage Regulations.

SUSTAINABILITY

Pursuant these agreements, neither Prospect nor Standard Aero will occupy any space at the Airport and neither proposes any development. If either Prospect or Standard Aero decide to lease and develop space in the future, they must comply with the 2000 Sustainability Policy and complete the Sustainability Opportunities Assessment Form.

ENVIRONMENTAL

CEQA Determination: The action proposed in this agenda report involves executing agreements with Prospect International Airport Services Corporation and Standard Aero Serv, LLC. Executing these agreements 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. These agreements and services provided by Prospect and Standard Aero will not have a significant effect on the environment and therefore will not require further environmental review.

Compliance: As part of their business operations, Prospect and Standard Aero may handle hazardous materials and waste at the site. Prospect and Standard Aero will be required to comply with applicable local, state and federal environmental regulations, including the Port's Environmental Ordinance No. 4345 and Storm Water Ordinance No. 4311.

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. Approve the terms and conditions of each *Space/Use Permit (SUP)* with (i) Prospect International Airport Services Corporation ("Prospect") and Standard Aero Serv, LLC ("Standard Aero") as outlined above, and authorize the Executive Director to execute each *SUP*, thereby permitting Prospect and Standard Aero to provide airline services on the same terms and conditions as other airline services providers also operating at Oakland International Airport. This is the recommended action.
2. Do not approve the terms and conditions of each *Space/Use Permit* as outlined above, with Prospect and Standard Aero which would (i) deny Prospect and Standard Aero the opportunity to provide valuable services for its airline clients, (ii) increase its airline clients' staffing needs as the airlines' employees would need to provide the services, (iii) result in a loss to the Port of up to \$303,000 per annum in percentage fees, and (iv) potentially harm the Port's relationship with the airlines who may choose to contract with Prospect and Standard Aero.
3. Do not approve each proposed *Space/Use Permit* as outlined above, with Prospect and Standard Aero, but recommend different terms and conditions.

RECOMMENDATION

It is recommended that the Board adopt an ordinance (i) approving the terms and conditions of each *Space/Use Permit (SUP)* with Prospect International Airport Services Corporation (“Prospect”) and Standard Aero Serv, LLC (“Standard Aero”), and (ii) authorizing the Executive Director to execute each proposed *SUP*, all subject to the Port Attorney's review and approval as to form and legality, and based on the following:

1. The Term of the *SUP* with Prospect is approximately four years and with Standard Aero is four-and-a-half (4.5) years, both *SUPs* expiring on June 30, 2023 with the right of either party to terminate upon written 30-day notice;
2. Consideration for the operating privilege is \$250 minimum monthly fee or 10% of gross revenues, whichever is greater, anticipated to be approximately \$303,000 per annum; and,
3. Prospect will be required to post a security deposit in the amount of \$100,000 which is approximately four-times (4x) anticipated average monthly billings, and Standard Aero will be required to post a security deposit in the amount of \$5,000 which is more than three-times (3x) anticipated average monthly billings.