

AGENDA REPORT

Ordinance: Approval of a *Space/Use Permit* with McGee Air Services, Inc., an Airline Services Provider, with Estimated \$3,000 in Annual Revenue, Operating at Oakland International Airport. **(Aviation)**

MEETING DATE: 1/28/2021

AMOUNT: \$3,000 Estimated Annual Revenue

PARTIES INVOLVED: McGee Air Services, Inc., Renton, Washington
Marie Underwood, CFO

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

APPROVED BY: Danny Wan, Executive Director

ACTION TYPE: Ordinance

EXECUTIVE SUMMARY

This action would adopt an ordinance to approve the terms and conditions, and authorize execution by the Executive Director, of a *Space/Use Permit (SUP)* with McGee Air Services, Inc. (McGee), an airline services provider generating estimated annual revenue of \$3,000 operating at Oakland International Airport (OAK).

BACKGROUND

Airline services providers are third-party companies that provide various services to passenger and cargo airlines, including: passenger, ground and cargo handling; skycap and wheelchair assistance; in-flight catering; 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.

McGee may provide the following services: passenger, baggage, ground and cargo handling services; aircraft cabin cleaning services; ground service equipment maintenance, repair and washing services; facilities janitorial services; skycap and wheelchair services; private security screening services; aviation security services; and, incidental uses reasonably related thereto.

McGee is a wholly owned subsidiary of Alaska Airlines, Inc. who is McGee's only airline partner at OAK.

McGee will not occupy any Port-provided space; its employees will use space currently under a separate contract between the Port and Alaska Airlines, Inc.

ANALYSIS

McGee will be offering – and replacing – services provided by existing airline services providers. The proposed *SUP* will have the following terms and conditions:

Permittee:	McGee Air Services, Inc., a Delaware corporation
Term:	Approximately three years from June 22, 2020 ¹ through June 30, 2023 ² , with a 30-day termination provision for either party.
Use:	Access to OAK to provide third-party airline services.
Rent	\$250 monthly fee. Total estimated annual revenue is \$3,000 (\$250 per month × 12 months)
Performance Deposit:	\$10,000 (significantly more than 3× monthly billings).

As noted above, McGee is a wholly owned subsidiary of Alaska Airlines, Inc. Consistent with practice, percentage of gross revenues are not charged between companies owned by the same parent. Therefore, any services McGee provides to Alaska Airlines do not generate percentage of gross revenues payable to the Port.

BUDGET & STAFFING

Entering into the *SUP* with McGee will not impact the adopted FY2020-21 Operating Budget; the minimum \$250 minimum monthly fee was anticipated. There is no impact to staffing by entering into the *SUP*.

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 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

¹ Retroactive approval of agreements is permitted pursuant to the By-Laws which delegates authority to the Executive Director to enter into short-term rental agreements that permit immediate occupancy, provided that any extension of the term longer than one year must be approved by the Port.

² 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 agreement with airline services providers will share a concurrent June 30, 2023 expiration date.

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"), 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 to the *SUP*, McGee does not occupy space at the Airport nor does McGee propose any development. If McGee decides 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 a *SUP* with McGee Air Services, Inc. Executing the *SUP* 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 alternation 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. The *SUP* and services provided by McGee will not have a significant effect on the environment and therefore will not require further environmental review.

Compliance: As part of their business operations, McGee may handle hazardous materials and waste at the site. McGee 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)

This action is not subject to the Port's Owner Controlled Insurance Program (OCIP) as it is not a capital improvement construction project.

OPTIONS

1. Approve the terms and conditions of the *Space/Use Permit* with McGee Air Services, Inc. as outlined above, and authorize the Executive Director to execute the *SUP*, thereby permitting McGee 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 the *Space/Use Permit* with McGee Air Services, Inc. as outlined above, which would 1) deny McGee the opportunity to provide valuable services for Alaska Airlines, Inc. and potential future airline clients, 2) increase Alaska Airlines' staffing needs as its employees would need to provide the services, 3) result in the loss to the Port of \$3,000 per annum, and 4) potentially harm the Port's relationship with Alaska Airlines, Inc.
3. Do not approve the proposed *Space/Use Permit* with McGee as outlined above, but recommend staff negotiate different terms and conditions.

RECOMMENDATION

It is recommended that the Board adopt an ordinance approving the terms and conditions of the proposed *Space/Use Permit* with McGee Air Services, Inc.:

- For a term of three years from June 22, 2020 through June 30, 2023;
- To provide airline services to its customers, including its parent, Alaska Airlines, Inc.;
- At monthly consideration of \$250;
- With a \$10,000 Performance Deposit; and,

Authorizing the Executive Director to execute the *SUP*, all subject to the Port Attorney's review and approval as to form and legality.