

AGENDA REPORT

Resolution: Consent to Assignment of two *Lease and Option to Lease* Agreements at Oakland International Airport, from Piedmont Hawthorne Aviation, LLC, to Signature Flight Support, LLC. **(Aviation)**

MEETING DATE: 4/22/2021

AMOUNT: \$0 Revenue

PARTIES INVOLVED: **Piedmont Hawthorne Aviation, LLC**
Oakland, California
Jim Hopkins – Senior Vice President, Airport Relations

Signature Flight Support, LLC
Orlando, Florida
Jim Hopkins – Senior Vice President, Airport Relations

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

APPROVED BY: Danny Wan, Interim Executive Director

ACTION TYPE: Resolution

EXECUTIVE SUMMARY

This action (i) consents to the assignment of two *Lease and Option to Lease* agreements from Piedmont Hawthorne Aviation, LLC, to Signature Flight Support, LLC for premises at the North Field of Oakland International Airport (“OAK”); (ii) waives any assignment fee or rent adjustment upon assignment applicable under the Lease and Option to Lease agreements, and, (iii) authorizes the Executive Director to execute appropriate documentation to effect the transaction.

BACKGROUND

Signature Flight Support, LLC (“Signature”) is the operator of the world’s largest network of Fixed Base Operators (“FBO”)¹, which provides on-airport corporate and general aviation support including passenger handling, fueling, and hangar and office rental services at more than 200 locations in Europe, South America, Africa, Asia and the United States. Signature’s presence at OAK dates to July 2003 through its predecessor Business Jet Center-Oakland, L.P. (“BJCO”). Another predecessor – Landmark Aviation (“Landmark”) – began its FBO occupancy at the North Field in November 2011. In June 2013, Landmark acquired and folded in BJCO’s

¹ FBOs conduct a wide range of aeronautical support activities including, but not limited to fueling, maintenance and charter flights. In addition, FBOs located at OAK lease hangar, aircraft apron and support space from the Port, and then sublease some of that space to corporate clients.

facilities and operations. Finally, in March 2016, Signature – through the ownership entity of Piedmont Hawthorne Aviation, LLC (“Piedmont”) – entered the Oakland/East Bay market and acquired the combined Landmark/BJCO operations.

Signature, through its subsidiary Piedmont, is a tenant in good standing and during fiscal year 2019-20, paid over \$7,000,000 in landing fees, fueling fees, and fixed rentals to the Port under its two current agreements: a *Lease and Option to Lease* (the “*Landmark Lease*”) and a *Lease and Option to Lease* (the “*BJCO Lease*”), collectively (the “*Leases*”).

In December 2020, Piedmont notified the Port of its proposed internal reorganization that will cause Piedmont to merge with and into its indirect parent, Signature (the “*Transaction*”), and requested the Board’s consent to the assignment of the *Leases* pursuant to the *Transaction*. Such consent is a requirement to complete the *Transaction*.

ANALYSIS

This reorganization is purely internal to Signature and for organizational efficiency purposes. The ultimate owner of Piedmont and its operational experience, as it relates to the *Leases*, will remain unchanged. Additionally, all of Piedmont’s rights, obligations, powers, debt and property will automatically transfer to, and be vested in, Signature as a result of the merger.

Pursuant to the request reviewed by Port staff, Signature will become the operating entity under the *Leases* with all senior management and local staffing to remain.

Section 18.4 of the *Leases* covers “Assignments” and details the information and documents that must be provided by Piedmont to the Port when an assignment is contemplated, including a payment of an Assignment Fee equal to 1% of the value of the transaction attributable to the Permitted Uses, and “Bonus Value”. Section 18.4 also triggers the Port’s right to adjust rental, if warranted, based on fair market rental value (“FMRV”). Because this is an internal reorganization, Staff does not recommend seeking any Assignment Fee. In addition, Staff does not recommend adjusting rent based on FMRV because (i) the current rent is consistent with values at other nearby competitive airports and (ii) Staff and Signature are negotiating the terms and conditions of a new lease that will combine the *Leases* plus incorporate other agreements between the Port and Signature; rental rates will be adjusted as part of that consolidation.

BUDGET & STAFFING

The proposed action constitutes a change in control and an assignment of the *Leases*, but does not change any of the financial terms of the *Leases*. There is no budget or staffing impact should the Board provide its consent.

MARITIME AVIATION PROJECT LABOR AGREEMENT (MAPLA)

The work performed under this contract is not within the scope of the Port of Oakland Maritime and Aviation Project Labor Agreement (MAPLA) and the provisions of the MAPLA do not apply to this work.

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

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

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

ENVIRONMENTAL

This action was reviewed in accordance with the requirements of the California Environmental Quality Act (CEQA). The Port has determined that this action is categorically exempt from CEQA pursuant to CEQA Guidelines Section 15301, Existing Facilities. Section 15301 exempts from CEQA 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 existing or former use. This action meets this criterion and is therefore exempt from the provisions of CEQA.

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. Pass a resolution to (i) consent to the assignment of two *Lease and Option to Lease* agreements from Piedmont Hawthorne Aviation, LLC, to Signature Flight Support, LLC; (ii) waive any assignment fee or rent adjustment upon assignment applicable under the Leases; and, (iii) authorize the Executive Director to execute the appropriate documentation to effect the transaction. This is Staff's recommendation;
2. Do not consent to the assignment of two *Lease and Option to Lease* agreements from Piedmont Hawthorne Aviation, LLC, to Signature Flight Support, LLC, which would preclude the parties from closing their proposed Transaction;

3. Do not consent to the assignment of two *Lease and Option to Lease* agreements from Piedmont Hawthorne Aviation, LLC, to Signature Flight Support, LLC, but recommend different terms and conditions and instruct staff to negotiate with the Piedmont Hawthorne Aviation, LLC.

RECOMMENDATION

It is recommended the Board pass a resolution to (i) consent to the assignment of two *Lease and Option to Lease* agreements from Piedmont Hawthorne Aviation, LLC, to Signature Flight Support, LLC; (ii) waive any assignment fee or rent adjustment upon assignment applicable under the Leases; and, (iii) 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.