

**PORT OF SEATTLE**  
**MEMORANDUM**

**COMMISSION AGENDA**

<b>Item No.</b>	<u>5f</u>
<b>Date of Meeting</b>	<u>January 24, 2012</u>

**DATE:** January 12, 2012

**TO:** Tay Yoshitani, Chief Executive Officer

**FROM:** James R. Schone, Director, Aviation Business Development  
James Jennings, Manager, Aviation Properties

**SUBJECT:** Second Amendment to General Aviation Lease Agreement (Lease) with Aircraft Service International Inc. (ASII)

**ACTION REQUESTED:**

Request Commission authorization for the Chief Executive Officer to execute the Second Amendment to General Aviation Lease Agreement with Aircraft Service International Inc. (ASII) to collect landing fees owed to the Port of Seattle and to remove approximately 21,588 square feet from the lease premises resulting in an annual rent reduction of \$25,905.60.

**SYNOPSIS:**

The second amendment to the lease with ASII provides they collect, at time of service, landing fees owed the Port of Seattle (Port) by general aviation operations, which relates to small, non-commercial aircraft landing at the Airport. The Port, in exchange for this new service provided by ASII, will remove an underutilized portion of the premises, decreasing their annual rent by \$25,905.60 per year. The value of annual rent will not be lost because it will be recovered through landing fees from all airlines because the premises involved that is currently automobile parking will be converted to equipment parking that benefits the entire airfield.

Collection of these general aviation aircraft landing fees on behalf of the Port by ASII, at the time of service, will likely decrease the number of payments that go to collections, reduce the delivery time required for invoicing, and improve customer service for general aviation customers since ASII sees the customer face-to-face and already collects fees for various other ASII services rendered.

**BACKGROUND:**

As part of a comprehensive review of how the Port bills and collects activity-based revenues from aircraft operations, it was determined that collection of fees from non-commercial small aircraft (general aviation) would best be handled by someone that has direct contact with the

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aircraft operator. This would enable the Port to receive the revenue at time of service, rather than landing fees being invoiced by Port staff the month following the time of service.

The current process of sending invoices out after the time of service creates a confusing, cumbersome and labor-intensive collection process. The most difficult part is often differentiating between the operator of the aircraft and the owner of the aircraft (frequently a bank). Fees are intended to apply to the operator, whereas the data collected and provided often reference the owner, and thus the potential for misdirected invoices. With this complexity, there have been cases where the Port has been forced to waive collection of these fees due to difficulties in identifying the proper responsible party. In the end, the amount of revenue collected does not always justify the amount of work exerted to investigate the operator identity.

ASII operates the sole general aviation facility at the Airport. As part of the lease, ASII is in a unique position to provide collection services on the Port's behalf for fees owed the Port by general aviation operators. The fees collected are pursuant to the Airport's tariff.

### **FINANCIAL IMPLICATIONS:**

- This second amendment removes approximately 21,588 square feet from the lease premises, resulting in an annual rent reduction of \$25,905.60. This decrease in direct rent collected from the tenant will instead be recovered through landing fees charged to all airlines operating at the Airport. This space returned to the Port from the lease will also supply needed on-airfield parking for new maintenance equipment for the Airport's Maintenance Department.
- ASII's collection of Port fees, owed by general aviation customers, will likely increase collections and accelerate the Port's receipt of collected fees by approximately 60 days.
- Additionally, the return of this automobile parking lot will accommodate an equipment parking space need for Airport Maintenance, without requiring capital costs to develop a new on-airfield equipment parking area.

### **ECONOMIC IMPACTS AND BUSINESS PLAN OBJECTIVES:**

Executing this second amendment will improve the process of collecting general aviation fees, decrease uncollectable fees, accelerate the Port's receipt of revenues, simplify the process for the end user, and provide needed space for parking Airport Maintenance Department equipment.

### **STRATEGIC OBJECTIVES:**

This second amendment supports the Port's strategic objective of being "a high performance organization" by eliminating a cumbersome, manual process, and "ensuring Airport vitality" by decreasing collections and accelerating the receipt of fees owed the Port.

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### **ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:**

ALTERNATIVE 1: Amend the lease, removing the proposed parking lot from ASII's leased premises as compensation for their service of collecting general aviation landing fees, and thus allow the returned premises to be used by Airport Maintenance for equipment parking. **This is the recommended alternative.**

ALTERNATIVE 2: Amend the lease, paying a percentage of revenue collected as compensation for this new service provided in lieu of the removal of the parking lot. It is estimated that the Port would receive between \$18,000-\$20,000 in a percentage business model; however, the Port would then need to potentially develop additional equipment parking for Airport Maintenance at additional capital cost. This is not the recommended alternative.

ALTERNATIVE 3: Continue to have Port staff collect these aviation fees in arrears. This methodology has historically been a challenge because of the difficulty identifying the proper responsible party for the applicable fees. This is not the recommended alternative.

### **OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:**

Exhibit A: Second Amendment to General Aviation Lease Agreement between Aircraft Service International Inc. and the Port.

### **PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:**

None.