

The Port Authority of New York and New Jersey
Committee on Operations Meeting Transcripts
March 29, 2011

[Chair D. Samson] The first portion of today's meeting of the Committee on Operations is begin held in public session. Yes. Afterwards, the committee will meet in executive session to discuss matters related to the purchase, sale, and lease of real property or securities where disclosure would affect the value thereof or the public interest. In addition, the public portion of this meeting is being broadcast live on the Port Authority's website, for those interested in viewing today's proceedings via the Internet. The first order of business today is a lease supplement concerning the fixed-base operator agreement at Newark Liberty International Airport, which will be presented by Susan Baer, our Director of Aviation. Hi, Sue.

[S. Baer] Thank you. Commissioners, I'm here to present an item today that would authorize a supplemental agreement with Signature Flight Support Corporation for its continued operation as a fixed-space operator--an FBO--at Newark Liberty International Airport, for a 10-year period, commencing in 2014. The proposed agreement will provide increased revenues to the Port Authority and guarantee an additional investment in the facility. The Port Authority secured this private investment opportunity in anticipation of the Super Bowl being held in the New Jersey Meadowlands in 2014. Signature is interested in making additional investments in its facility to accommodate future demand. Under this agreement, Signature would invest a minimum of \$11 million in facility upgrades prior to the Super Bowl. Signature, which was formally known as Butler Aviation, has been a tenant at Newark since February of 1986, when it demolished a former hangar and constructed hangar 15 and a small terminal building on 11.28 acres on the north side of the airport. The premises currently consist of the hangar, terminal building, car parking lot, and a ramp for Signature to operate an FBO facility to handle general aviation aircraft. The lease will expire at the end of August, 2014. To enhance its revenue opportunities in anticipation of the Super Bowl, being held in 2014, Signature wants to make additional investments in its facility to accommodate the demand. To allow for the amortization of this investment, Signature requests a lease supplement to extend its occupancy. Signature is the world's largest FBO, offering connectivity to a network of 102 worldwide locations, with 36 of the top 50 U.S. metro locations, including Teterboro Airport, where they have been a tenant in good standing since 1974. At Newark, Signature handled approximately 12,500 aircraft movements, and sold approximately 2.8 million gallons of jet fuel in 2010. Under the terms of the proposed agreement, Signature will commit a minimum of \$11 million to construct a new state-of-the-art terminal building and to perform ramp renovations, all to be completed prior to the Super Bowl in 2014. \$9 million will be used to construct a new modern open terminal building, which is the rendering you see before you. Signature is designing the terminal to a leadership energy and efficiency design gold standard--a lead gold standard. Signature's investment in the facility also includes \$2 million for ramp renovations. Environmentally conscious in their design and maintaining the Port Authority's go-green mission, Signature is installing a glycol recovery system to de-ice aircraft. Shown here is rendering of the terminal building from the proposed newly-renovated ramp. This project represents a significant economic benefit for the region. The total economic impact of the project upgrades is estimated to include 80 jobs, \$4 million in wages, and \$19.5 million in economic activity, over the life of the project, including indirect effects, such as construction employment and materials purchased. Currently, Signature employs 23 people and purchases approximately \$1 million in goods and services each year from other firms in New Jersey for its Newark location. Commencing in 2012, prior to the expiration of the current lease, Signature would pay a total increase of approximately

\$2.7 million. This includes an increase in ground rent, the fuel flowage fee, and the aircraft lubricant fee. Over the term of the 10-year lease supplement, the Port Authority will receive additional total aggregate rental of approximately \$54 million dollars, with a net present value of \$36 million. Rent will escalate 4% annually, and the fuel flowage fee and aircraft lubricant fee will increase every 3 years. This lease supplement will provide for an increase in revenues to the Port Authority and secure continued occupancy of buildings and associated jobs at Newark Liberty International Airport. Commissioners, I request that you advance this item to the full Board today.

[Chair D. Samson] Do any members of the committee have any questions or comments?

[Comm. D. Steiner] I have a comment. I want to compliment you--

[S. Baer] Thank you.

[Comm. D. Steiner] --and your group on making a wonderful real estate deal and anticipating the needs of the area. What I particularly like is that we're not advancing any money. They're putting all the money up, and sometimes we have to pay for these people to make improvements. I think that your people used great skill in judgment in putting this together. I commend you and the other people of this staff of the Port Authority for making a very good, sound business deal and investment for the Port Authority.

[S. Baer] And we keep Mike happy too. Thank you.