



**Recommendation To The  
Business Administration Committee  
to Execute the Option Term for  
Signature Flight Support  
FBO Operation at  
Washington Dulles International Airport**

**March 2012**



## Recommendation

Management recommends to the Business Administration Committee that the contract option term for the Signature Flight Support (Signature) Fixed Base Operator (FBO) Concession Contract at Washington Dulles International Airport (Dulles International) be extended for the period November 1, 2012 through October 31, 2017 subject to a defined capital investment in the facility, commitment to develop an aircraft maintenance repair overhaul facility, and adjusted rental provisions.



## Background

Signature is one of two FBO concessionaires at Dulles International that serve the requirements of the general aviation community.

The 1997 Signature FBO contract provided for a 15-year base contract, due to expire on October 31, 2012. The contract provides for a single 5-year option, exercisable at the Airports Authority's sole discretion.

In 2002 the Board approved a 30 year supplemental agreement to the Signature FBO contract authorizing Signature to sublease a portion of its leasehold for the development and operation of corporate hangar facilities, with support office space, by Landow Aviation Limited Partnership (Landow).



## Background

The supplemental agreement provides for many operational synergies and financial relationships between Signature and Landow through the execution of a sublease between the two parties; including Signature's exclusive right to provide fueling and other FBO services (as defined in the FBO Concession Contracts).

Because the term for the supplemental agreement extends beyond the FBO concession term, the supplemental agreement/hangar facility is assigned to the successor FBO or becomes a direct lease with the Airports Authority.



## Discussion

At the June 2011 Business Administration Committee meeting, staff discussed the Signature FBO contract option period and a separate proposal from Landow Aviation requesting a direct lease with the Airports Authority.

Follow-on discussions were held with Signature and Landow regarding their respective operations.

Staff was subsequently advised by Signature of a new opportunity to add a General Aviation Maintenance, Repair and Overhaul Facility (MRO) to the its FBO operation.



## General Aviation Maintenance, Repair and Overhaul (MRO) Facility

An MRO facility offers significant advantages to the Airports Authority:

- \* Expands upon the Airport's aviation offerings
- \* Attracts new aviation users and increases revenues
- \* Provides the Dulles Jet Center with new tenants
- \* Provides incentive for future Western Lands development
- \* Motivates Signature to provide facility enhancements

To facilitate an MRO operation at Dulles, Signature has requested that the Airports Authority exercise the five-year extension option, and consider extending it for an additional two years beyond the five-year period.

## Contract Terms

The Signature FBO Contract Extension Option Period will provide the Airports Authority an opportunity to make additional modifications to the existing contract's business terms.

- \* Increase the concession fees paid by Signature on fuel sales from 14 percent to 17 percent
- \* Increase the fuel flowage fee for “put-thru” fuel from \$0.03 to \$0.17 per gallon

These revised concession fees will match what the Airports Authority is currently charging the Airport's other FBO (Landmark Aviation).

## Conclusion

Staff recommends that the Airports Authority exercise the five-year extension option contingent on:

- \* Successfully negotiating increases to the fees payable to the Airports Authority by Signature
- \* Signature's establishment of the MRO
- \* A Capital investment by Signature for facility renovations not to exceed \$2 Million.

Additionally, staff recommends maintaining the Supplemental Agreement and current contractual relationships between Landow and Signature. Staff does not recommend consideration of Signature's requested two-year additional extension at this time.

**INFORMATION PAPER FOR THE  
BUSINESS ADMINISTRATION COMMITTEE**

**SIGNATURE FLIGHT SUPPORT FBO CONTRACT OPTION AT  
WASHINGTON DULLES INTERNATIONAL AIRPORT**

**MARCH 2012**

**PURPOSE**

This paper provides an update to the Business Administration Committee regarding management's recommendation on exercising the contract option term extension for the Signature Flight Support (Signature) Fixed Base Operator (FBO) Concession contract at Washington Dulles International Airport (Dulles International) for a five year period through October 31, 2017.

**BACKGROUND**

Signature is one of two FBO concessionaires at Dulles International that serve the requirements of the general aviation community by offering fueling, ramp services, aircraft parking and hangar storage space, aircraft maintenance, and other services. The 1997 Signature FBO contract provided for a 15-year base contract, due to expire on October 31, 2012. The contract also provides for a single 5-year option, exercisable at the Airports Authority's sole discretion.

In 2002, the Business Administration Committee approved the business terms for a supplemental agreement to the Signature FBO contract authorizing Signature to sublease a portion of their leasehold to Landow Aviation Limited Partnership (Landow) for the development and operation of the Dulles Jet Center. The supplemental agreement established fees and charges due the Airports Authority by Signature, as well as the approved uses and services. The supplemental agreement also provides for many operational synergies and financial relationships between Signature and Landow through the execution of a sublease between the two parties, including Signature's exclusive right to provide fueling and other FBO services (as defined in the FBO Concession Contracts) to Landow tenants and visitors, sharing of aircraft parking revenues for Signature transient customers parked on the Dulles Jet Center ramp, and hangar fees for Signature customers referred to the Dulles Jet Center for hangar parking. Signature is required to collect and remit landing and other Airport fees to the Airports Authority.

The supplemental agreement for the Dulles Jet Center has a 30-year term which commenced on November 1, 2006 and exceeds the remaining term and option period of Signature's FBO agreement. The Airports Authority is obligated by the terms of the supplemental agreement to attach the supplemental agreement to the successor FBO agreement but also has the right to establish the terms of any successor FBO agreement and/or negotiate directly with Landow upon expiration of the Signature FBO contract.

At the Business Administration Committee meeting on June 22, 2011, staff discussed the Signature FBO contract option period, as well as a proposal from Landow requesting to enter into a direct lease with the Airports Authority for the land occupied by the Dulles Jet Center, effectively removing Landow as a subtenant to Signature in November 2012 when the Signature contract option term extension would be effective. Given the complexity of these agreements, staff advised that additional time would be required to evaluate the best interests of the Airports Authority.

## **DISCUSSION**

Subsequent to the June 2011 Business Administration Committee meeting, the Airports Authority held discussions with both Signature and Landow. The discussions identified the opportunity to add a General Aviation Maintenance, Repair and Overhaul Facility (MRO) to the Signature FBO operation and establish the Dulles Jet Center as the primary location for based aircraft currently housed in the Signature hangar.

Signature has requested that the Airports Authority exercise the five-year extension option to facilitate this new and unique opportunity, and to consider extending it for an additional two years beyond the five-year period in order to provide an adequate amortization period for the required facility investments. (Signature has shared with staff a conceptual plan to invest approximately \$2,000,000 in overall facility improvements if provided the contract extension).

Providing opportunities for aircraft maintenance facility development at Dulles International is a key initiative in the Authority's strategic vision for enhancing aeronautical revenues and increasing the attractiveness of Dulles International as an Airport competing for new and expanded Aviation Services. Dulles does not currently host these types of MRO services, and doing so will benefit our existing general aviation and corporate customers, as well as non-based aircraft that will fly to Dulles to receive these critical services, thereby increasing landed weights and associated revenues. Additionally, this type of facility will likely provide further incentive to develop aviation enterprises in the "Western Lands," and is consistent with the Airports Authority's long term planning objectives. Finally, the addition of an MRO facility to the Signature operation would benefit the Dulles Jet Center by growing the number of based aircraft at the Jet Center, including up to 11 aircraft currently based in the Signature hangar facility.

Exercising the Signature FBO Contract Extension Option Period also provides the Airports Authority an opportunity to negotiate modifications to the existing contract's business terms. Staff recommends increasing the concession fees paid by Signature on fuel sales from fourteen percent (14%) to seventeen percent (17%), and increasing the fuel flowage fee for "put-thru" fuel from \$0.03 to \$0.17 per gallon. Put-thru fuel is fuel owned by the aircraft operator or purchased from a fuel wholesale company wherein the FBO provides only the "into-wing" service. These revised concession fees are among the most lucrative within the industry, and will match those previously negotiated with the airport's other FBO (Landmark Aviation).

## **CONCLUSION**

Management recommends that the Airports Authority exercise the five-year extension option contingent on: 1) successfully negotiating increases to the fees payable to the Airports Authority by Signature, 2) Signature's establishment of the MRO, and 3) a capital investment by Signature for facility renovations not to exceed \$2,000,000. Additionally, staff recommends maintaining the Supplemental Agreement and current contractual relationships between Landow and Signature. Staff does not recommend consideration of Signature's requested two-year additional extension.

Prepared by:

Airport Administration Department  
Washington Dulles International Airport

March 2012