



# Snohomish County Council

## Legislation Text

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File #: 2022-0558, Version: 1

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### Executive/Council Action Form (ECAF)

**ITEM TITLE:**

Motion 22-229, authorizing the Executive to execute Amendment No. 4 to Land Lease 17-003 with Propeller Airports Paine Field LLC at the Snohomish County Airport

**DEPARTMENT:** Airport

**ORIGINATOR:** Pete McGuire

**EXECUTIVE RECOMMENDATION:** Approve - Ken Klein

**PURPOSE:** To authorize the Executive to execute Amendment No. 4 to Land Lease 17-003 to settle rent arbitration and provide financial hardship rent relief.

**BACKGROUND:** .

- The County entered into Land Lease 17-003, Amendment No. 1, Amendment No. 2, and Amendment No. 3 with Propeller, Propeller Airports Paine Field LLC (“Propeller”), as recorded June 23, 2017, September 24, 2018, September 25, 2019, and March 30, 2022 respectively, for the purpose of constructing, operating and maintaining a passenger terminal facility.
- Propeller Airports Paine Field, LLC is the only aeronautical tenant that provides services and facilities to accommodate commercial air carriers at Paine Field which has suffered a dramatic decline in passenger activity beginning March 2020 because of the pandemic.
- The Federal government provided substantial financial relief to public sector airport sponsors who operate passenger terminals, but such relief was not made available to private sector operators of passenger terminals.
- At the same time PAE has experienced an unprecedented decline in passenger activity and Propeller has incurred additional costs to ensure that the terminal building provides a safe and healthy environment for the traveling public in light of the pandemic and will continue to provide enhanced safety and cleaning protocols to protect the public and its staff. As a result of the impacts of the pandemic, Propeller is in a unique position with respect to other aeronautical tenants at Paine Field and is in an unusual position compared to publicly owned and operated passenger terminals in the United States.
- The County undertakes recurrent appraisals of Airport property that it leases or that is available for lease, the most recent of which happened on or around August 19, 2019 and Propeller leases certain property at the Airport pursuant to its lease agreement with the County dated June 1, 2017, as amended (“Lease”), and pursuant to which, among other terms and conditions, it pays rent to the County and was subject to a Rent Increase on or around June 1, 2020. Propeller initiated rent arbitration under the Lease has accepted the County’s determination of the fair market rent that shall be stepped in over three (3) years which results in a net refund of \$303,282.60 as of June 1, 2022, plus associated late fees and waives its right to further challenge that determination in arbitration and or under any other provisions of the lease.

- Notwithstanding the County’s determination and Propeller’s acceptance of the fair market rent, that Propeller’s rent obligations will be modified as a result of unique and non-recurring financial hardship experienced by Propeller because of the pandemic and the pandemic’s impact on commercial air service for the time period of June 1, 2022 to December 31, 2022, provided Propeller is current in all other payment obligations under the terms of the Lease as of June 1, 2022, Propeller’s rent shall be reduced by \$71,428.57 per month; however, all applicable taxes are due on the full fair market value rent. Such relief shall terminate on December 31, 2022 or earlier upon any default by Propeller under the terms of the Lease, and Propeller shall thereafter pay fair market rent, in accordance with the terms of the Lease.

**FISCAL IMPLICATIONS:**

EXPEND: FUND, AGY, ORG, ACTY, OBJ, AU	CURRENT YR	2ND YR	1ST 6 YRS
<b>TOTAL</b>			

REVENUE: FUND, AGY, ORG, REV, SOURCE	CURRENT YR	2ND YR	1ST 6 YRS
410.32168016250 - Aviation Rents/Leases	(\$500,000)		(\$500,000)
<b>TOTAL</b>	(\$500,000)		(\$500,000)

**DEPARTMENT FISCAL IMPACT NOTES:** There is two (2) components to this Lease Amendment No. 4. First is a rent arbitration settlement that shall refund \$303,282.60 to Propeller’s account. The second financial hardship rent relief shall reduce revenues by \$500,000 before December 31, 2022. The Airport has modified its cashflow projections to accommodate for the decrease in revenues.

**CONTRACT INFORMATION:**

ORIGINAL	CONTRACT#	AMOUNT
AMENDMENT <u>X</u>	CONTRACT# <u>17-003</u>	AMOUNT <u>(\$500,000)</u>

**Contract Period**

ORIGINAL	START	<u>6/1/2017</u>	END	<u>6/1/2047</u>
AMENDMENT NO.1	START	<u>9/24/2018</u>	END	<u>6/1/2047</u>
AMENDMENT NO.2	START	<u>9/25/2019</u>	END	<u>6/1/2047</u>
AMENDMENT NO.3	START	<u>3/30/2022</u>	END	<u>6/1/2047</u>
AMENDMENT NO.4	START	<u>Effective</u>	END	<u>6/1/2047</u>

**OTHER DEPARTMENTAL REVIEW/COMMENTS:** Approved as to form by DPA Michelle Corsi. Reviewed and approved by Risk and Finance