

# A new way of doing business

**Renegotiating the lease contracts of dozens of businesses at Luis Muñoz Marin International Airport, Ports Authority Executive Director Miguel Soto extracts close to \$20 million in new leasing fees and gross sales' commissions for a start**



*A rendering of the new façade planned for Luis Muñoz Marin International Airport in Carolina*

**F**ifteen months ago, when Miguel Soto Lacourt was appointed the Puerto Rico Ports Authority's third executive director in as many years under the Calderon administration, he aggressively undertook the task of renegotiating dozens of the agency's contracts with stores whose leases had expired or weren't bringing in market prices.

With less than six months remaining until the end of the Calderon administration's term, the Ports Authority has engaged in what Soto Lacourt calls

a commercial reformulation, starting with Carolina's Luis Muñoz Marin International Airport (LMMIA), the keystone of the agency's aviation division. One of the Ports Authority's most valuable real-estate assets, LMMIA brought in approximately \$56 million last year, or 94% of the aviation division's \$59.4 million in revenue.

The Ports Authority has initiated a plan to increase revenue from its lessees by changing their contracts. By investing in capital improvements, the agency has found ways to bring in additional

revenue from airport concessionaires. Over the next three years, contract negotiations at LMMIA alone will generate an extra \$9 million for the Ports Authority. On an annual basis, the contracts should represent recurring revenue for the agency of approximately \$10 million.

"It isn't as if we had many areas to look to for new revenue," said Mickey Espada, director of the Ports Authority's Office of Property Development

Continued on page 19

Continued from page 18



*Ports Authority Office of Property Development and Marketing Noel Estrada (left) and Director Mickey Espada*

& Marketing. "The airlines have five-, 10-, and 20-year leases, and we don't expect to receive additional income from them except as stipulated in their contracts as annual compensations. So, we had to look to other areas to improve the Ports Authority's financial situation."

To help convince LMMIA store owners that sales will be increased by improvements to the facilities, which in turn will increase passenger traffic at the airport, the Ports Authority has embarked on a \$245.1 million program of capital improvements through 2008. Some of these projects were started in 2001 and have a completion date, while others are still in the design and bidding phases. (See chart.)

These improvements include the construction of a new air-rescue building, which is almost 75% finished. The general cargo area nearby will be moved from LMMIA's main runways closer to Muñiz Base. In 2005, the \$38 million reconstruction of LMMIA's Runway South will kick off, followed by Runway North's \$11 million expansion. There will also be a \$48 million construction of a second taxiway between those two runways so two planes will fit at once.

In 2003, the Ports Authority had total assets of \$801.1 million; it reported \$128.6 million in revenue and \$126.2 million in operating expenses, resulting in net income of \$2.4 million. Payroll (including benefits) was \$67.8 million. Revenue from the Ports Authority's maritime division was \$63.1 million, while the aviation division had revenue of \$59.4 million; other Ports Authority revenue amounted to \$6.1 million. In 2001, the agency reported a 10-year record-high revenue of \$149.2 million, followed by a 16% reduction in 2002 to \$124.9 million. (See chart on p. 20.)

#### CASHING IN ON THE AIRPORTS

"The Ports Authority is a wide-ranging organization, responsible for air and sea operations, passengers, and cargo in one big system," said Soto Lacourt. The former deputy secretary of the Puerto Rico State Department took over the Ports Authority after the resignation of Jose Baquero, who succeeded Miguel Pereira, who was transferred to head the Police Department and is now secretary of the Corrections & Rehabilitation Department.

After evaluating the needs of Puerto Rico's 11 airports, Soto Lacourt set short-, mid-, and long-term goals, starting with making infrastructure improvements at LMMIA to help remarket the airport. The Ports Authority began at LMMIA because, said Soto Lacourt, "[It is] the first impression most visitors get when they arrive in Puerto Rico and the last one they get as they leave."

LMMIA's short-term plan began with a \$4.2 million investment in infrastructure projects. With the help of the Puerto Rico Tourism Co., a more tropical landscaping was designed for the airport. Also, the airport's exterior was painted and the escalators and elevators under the agency's supervision (those outside areas operated by the airlines) were repaired. A new set of elevators is being built between the parking lot and American Airlines' terminal; American handles 65% of the airport's passengers but doesn't have elevator access for passengers with baggage. New signage was installed to help traffic flow more smoothly, and a new taxicab station will be built at the airport's entrance, close to the car-rental agencies. Taxis will be hailed as needed by an operator at the airport terminal.

#### REMARKETING LMMIA'S COMMERCIAL SPACE

"In August, we published a request for proposals to lease 40 new real-estate areas at LMMIA," said Soto. "More than 150 individuals and companies were interested and 112 bids were received. So far, we have signed or are negotiating 30 new contracts for kiosk and store space, which should add at least \$2.5 million to LMMIA's budget and create more than 200 direct and 300 indirect jobs, not to mention the commissions on gross sales

Meson restaurants around the island, and two will open in Santa Isabel and Manati before year's end.

"I have been trying to open a restaurant at LMMIA for approximately eight years," said Perez. "This is not only a great spot but also a great opportunity to show off this local chain internationally. A lot of people pass through the airport.... We expect to provide tourists [and locals] with the best service and the best food."



PUERTO RICO  
HOTEL & TOURISM  
ASSOCIATION

ERIN K. BENITEZ, CAE  
EXECUTIVE VICE PRESIDENT

MIRAMAR PLAZA  
SUITE 702  
954 PONCE DE LEON AVE.  
SAN JUAN, P.R.  
00907 - 3605

TEL 787 725 - 2901  
FAX 787 725 - 2913  
e-mail: ebenitez@prhta.org  
www.prhta.org

*Congratulations  
on the new  
Commercial &  
food outlets  
at LMM.  
I am thrilled!  
We needed this  
change badly!*