



SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY
STAFF REPORT

Item No.
20

Meeting Date: **FEBRUARY 9, 2012**

Subject:

Grant a 37-Year Lease to Landmark Aviation GSO-SAN, LLC for the Development and Operation of a General Aviation Fixed Base Operation at San Diego International Airport

Recommendation:

Adopt Resolution No. 2012-0019, granting a 37-year Lease to LANDMARK AVIATION GSO-SAN, LLC and authorizing the President/CEO to negotiate and execute the Lease to design, build, and operate a fixed base operation at San Diego International Airport and requiring an investment by LANDMARK AVIATION GSO-SAN, LLC of not less than \$39,000,000.

Background/Justification:

The Authority has a lease with Landmark Aviation GSO-SAN, LLC covering the existing 9.977-acre fixed base operation (FBO) facility providing services to general aviation aircraft operators at San Diego International Airport. The current lease commenced on June 14, 1988 and will expire on April 30, 2012. The current lease was originally executed with Jimsair Aviation Services, Inc., however it was subsequently purchased by Landmark Corporate Jets, Inc., and assigned to Landmark Aviation GSO-SAN, LLC. The current general aviation facility site (also referred to as the "FBO") is designated for other airfield and airport support uses within the San Diego International Airport Master Plan as adopted by the Authority in 2008 and the Supplemental Environmental Impact Report as certified by the Authority on September 1, 2011. General aviation uses are indicated in the Airport Master Plan to be relocated to the northwest of the current site (see Attachment 1).

In February 2011, staff released a Request for Qualifications (RFQ) requesting Statements of Qualifications (SOQs) from firms interested in developing and operating a new FBO facility. SOQs were received from the following seven firms:

- Alliance Aviation Management Ltd. (Alliance)
- Atlantic Aviation FBO, Inc.(Atlantic)
- Hawthorne FBO Holdings, LLC
- Landmark Aviation GSO-SAN, LLC (Landmark)
- Pegasus SAN, LLC
- Ross Aviation, LLC (Ross)
- Signature Flight Support Corporation (Signature)

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Alliance, Atlantic, Landmark, Ross, and Signature were determined to be the most qualified to proceed to the Request for Proposals (RFP) process.

An RFP was issued to the five eligible firms on November 18, 2011, for the development and operation of an approximately 12.4-acre site located on the north side of the Airport. The RFP established the following minimum requirements:

Initial Capital Investment	\$25,000,000
Rent	
Years 1 & 2 (8.5 acres existing land and improvements)	\$2,000,000 annually
Year 3 – 37 (new 12.4-acre site)	\$1,080,000, subject to annual adjustments based on changes in the Consumer Price Index (CPI); and commencing 2018 and every five years thereafter, adjustments based on the greater of CPI or a fair market value appraisal
Required Services	<ul style="list-style-type: none"> • Service all General Aviation and non-scheduled commercial operators, including but not limited to the sale and dispensing of aircraft fuel, ground handling, passenger and crew services; and • Collection and Remittance to Authority of Airport Fees (e.g., landing fees and fuel flowage fees)
LEED Certification	Silver
Right to Terminate	Authority reserves right to terminate after May 1, 2019, with compensation to tenant equal to its unamortized capital expenses based on straight line amortization at 0% interest

The RFP requested proposals for a 37-year lease term (two years for design, permitting, and development and 35 years following beneficial occupancy of the new facility) commencing May 1, 2012. Each proposer was required to include in its proposal a plan indicating how it would operate using the existing FBO facilities or other temporary facilities installed by the proposer during the initial two-year development phase. Proposals were received from Atlantic, Landmark, and Signature on December 27, 2011. Two of the shortlisted firms from the RFQ process elected not to submit proposals.

Proposers

Atlantic was founded in 1927. It is part of the publicly traded transportation focused Macquarie Infrastructure Company listed on the New York Stock Exchange with corporate headquarters in Plano, Texas. It currently operates 66 FBOs in the United States. Twelve of which are located in California, the largest number of California operations of the three proposers.

Landmark has 78 years of continuous FBO experience. It operates 52 FBOs within the United States, Canada, and Europe. Recently Landmark was awarded leases for FBO

operations at Hartsfield-Jackson Atlanta International, Miami International, and Tampa International airports.

Signature has the largest number of FBO operations of any of its competitors worldwide (106 locations on 5 continents). It is part of the BBA Aviation Corporation, a British Corporation, and is a publicly traded company listed on the London Stock Exchange. Over the past five (5) years, Signature has transitioned over twenty (20) new FBOs at major, regional, and international airports worldwide including Boston Logan International Airport, Tampa International Airport, Houston Hobby Airport, Kansas City International Airport, Paris Le-Bourget and Cape Town, South Africa.

Proposals

A summary of the salient aspects of each proposal follows:

	Atlantic	Landmark	Signature
Capital Investment	\$39 Million	\$39 Million	\$29 Million
Facility	<ul style="list-style-type: none"> • 11,000 s.f. terminal • 35,170 s.f. office/support • 122,960 s.f. hangars (3) • 188,797 s.f. ramp 	<ul style="list-style-type: none"> • 20,400 s.f. terminal • 16,500 s.f. office • 106,200 s.f. hangars (5) • 250,000 s.f. ramp 	<ul style="list-style-type: none"> • 8,000 s.f. terminal • 3,750 s.f. office • 67,500 s.f. hangars (3) • 259,000 s.f. ramp
Rent			
Years 1 & 2	\$2,000,000 annually	\$2,000,000 annually	\$2,000,000 annually
Years 3 - 37	\$1,350,000, subject to annual adjustment	\$5,250,000, subject to annual adjustment	\$4,500,000, subject to annual adjustment
Total Estimated Rent over Lease Term	\$67,717,222 ¹	\$315,220,080 ²	\$276,079,369
Net Present Value of Total Rents (6% Discount)	\$25,852,747	\$98,972,987	\$88,292,338
Rent Notes	¹ Imputes a 1.5% CPI assumption as respondent proposed flat rent	² Does not include proposed fuel revenue share of \$.75/gallon over 5.5 Million gallons	
LEED Certification	Silver	Platinum	Gold

Evaluation Process

A four member evaluation panel comprised of three Authority Vice Presidents and one outside panel member with expertise in airport real estate development and fixed base

operations was convened to review the proposals using the following criteria and weighting factors:

Criteria	Weighting
Proposed Management Plan	20%
Development Project/Envisioned Facilities	30%
Financial Related	30%
Lease Modifications	5%
Interview	15%

After reviewing the proposals and interviewing each of the respondents on January 3, 2012; the panel rated each of the respondents and they were ranked, as follows:

Final Scoring	Management Plan	Development Project/ Envisioned Facilities	Financial	Lease Modifications	Interview	Total
Maximum Points	80	120	120	20	60	400
Landmark	73	107	120	20	54	374
Signature	64	90	96	4	49	303
Atlantic	51	77	44	12	38	222

Firms	Panelist 1	Panelist 2	Panelist 3	Panelist 4	Total	Rank
Landmark	1	1	1	1	4	1
Signature	2	2	2	2	8	2
Atlantic	3	3	3	3	12	3

Recommendation

The evaluation panel unanimously recommends that a lease be granted to Landmark to design, build, and operate the proposed FBO on approximately 12.4 acres of land located on the north side of San Diego International Airport for a term of 37 years with a minimum investment requirement of \$39,000,000.

Fiscal Impact:

Currently, the Authority receives annual base rental of \$761,868 for the existing 9.997-acre FBO site (approximately \$1.74 per square foot of land). Upon commencement of the new lease (May 1, 2012) the existing FBO site improvements will revert to the Authority and Landmark will commence paying base rent in the amount of \$2,000,000 annually for use of the existing premises while the new site is being developed. All operating and maintenance expenses during this interim period will continue to be the responsibility of Landmark.

The design, construction and on-going operating and maintenance of the new FBO site will be at the sole cost and expense Landmark. Upon beneficial occupancy of the new approximately 12.4-acre site (estimated to be May 2014), Landmark will commence paying annual base rental of \$5,250,000 (approximately \$9.72 per square foot of land), subject to annual adjustments.

Upon beneficial occupancy of the new facility, the proposed lease with Landmark is estimated to increase the annual base rent to the Authority by \$4,488,132 over today's level.

Authority Strategies:

This item supports one or more of the Authority Strategies, as follows:

- Community Strategy
- Customer Strategy
- Employee Strategy
- Financial Strategy
- Operations Strategy

Environmental Review:

- A. The proposed general aviation facility was evaluated subject to the California Environmental Quality Act ("CEQA"), Pub. Res. Code § 21065, as a project component of the San Diego International Airport Master Plan Final Environmental Impact Report (SCH #2005091105; SDCRAA #EIR-06-01) certified May 1, 2008 and the Northside Improvements Final Supplemental Environmental Impact Report (also SCH #2005091105; SDCRAA #EIR-10-01) certified by the San Diego County Regional Airport Authority on September 1, 2011.
- B. The proposed general aviation facility will require review by the California Coastal Commission in accordance with the California Coastal Act. Once a preliminary design is accepted by the Authority, an application for a coastal development permit will be prepared and submitted to the California Coastal Commission for review.

Equal Opportunity Program:

The Authority's small business program promotes the utilization of small, local, disadvantaged, and other business enterprises, on all contracts, to provide equal opportunity for qualified firms. By providing education programs, making resources available, and communicating through effective outreach, the Authority strives for diversity in all contracting opportunities.

The Authority has an Airport Concession Disadvantaged Business Enterprise ("ACDBE") Plan as required by the Department of Transportation, 49 CFR Part 23. The ACDBE Plan calls for the Authority to submit a triennial overall goal for ACDBE participation on all concession projects.

Per 49 CFR Subpart 23.3, "the conduct of an aeronautical activity is not considered a concession for purposes of this subpart. Aeronautical activities include scheduled and non-scheduled air carriers, air taxis, air charters, and air couriers, in their normal passenger or freight carrying capacities; fixed base operators; flight schools; recreational service providers (e.g., sky-diving, parachute-jumping, flying guides); and air tour services." Since this agreement is for a fixed base operator, it will not be applied toward the Authority's over-all DBE goal.

Prepared by:

VERNON EVANS
VICE PRESIDENT, FINANCE

AIRPORT MASTER PLAN
SAN DIEGO INTERNATIONAL AIRPORT

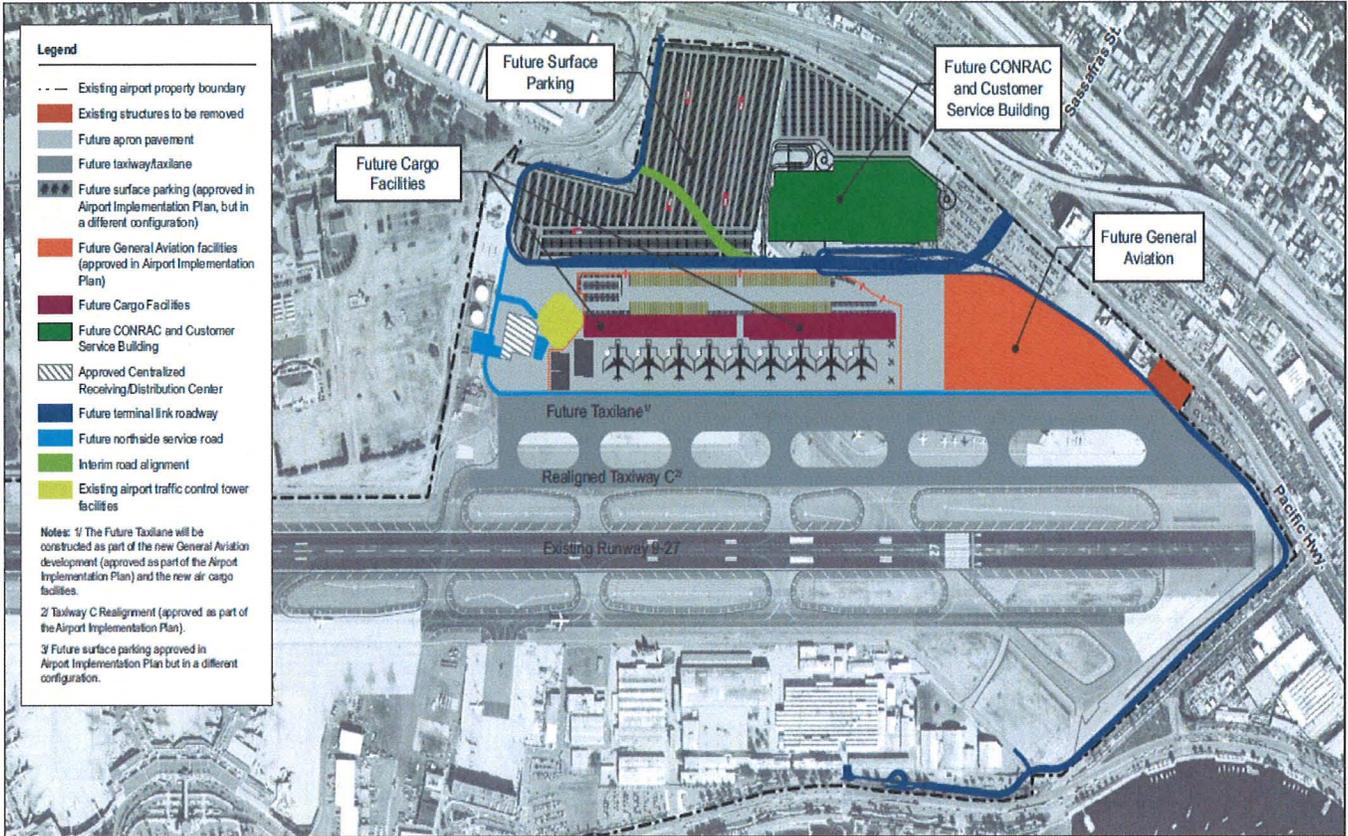


Figure 4-1

Northside Improvements - Conceptual Site Plan
Supplemental Environmental Impact Report



Source: Ricardo & Associates Inc., August 2011
Prepared By: CDM, August 2011

RESOLUTION NO. 2012-0019

A RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY GRANTING A 37-YEAR LEASE TO LANDMARK AVIATION GSO-SAN, LLC AND AUTHORIZING THE PRESIDENT/CEO TO NEGOTIATE AND EXECUTE THE LEASE TO DESIGN, BUILD, AND OPERATE A FIXED BASE OPERATION AT SAN DIEGO INTERNATIONAL AIRPORT REQUIRING AN INVESTMENT BY LANDMARK AVIATION GSO-SAN, LLC OF NOT LESS THAN \$39,000,000

WHEREAS, the current lease covering the Authority's existing Fixed Base Operator (FBO) expires April 30, 2012; and

WHEREAS, the current FBO site is required to accommodate future planned airfield improvements, thus necessitating construction of a new FBO on a new 12.4 acre site; and

WHEREAS, the Authority conducted a Request for Qualification (RFQ) process between February and April 2011 for the development of a Fixed Base Operator facility and operations; and

WHEREAS, five firms were identified as most qualified and eligible to participate in a Request for Proposal (RFP) process; and

WHEREAS, the Authority conducted an RFP process between November 2011 and January 2012 which resulted in three proposals being received; and

WHEREAS, an evaluation panel unanimously selected the proposal of Landmark Aviation GSO-SAN, LLC as that which best meets the needs of the Authority; and

NOW, THEREFORE, BE IT RESOLVED that the Board hereby grants a 37-year Lease to Landmark Aviation AVIATION GSO-SAN, LLC and authorizes the President/CEO to take all necessary steps to negotiate and execute the Lease to design, build, and operate a fixed base operation at San Diego International Airport requiring an investment by Landmark Aviation GSO-SAN, LLC of not less than \$39,000,000; and

BE IT FURTHER RESOLVED that the Board FINDS that the proposed general aviation facility was evaluated subject to the California Environmental Quality Act ("CEQA"), Pub. Res. Code § 21065, as a project component of the San Diego International Airport Master Plan Final Environmental Impact Report (SCH #2005091105; SDCRAA #EIR-06-01) certified May 1, 2008 and the Northside Improvements Final Supplemental Environmental Impact Report (also SCH #2005091105; SDCRAA #EIR-10-01) certified by the San Diego County Regional Airport Authority on September 1, 2011; and

BE IT FURTHER RESOLVED that the Board FINDS the proposed general aviation facility will require review by the California Coastal Commission in accordance with the California Coastal Act once a preliminary design is accepted by the Authority.

PASSED, ADOPTED, AND APPROVED by the Board of the San Diego County Regional Airport Authority at a special meeting this 9th day of February, 2012, by the following vote:

AYES: Board Members:

NOES: Board Members:

ABSENT: Board Members:

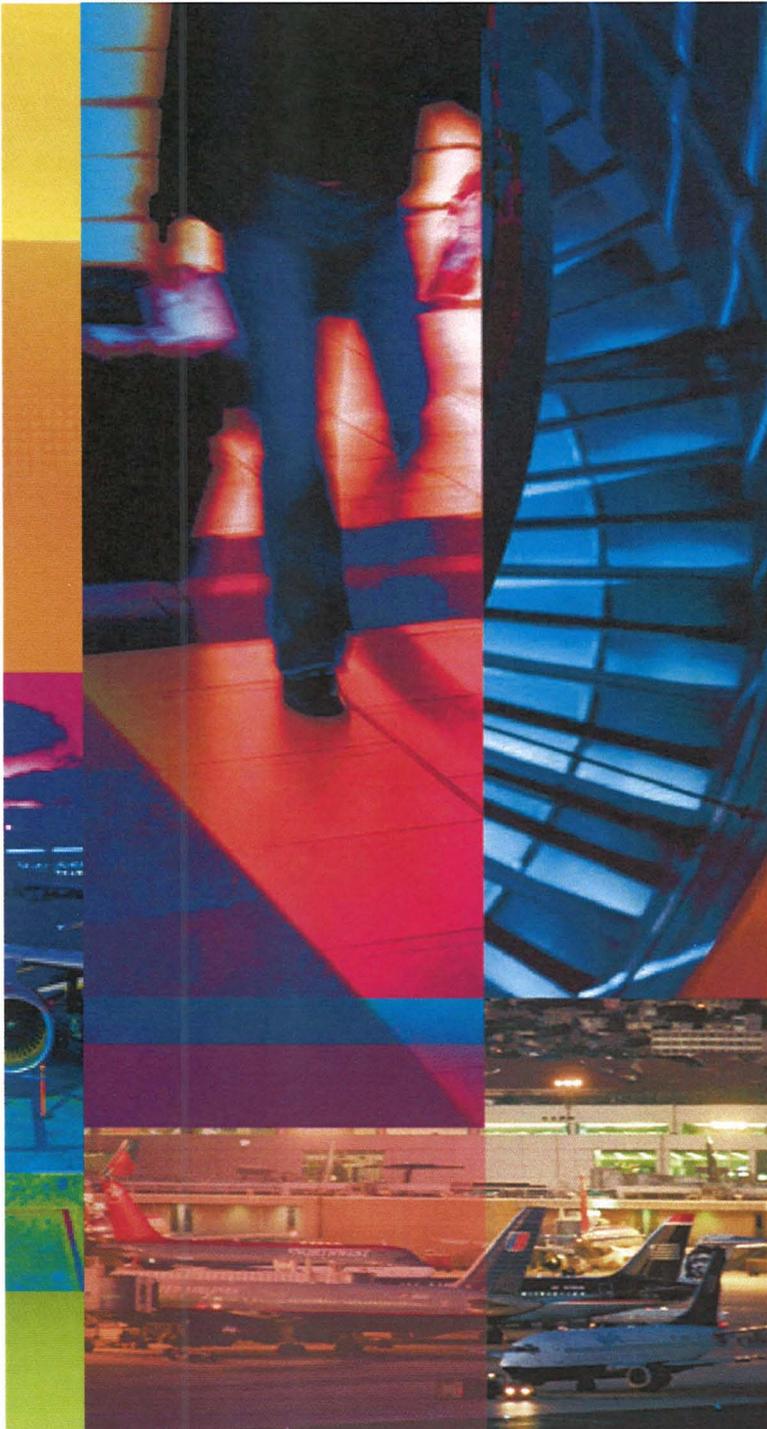
ATTEST:

TONY R. RUSSELL
DIRECTOR, CORPORATE SERVICES/
AUTHORITY CLERK

APPROVED AS TO FORM:

BRETON K. LOBNER
GENERAL COUNSEL

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Item 20

San Diego County Regional Airport Authority

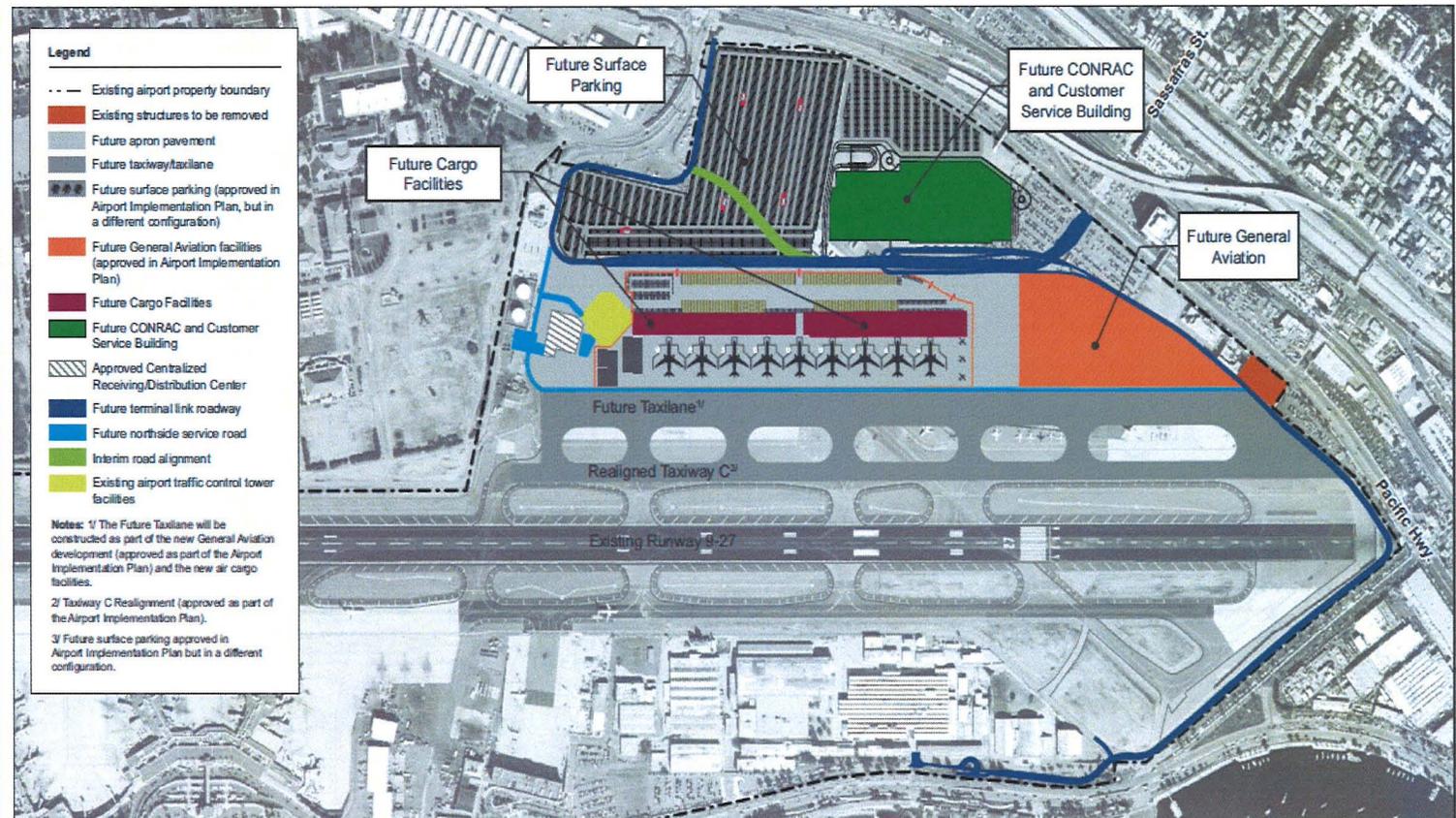
Grant a 37-Year Lease to
Landmark Aviation to Design,
Build and Operate a Fixed Base
Operation (FBO)

Vernon D. Evans, CPA
Vice President, Finance/Treasurer

February 9, 2012

Potential Northside Development

AIRPORT MASTER PLAN
SAN DIEGO INTERNATIONAL AIRPORT



Source: Ricardo & Associates Inc., August 2011
Prepared By: CDM, August 2011

Figure 4-1

Northside Improvements - Conceptual Site Plan
Supplemental Environmental Impact Report

Situation Analysis

- Existing Lease Expires April 30, 2012
- Airport Master Plan identifies new 12.4 acre site for General Aviation Development
- Authority Limited Capital Funds Dedicated to other Projects
- Opportunity to Upgrade Aging General Aviation Facilities through Private Development



FBO Selection Timeline

- Feb 2011 Request for Qualifications Released
- April 2011 Statements of Qualifications Received From:
 - ✓ Alliance Aviation Management Ltd.
 - ✓ Atlantic Aviation FBO, Inc.
 - ✓ Hawthorne FBO Holdings, LLC
 - ✓ Landmark Aviation GSO-SAN, LLC
 - ✓ Pegasus SAN, LLC
 - ✓ Ross Aviation, LLC
 - ✓ Signature Flight Support Corporation



FBO Selection Timeline

- July 2011 Firms Qualified to Advance to Request for Proposals Process:
 - ✓ Alliance Aviation Management Ltd.
 - ✓ Atlantic Aviation FBO, Inc.
 - ✓ Landmark Aviation GSO-SAN, LLC
 - ✓ Ross Aviation, LLC
 - ✓ Signature Flight Support Corporation
- Nov 2011 Request for Proposals Issued
- Dec 2011 Proposals Received from:
 - ✓ Atlantic Aviation FBO, Inc.
 - ✓ Landmark Aviation GSO-SAN, LLC
 - ✓ Signature Flight Support Corporation



RFP Provisions

- Minimum Capital Investment
- Minimum Rental Requirement
- Required Services
- LEED Certification
- 37-Year Term

Evaluation Matrix

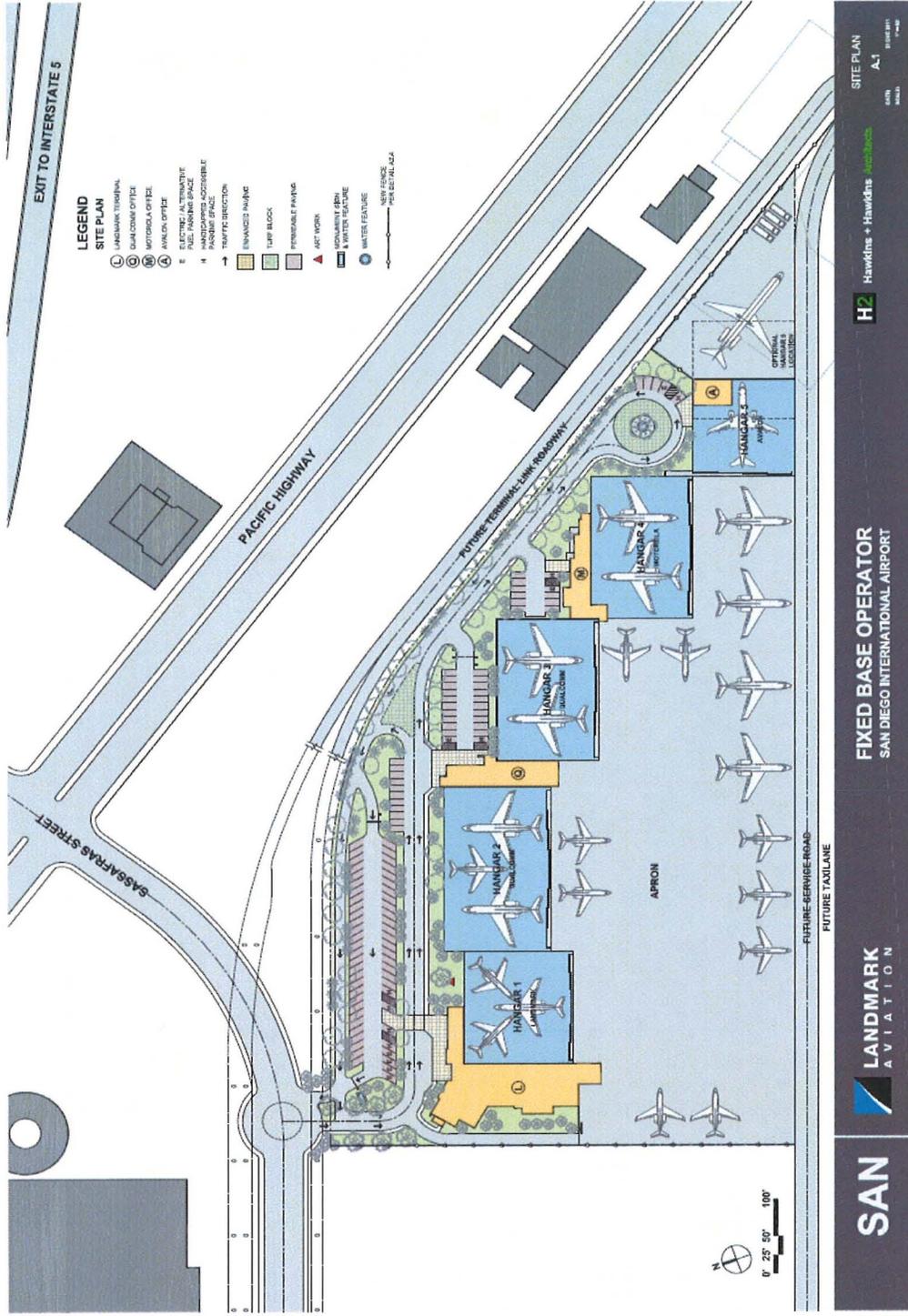
Criteria	Weighting
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Proposal Ratings & Rankings

Final Scoring	Management Plan	Development Project/ Envisioned Facilities	Financial	Lease Modifications	Interview	Total
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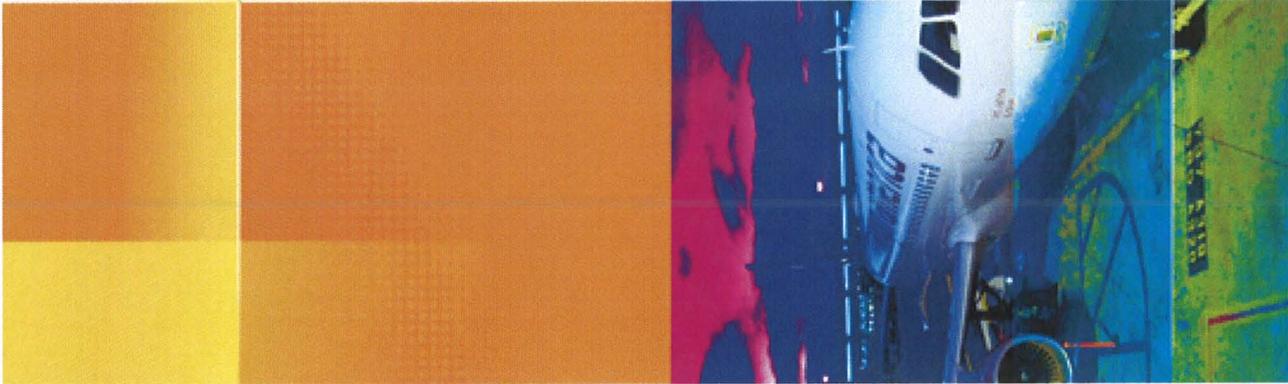
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Conceptual Site Plan



**AIRPORTS FUEL
REGIONAL ECONOMIES**

Conceptual Facility Renderings



Conceptual Facility Renderings



AIRPORTS FUEL
REGIONAL ECONOMIES

Conceptual Facility Renderings



Conceptual Facility Renderings



AIRPORTS FUEL
REGIONAL ECONOMIES

Conceptual Facility Renderings

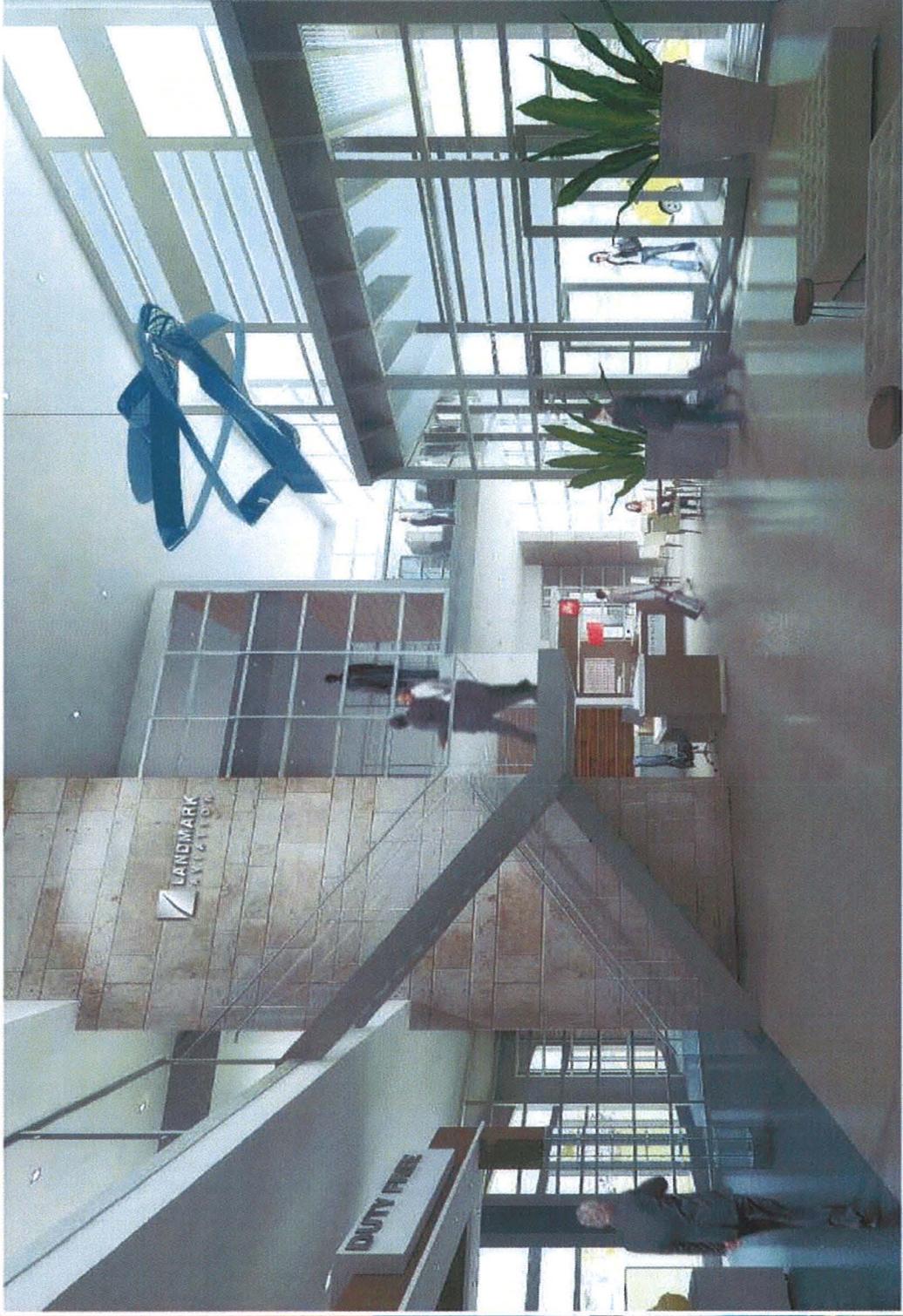


AIRPORTS FUEL
REGIONAL ECONOMIES

Conceptual Facility Renderings



Conceptual Facility Renderings



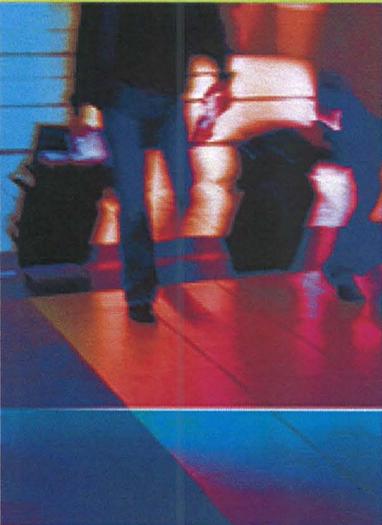
Recommendation

Adopt Resolution No. 2012-_____, granting a 37-year Lease to LANDMARK AVIATION GSO-SAN, LLC and authorizing the President/CEO to negotiate and execute the Lease to design, build, and operate a fixed base operation at San Diego International Airport and requiring an investment by LANDMARK AVIATION GSO-SAN, LLC of not less than \$39,000,000.



Next Steps

- Interim Operations Commences May 2012
- New FBO Construction Starts 1st Quarter CY2013
- New FBO Operational 4th Quarter CY2013



Questions

