

DATE ISSUED: July 29, 2004

REPORT NO. 04-179

ATTENTION: Land Use and Housing Committee
Agenda of August 4, 2004

SUBJECT: Request for Development Proposals at Montgomery Field and Brown
Field Airports

SUMMARY

Issues - Should the City Manager issue Requests for Proposals (RFPs) for aviation development at Montgomery Field Airport and Brown Field Airport in accordance with Airport Layout Plans and the recommendations of the Federal Aviation Administration?

Manager's Recommendation – Authorize the issuance of the RFPs.

Fiscal Impact – The costs for development, including any required infrastructure, will be the sole responsibility of each of the chosen developers. Revenues from the new developments will go into the airport enterprise fund and will be based on percentage rents with minimum monthly rents.

BACKGROUND

The City of San Diego owns and operates two general aviation airports, Montgomery Field and Brown Field. These two airports are an important part of the national air transportation system and are designated as reliever airports for San Diego International Airport – Lindbergh Field. Reliever airports serve the general aviation community that might otherwise be forced to use congested air carrier airports.

Montgomery Field Airport (MYF) is approximately 550 acres and is centrally located in the community of Kearny Mesa and is one of the busiest general aviation airports in San Diego County. The airport is home to approximately 600 based aircraft and in 2002 recorded more than 245,000 operations (take offs and landings) and in 2003 the number of operations dipped slightly, to just over 214,000.

Brown Field Airport (SDM) encompasses approximately 880 acres in Otay Mesa, and is located immediately North of the United States border with Mexico. In 2002 the airport recorded more than 140,000 operations and in 2003 operations declined somewhat to approximately 105,000. Brown Field's most notable feature is the 8,000' long, and 200' wide runway which can accommodate virtually any aircraft. Brown Field serves as a general aviation airport, and port-of-entry for private aircraft coming into the United States from Mexico.

The airports are managed and operated by the Real Estate Assets Department, Airports Division and are user-funded through the airports enterprise fund, receiving no general fund subsidy. Both aviation and non-aviation leases exist at the airports, which include a variety of uses ranging from aviation businesses, hangars, tie-downs, restaurants, office space and a hotel. Montgomery Field currently has forty-one (41) active leases, and Brown Field twenty-eight (28). During fiscal year 2004, the airport enterprise fund received approximately \$3.4 million dollars in revenue from these leases.

Many of the major costs of the maintenance and repair projects for the airport facilities such as runways, taxiways, and lighting systems are funded by grants combining funds from the Federal Aviation Administration (FAA), the California Department of Transportation (Caltrans) and the airport enterprise fund. Typically the FAA provides ninety percent (90%) of the funding, Caltrans five percent (5%) and the airport pays the remaining five percent (5%).

Over the past two years the City has been awarded approximately \$4 million in grant money for maintenance and repair projects at the airports. The MYF projects included extensive electrical, lighting and sign improvements, as well as Phase I of a perimeter fence project which have been budgeted at approximately \$1,500,000. Phase II of the fence project is currently in the design process and is anticipated to cost \$750,000. Several other capital improvement projects are currently being designed and include the NW heliport, a runway blast pad and the re-designation and re-alignment of taxiway "I". SDM currently has a pavement rehabilitation project underway at a cost of approximately \$885,000 and several upcoming capital improvement projects including a two phase electrical and lighting system upgrade, which is anticipated to cost \$4,000,000 over the next three years. Through grant assurances associated with this funding, the FAA requires the airport sponsor or owner (City of San Diego) to operate and maintain the facilities safely and efficiently and in accordance with specified conditions.

During the last five years at Brown Field, efforts were focused on the proposed Brown Field Aviation Park (BFAP)/San Diego Air Cargo Center which was ultimately not approved. As a result, no new significant development has taken place. Within the last two years the City has taken steps, at its own expense, and without any grant associated funds, to enhance the airport. A total of nine dilapidated WWII vintage and older structures were demolished in the Southwestern portion of the airport at a cost of approximately \$800,000 in order to prepare for future development projects.

A recent land use inspection report by the FAA expressed concern over the amount of non-aviation land uses at Brown Field. More notably the report cited non-aviation activities that are occurring on premises designated as aviation related use only by the Airport Layout Plan. The City has been concerned with this situation for some time, and is currently pursuing litigation with four tenants in an effort to eradicate non-aviation activities from the airport. Several of the activities mentioned by the FAA are short term, temporary agreements that the airport entered into in an effort to help stabilize the economic condition of the airport while long term development plans were being developed. Fourteen of these leases have recently been terminated by the airport. It is the goal of the airport to meet current and anticipated general aviation demand through the development of new facilities. In compliance with the FAA's request, the airport is in the process of creating a plan to eliminate or relocate non-aviation uses from Brown Field and will seek FAA approval of any non-aviation uses at the airport in the future.

DISCUSSION

Since 1999 staff has been working with a leading consultant (Mead and Hunt) in airport planning, design and management services, and is currently in the final stages of updating the Master Plan for Montgomery Field. This Master Plan Update provides an accounting of the airport's current position in relation to the changing demands of the aviation community. It includes forecasts of the trends of the aviation market over the next ten years. This information will continue to assist the City in creating a plan for the highest and best uses of the airport. The consultants have prepared a revised Airport Layout Plan (ALP) as part of the Master Plan update, which includes proposed sites available for future development. These planning documents are quite voluminous and cannot be attached to the report. If members of the Committee are interested, the documents can be made available.

In 2002, the Airports Division hired Airport Business Solutions (ABS), an independent consultant to assess the airports needs and forecast future aviation demand in order to accommodate growth and enhance revenue. In developing the business plan many sectors of the local and regional general aviation markets were researched. Input was solicited from City staff, airport tenants and interested users such as the Airport Advisory Committee which is mainly comprised of representatives from area community planning groups. The result is a business plan that enables the City to have efficiently managed and financially secure airports. Specifically, a shift in the numbers and types of aircraft using the airports are anticipated in the future. Single engine aircraft are forecast to decline and multi-engine aircraft are expected to increase. In order to meet current and future aviation demand on the airports, issuance of the two RFPs and redevelopment of the sites must take place. Both RFPs envision new development that will provide accommodation of larger twin engine and small jet aircraft. Additionally, the developments will appeal to the growing number of business and private jet users with an emphasis on pilot and passenger related services such as rest lounges, catering accommodations and communication centers which provide computer and telephone access for passengers and crews.

The business plans have identified four (4) sites at each airport to be developed either by the airports themselves or through third party developers within the next five (5) years. An integral part of the redevelopment of the airports is a clearly defined and identifiable implementation strategy. The RFPs recommended herein are the initial phase of this strategy. The remaining sites will be contemplated for development after the initial RFPs have been satisfied.

The Montgomery Field RFP site is approximately six (6) acres and is located at the West end of the airport with access from Kearny Villa Road. The area contains several large hangars that have far outlived their useful lives as well as approximately twenty (20) tie-down spaces. These large hangars are in an area that, since the time of their original construction, has been deemed a structure free Runway Protection Zone (RPZ) by the FAA. Portions of the site do have some restrictions on structure placement due to the proximity of the RPZ, however the best use can be maximized by the positioning of aviation facilities in an area that is outside the restricted zone. Paving in the vicinity of this area is deteriorating and must be replaced, as well as ingress and egress issues that will need to be addressed and improved. A development that includes a combination of executive or large individual hangars, tie-downs and pilot facilities is anticipated for the site. This is an essential development that will meet the immediate need for additional general aviation services at the airport and will accommodate future growth. The proposed RFP is in compliance with all FAA guidelines and is in accordance with the land use plans as stipulated by the City Council approved Master Plan for Montgomery Field as well as the proposed Master Plan update.

The Brown Field RFP site is approximately twelve (12) acres and is located at the East end of the existing ramp and includes the terminal building and the adjacent land to the East. The vacant land included in the site has been minimally developed and currently has three helipads, which have deteriorated over time and are seldom used. The Brown Field RFP seeks development of a new terminal building to replace the existing fifty year old structure, combined with development of a new highly desirable Fixed Base Operator (FBO). This is an excellent location for an FBO due to its proximity to the abundant aircraft traffic that utilizes the U.S. Custom's area. The services offered by FBOs include primarily aircraft refueling and a combination of the following: airframe and power plant maintenance, flight training, aircraft rental, aircraft charter or air taxi, avionics sales and service, and aircraft storage/hangar rentals. The site contains an area with three helipads which may require relocation. The new terminal will be designed with additional space to accommodate future terminal businesses with better visibility and access. The terminal will have leaseable office space, space for customs and other airport user amenities, and will house airport management staff. The boundaries of the RFP site may be adjusted to fit the aviation demand as well as the needs of the airport. Redevelopment of this site will lay the foundation and set the standard for future development at Brown Field. The RFP is in compliance with all FAA guidelines and is in accordance with the land use plans as stipulated by the City Council approved Master Plan for Brown Field Airport.

CONCLUSION

With the information provided by highly qualified consultants, the airports are ready to begin moving forward with projects that will meet current and future general aviation demands at the airports. Development proposals will be required to be consistent with the requirements of each Airport Master Plan and Airport Layout Plan as approved by both City Council and the FAA. The proposed RFPs conform to the strategic implementation plans proposed by the business plans developed for the airports.

Therefore, staff recommends issuing these RFPs, and suggests a phasing plan in order to properly manage the process. The first RFP issued will be for the site at Montgomery Field on September 1, 2004 with a submittal deadline of November 15, 2004. Proposal review will take place immediately following the deadline and will be completed by January of 2005. The review committee will consist of City staff, and member(s) from either the real estate investment field and/or aviation community, Airport Advisory Committee and community representatives. Staff will seek community and stakeholder input through the local planning groups and Airport Advisory Committee in January or February of 2005. The proposals will be brought back before Council Committee for recommendations in February/March 2005 and then to City Council for consideration and approval of an exclusive negotiation agreement for a lease in April/May 2005. It is anticipated that new construction could begin as early as summer 2005 depending upon the nature of the final project. In order to capitalize on the interest generated by the initial request, the Brown Field RFP will be issued in January 2005 and will follow a similar process and schedule.

Respectfully submitted,

William T. Griffith
Real Estate Assets Director

Approved: Bruce Herring
Deputy City Manager

ATTACHMENTS

- [1. Montgomery Field Airport Map, RFP Area](#)
- [2. Brown Field Airport Map, RFP Area](#)