



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: January 17, 2008 REPORT NO: 08-002
ATTENTION: Committee on Land Use and Housing
Agenda of January 23, 2008
SUBJECT: Development at Brown Field Airport
REFERENCE: Report to the City Council 07-107

REQUESTED ACTION:

Authorize staff to exclusively negotiate a development lease for various location on Brown Field Airport with Distinctive Projects Company, Inc. (DPC-Brown Field).

STAFF RECOMMENDATION:

Staff recommends to exclusively negotiate a development lease with DPC-Brown Field. The Brown Field RFP Selection Committee voted 7-4 in favor of Distinctive Projects Company, Inc. (DPC-Brown Field).

COMMUNITY PLANNING GROUP RECOMMENDATIONS:

On the following dates staff attended the following community meetings regarding this project:

On June 5 the Airports Advisory Committee passed the following motions:

- Include the summary of Brown Field Airport Minimum Standards in the RFP.
- Include the substantive parts of the Gillespie Field development standards in the RFP.
- Accelerate planning for Brown Field prior to issuing future RFPs.
- Include a representative from Brown Field on the RFP selection committee.

This project was presented to the following groups as an informational item:

- May 03, 2007 - Airports Advisory Subcommittee
- May 08, 2007 - Airports Advisory Committee@ Experimental Aircraft Association
- May 16, 2007 - Otay Mesa Planning Group
- May 23, 2007 - Airports Advisory Subcommittee
- May 25, 2007 - Airports Advisory Subcommittee
- May 26, 2007 - Experimental Aircraft Association Forum
- May 31, 2007 - Airports Advisory Subcommittee
- June 05, 2007 - Airports Advisory Committee
- July 11, 2007 - Land Use and Housing Committee
- July 18, 2007 - Otay Mesa Planning Group

- July 26, 2007 - Otay Mesa Chamber of Commerce
- Aug 15, 2007 - Otay Mesa Planning Group
- Aug 18, 2007 - Experimental Aircraft Association Forum
- Sept 19, 2007 - South County Economic Development Council
- Sept 23, 2007 - Ocean View Hills Founders' Day Community Fair
- Oct 17, 2007 - Otay Mesa Planning Group Proposal Presentations
- Nov 20, 2007 - Airports Advisory Committee Proposal Presentations

SUMMARY:

On December 26, 2006, a Request for Qualifications (RFQ) was issued soliciting qualifications to develop and operate a Fixed Base Operator (FBO) or other aviation related business on Brown Field Airport. The City was seeking one or more highly qualified and experienced developer(s) to submit their qualifications and experience showing their ability to develop and operate a FBO facility and/or other aviation uses on Brown Field Airport to satisfy future aviation demand. It was anticipated that once the aviation demand was met, additional non-aviation uses would be considered on the airport. The developers were requested to demonstrate their ability to support the airport's mission to develop, operate, maintain and promote Brown Field for the public benefit, airport users and the communities it serves. The development of compatible, aeronautical real estate projects at the airport will support the City's mission and public policy objectives.

The primary development opportunity was located between the east end of the existing ramp and the beginning of Runway 26R, approximately 65 acres (Site), on Brown Field Airport. However, conceptual proposals were not limited to the Site. Additional land and/or locations could have been requested by the development team. Larger scale proposals were welcome.

Qualified development teams were expected to have substantial experience in developing and operating airport FBO facilities and/or major aviation facilities. It is critical that the team include an experienced, aviation-related developer and operator with experience in designing large-scale aviation facilities. Strong emphasis was also placed on financial capability.

Developer Minimum Qualifications:

1. Strong financial capability to construct any proposed improvements; and
2. Continuous and active experience providing successful commercial aviation development during the past five (5) years; and
3. Evidence of insurance and insurability; and
4. Evidence of financial responsibility to include disclosure of any liens, bankruptcies or litigation; and
5. Compliance with the Brown Field Master Plan.
6. Compliance with Brown Field Airport Minimum Standards

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. This is an excellent location for a Fixed Base Operator (FBO) due to its proximity to the abundant aircraft traffic that utilize the U.S. Customs area. FBO's typically offer services such as 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 boundaries of the Site may be adjusted to fit the aviation demand as well as the needs of the airport. Development of this Site will lay the foundation and set the standard for future development at Brown Field.

Development at the airport must be in accordance with the City's objectives and Federal Aviation Administration (FAA) requirements. The airport is unzoned and land uses are governed by the Airport Master Plan and Airport Layout Plan and reviewed by the Airports Advisory Committee and Otay Mesa Planning Group. The Mayor and City Council have ultimate authority over all development proposals and/or leases.

Prospective development teams were invited to submit information regarding their experience, financial capabilities, and expertise in large scale FBO development and/or other aviation uses along with a proposed range of uses for the Site. The objective was to develop and implement a signature aviation project that will provide new jobs and development at Brown Field Airport. However, non-aviation development will be considered, if the aviation demand has been satisfied.

There were six respondents to the RFQ, one of which was disqualified for failing to submit the required \$25,000 deposit. A selection committee was formed to review the statements of qualifications, interview the respondents and recommend the top two qualified development teams. The selection committee included the following members:

- Bill Anderson, (*Former*) City Planning and Community Investment Director
- Christian Anderson, Airports Supervising Property Agent
- Rick Beach, (*Former*) Vice Chair Airports Advisory Committee
- Whitney Benzian, Council District 8 Representative
- Rod Greek, Water Business Operations, Deputy Director
- Michael Tussey, Airports Deputy Director

Of the five respondents to the RFQ that were evaluated, two were selected, based on a point system, to move forward to the next phase of responding to the RFP. The two successful development teams are listed below:

- Distinctive Projects Company
 - **Richard Sax** - Partner in operation of 12.5 acre FBO and aviation fueling operation at McClellan-Palomar Airport. Managed the complete entitlement process, all negotiations with the County for new 30-year lease as well as the design, development and construction of the all new facility. He is an attorney with extensive experience in Business Law, Real Estate Law and Civil Litigation. Mr. Sax has significant experience in various commercial and residential development projects.
 - **Other Team Members:**
 - FBO Operation: Ross Aviation
 - FAA and State Aeronautics Liaison: Wadell Engineering Corp.
 - Project Financial Planning and Contracts: Ray S. Plevyak, CMA
 - Project Architect, Design and Program: Reeves Associates Inc. Architects

- Lease Agreements, Financing and Environmental: Foley & Lardner, LLP
 - Construction manager: R&R Construction Company
 - Investor: Diversified Lending Group, Jeffery L. Rush, MD
- Airport Property Corporation
 - **Lydia Kennard** - Former Executive Director of Los Angeles World Airports (LAWA). She is an attorney with undergraduate and graduate degrees in Urban Planning. Ms. Kennard has led Master Plans at Los Angeles International Airport, Ontario International Airport and Van Nuys Airport.
 - **Jack Driscoll** - Former Executive Director of Los Angeles World Airports. He was responsible for delivery of significant infrastructure improvements during his tenure at LAWA, including the \$300 million Ontario International Airport Facility.
 - **Robert Clifford** - Partner with GHT Aviation Holdings and founder of American Airports Corporation. When he departed American Airports the company operated nine airports, two FBOs, fueling operations on five airports with over 2,500 tenants and controlled 20,000 acres of land.
 - **Other Team Members:**
 - Aviation Planning and Architecture: HNTB
 - Construction and Management: GHT Aviation Holdings & KDG Development & Construction Consulting
 - Public and Private Works Contractors: Weeger Brothers, Inc. & T. Violen Construction
 - FBO Operations: Grant Murray and Glen Ray (Million Air North, Hawthorne Airport & Crownair)

The two successful respondents to the RFQ were invited to respond to a RFP on July 12, 2007 for the development of facilities at Brown Field Airport. The proposals were due October 1, 2007. Below is a brief overview of the two proposals:

RFP ANALYSIS CRITERIA	DISTINCTIVE PROJECTS COMPANY	AIRPORT PROPERTY VENTURES
Total land proposed for development	369.47 Acres - Phased Project	65 Acres - Phased Project
Projected initial project investment	\$118,020,103 initial investment over 5 years	\$62,500,000 initial investment over 6 years
Initial Development Area	<u>97.43 Acres</u>	<u>25.03 Acres</u>
Development Concept	<u>FBO (Office & Restaurant)</u> 30,800 S.F. <u>Maintenance & Storage Hangar(Office)</u> 46,500 S.F.	<u>FBO (Office)</u> 34,000 S.F. <u>Hangars</u> 570,700 S.F.

RFP ANALYSIS CRITERIA	DISTINCTIVE PROJECTS COMPANY	AIRPORT PROPERTY VENTURES
Development Concept	<u>Port-a-Ports</u> 58,050 S.F. <u>Helicopter FBO (Maintenance Hangar)</u> 15,200 S.F. <u>Solar Electric System</u> 6 Acres <u>Air & Space Museum</u> 388,400 S.F. <u>Non-Aviation Commercial</u> 33,500 S.F.	<u>Hotel Site</u> 130,000 S.F. (Land) <u>Non Aviation Commercial Industrial</u> 108,900 S.F. (Land) <u>Viewing Park</u> 30,900 S.F. <u>Common Clubhouse</u> 800 S.F. <u>Light Sport etc.</u> 315,800 S.F.
Term	55 years	50 years with two (2) ten (10) year options
Rent	<ul style="list-style-type: none"> • Guaranteed minimum rent of \$34,000,000 over 20 years <p><u>Plus</u></p> <ul style="list-style-type: none"> • 5% of sublease rent • 1.67% on prepaid leases • Additional \$0.05 per gallon of Jet A or Avgas 	<p><u>Option One</u></p> <ul style="list-style-type: none"> • Guaranteed minimum rent of appraised vacant land rent value • CPI adjustments every 5 yrs non-cumulative 2% floor and 4% cap • Fair market rent adjustment by appraisal every 15 yrs • Profit participation: 6% of net cash flow from improvements after debt service, project costs, maintenance, operation costs, reserves, repayment of equity capital (including 8% return) <p><u>Option Two</u></p> <ul style="list-style-type: none"> • Guaranteed minimum rent of 1/2 appraised vacant land rent value • CPI adjustments every 5 yrs non-cumulative 2% floor and 4% cap • Fair market rent adjustment by appraisal every 15 yrs • Profit participation: 12% of net cash flow from improvements after debt service, project costs, maintenance, operation costs, reserves, repayment of equity capital (including 8% return)

The 11-member, Brown Field RFP Selection Committee submitted signed ballots, which showed a preference for Distinctive Projects Company, Inc. (DPC-Brown Field) by a margin of 8-3. However, one member voted for DPC-Brown Field by mistake, and was actually in favor of Airport Property Ventures, which changed the vote to 7-4 in favor of DPC-Brown Field. The names and affiliations of the Selection Committee members follow:

In favor of Distinctive Projects

- **Jim Barwick**– City Real Estate Assets Department Director (Former Naval Aviator, airline pilot)
- **Wendy Gillespie** – Representing the Otay Mesa Chamber of Commerce (President)
- **Scott Hasson**– Representing the Airport Advisory Committee (Vice Chair, private pilot)
- **Rob Hixson**– Representing the Otay Mesa Planning Group (Chair)
- **Mike Tussey**– City Airports Deputy Director (former commercial pilot)
- **Jake Van den Akker** – City Council District 8
- **Mary Wright**– City Planning and Community Investment Deputy Director (Otay Mesa Community Plan expert)

In favor of Airport Property

- **Rick Beach**– Representing pilots (President of Community Airfields Association of SD, private pilot)
- **Scott Kessler**– City Planning and Community Investment Deputy Director
- **Joe Russo**– Representing Brown Field pilots (Experimental Aircraft Assn. VP, private pilot)
- **Keith Wilschetz**– Representing the Airport Authority (Planning Director)

Below is a timeline for the development process:

Completed

- *December 26, 2006* - Issuance of Request for Qualifications
- *February 23, 2007* - Receipt of Developer Qualifications
- *April 13, 2007* - Evaluation and selection of two qualified respondents by Staff/Selection Committee
 - *May 03, 2007* - Solicit input from Airports Advisory Subcommittee
 - *May 08, 2007* - Solicit input from Airports Advisory Committee
 - *May 16, 2007* - Solicit input from Otay Mesa Planning Group
 - *May 23, 2007* - Solicit input from Airports Advisory Subcommittee
 - *May 25, 2007* - Solicit input from Airports Advisory Subcommittee
 - *May 26, 2007* - Solicit input from Experimental Aircraft Association Forum
 - *May 31, 2007* - Solicit input from Airports Advisory Subcommittee
 - *June 05, 2007* - Solicit input from Airports Advisory Committee
 - *June 12, 2007* - Solicit input from Airports Advisory Committee
- *July 11, 2007* - Request support from LU&H to issue RFP to qualified developers
- *June 12, 2007* - Issue RFP to the qualified developers
 - *October 1, 2007* - Responses due from developers
 - *July 18, 2007* - Solicit input from Otay Mesa Planning Group
 - *July 26, 2007* - Solicit input from Otay Mesa Chamber of Commerce

- Aug 15, 2007 - Solicit input from Otay Mesa Planning Group
- Aug 18, 2007 - Solicit input from Experimental Aircraft Association Forum
- Sept 19, 2007 - Solicit input from South County Economic Development Council
- Sept 23, 2007 - Ocean View Hills Founders' Day Community Fair
- Oct 17, 2007 - Otay Mesa Planning Group Proposal Presentations
- Nov 20, 2007 - Airports Advisory Committee Proposal Presentations
- October-December 2007 - Evaluation of responses by Staff/Selection Committee
- December 12, 2007 - Selection Committee recommends DPC-Brown Field for exclusive negotiations.

To Be Completed

- January 23, 2008 - Request authorization from LU&H to exclusively negotiate with DPC-Brown Field
- January 24 - June 2008 - Negotiate lease/development agreement (estimated)
- July 2008 - Present lease/development agreement to City Council for approval
- July 2008 - Initiate Project

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 which might otherwise be forced to use congested air carrier airports.

Brown Field Airport (SDM) encompasses approximately 880 acres in Otay Mesa, and is located immediately North of the United States border with Mexico. In 2005 the airport recorded more than 117,000 operations and in 2006 operations increased to over 135,000. Brown Field Airport possesses the longest civilian runway in San Diego County, outside of Lindbergh Field, allowing it to accommodate a wide variety of aircraft. Additionally, Brown Field is designated as one of a select few Port of Entries in the region. Currently, corporate aircraft flying long-haul routes to Asia or South America cannot take off fully loaded from Carlsbad and must stop at Brown Field to fully fuel.

Otay Mesa has become California's largest commercial land border port and one of the busiest commercial land border crossings in the United States. Otay Mesa is home to Brown Field Airport, large parcels of value priced industrial land and numerous economic development incentives programs such as the State Enterprise Zone and the Foreign Trade Zone, all designed to induce companies to locate in the region.

More recently, development has begun in East Otay Mesa, located in the unincorporated area of the County of San Diego. Plans are already underway in East Otay Mesa to establish a high technology business park. With three major freeways, a higher education center and over 11,000 homes under development in the area, Brown Field is set to become a regional economic engine for both commerce and industrial development.

A June 2004 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 has litigated with three 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 entered into in an effort to help stabilize the economic condition of the airport while long term development plans were being formulated. Seventeen of these leases have been terminated. 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 has created a plan to eliminate, consolidate or relocate the majority of non-aviation uses and to market and develop Brown Field primarily for aeronautical purposes through this RFP.

FISCAL CONSIDERATIONS:

The Airports Division is an enterprise fund that is supported largely by revenue collected from lease rent. This development would significantly increase rent revenue from aviation activities at the airport. The costs for development, including any required infrastructure, will be the sole responsibility of the developer.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

On July 11, 2007 the Land Use and Housing Committee voted unanimously to support the issuance of the Brown Field RFP.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

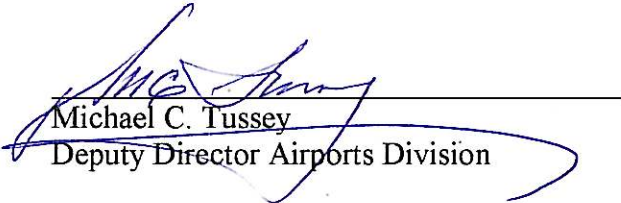
City staff has made presentations to the Land Use and Housing Committee, Airports Advisory Committee, Otay Mesa Planning Group, Otay Mesa Chamber of Commerce, Experimental Aircraft Association, Chapter 14, South County Economic Development Council and Ocean View Hills Founders' Day Community Fair. Additionally, the Airports Advisory Committee formed a RFP Subcommittee to review potential RFPs at the City's airports. This subcommittee and staff have met several times to discuss the details of the RFP. The two respondents to the RFP made detailed project presentations to the Otay Mesa Planning Group and the Airports Advisory Committee, both of which were widely attended.

KEY STAKEHOLDERS AND PROJECTED IMPACTS: The stakeholders and likely group to be impacted are the airport users and existing tenants at the airport and the surrounding Otay Mesa Community. There are currently four aviation tenants at Brown Field:

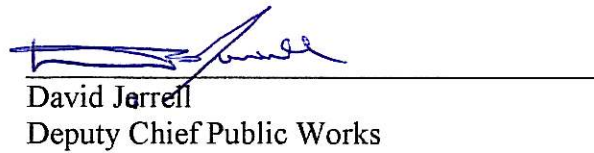
- Experimental Aircraft Association, Chapter 14
EAA currently leases 2.3 acres at Brown Field, adjacent to the control tower. EAA has operated as a nonprofit organization at Brown Field Airport since 1981 and is dedicated to the education of its members in the aeronautical sciences and engineering, the introduction and education of young people in flying and aircraft building, the promotion of general aviation and safety and in outreach to the San Diego community.
- Brown Field Aviation Ventures/Lancair
Lancair currently subleases approximately 20 acres from Brown Field Aviation Ventures and operates the largest FBO at Brown Field, handling the majority of the large multi engine and jet traffic.

- Aviation International
Aviation International leases approximately 2.5 acres in the center of the airport's main ramp area. The primarily services offered are hangar and tiedown rentals.
- First Flight
First Flight Corporation current leases and operates approximately 2.9 acres at the western end of the ramp, offering services to mainly small twin and single engine aircraft.

Respectfully Submitted,



Michael C. Tussey
Deputy Director Airports Division



David Jerrell
Deputy Chief Public Works

Attachments: Responses to Brown Field Request for Proposals