

THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: September 12, 2008 REPORT NO: 08-129

ATTENTION: Committee on Land Use and Housing
Agenda of September 17, 2008

SUBJECT: Development Update and Request for Proposals at Brown Field Airport

REFERENCE: Report to the City Council 07-107
Report to the City Council 08-002

REQUESTED ACTION:

THIS IS AN INFORMATIONAL ITEM ONLY. NO ACTION IS REQUIRED ON THE PART OF THE COMMITTEE OR CITY COUNCIL.

COMMUNITY PLANNING GROUP RECOMMENDATIONS:

Staff attended community meetings regarding the Brown Field Development project on the following dates:

- 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
- Jan 23, 2008 - Land Use and Housing Committee
- March 6, 2008 - San Diego County Regional Airport Authority Presentation
- Sept 4, 2008 - San Diego Regional Chamber of Commerce Infrastructure & Special Projects Committee

BACKGROUND:

The City of San Diego owns and operates two general aviation airports, Montgomery Field and Brown Field. These two airports are 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 would otherwise be forced to use the more congested air carrier airports.

Brown Field Airport (SDM) encompasses approximately 880 acres in Otay Mesa, immediately north of the United States – Mexico border. The airport recorded more than 135,000 operations in 2006 and over 146,000 in 2007. Outside of Lindbergh Field, Brown Field Airport possesses the longest civilian runway in San Diego County, 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 or Lindbergh Field to fully fuel.

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

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.

SUMMARY:

In December 2006, a Request for Qualifications (RFQ) was issued soliciting qualifications to develop and operate a Fixed Base Operator (FBO) or other aviation related business at Brown

Field Airport in the initial development area. 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, non-aviation uses would be considered on the airport. The developers were requested to demonstrate their ability to support the airport's mission of developing, operating, maintaining and promoting Brown Field for the benefit of the public, 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 initial development site (Site) is located between the east end of the existing ramp and the beginning of Runway 26R, approximately 65 acres, 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 was 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; and
6. Compliance with Brown Field Airport Minimum Standards.

The vacant land included in the Site has been minimally developed and currently has three helipads that 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 aircraft traffic that uses 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 the Site will lay the foundation and set the standard for future development at Brown Field.

Development at the airport must conform to 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 the Airport Layout Plan and are 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 at Brown Field. 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. Non-aviation development will be considered only 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 determine the top qualified development teams.

Of the five respondents to the RFQ that were evaluated, two were selected to move forward to the next phase of responding to a Request for Proposals (RFP). The responses to the RFP were necessarily much more detailed and comprehensive than the statement of qualifications submitted in response to the RFQ. Based upon the responses from the two firms to the RFP, the 11-member, Brown Field RFP Selection Committee recommended Distinctive Projects Company, Inc. (DPC-Brown Field) for exclusive negotiations with the City. On January 23, 2008, the Land Use and Housing Committee voted unanimously to support City staff entering into an Exclusive Negotiating Agreement (ENA) with DPC.

BROWN FIELD DEVELOPMENT UPDATE

Items completed since the last report to LU&H on January 23, 2008 are as follows:

- Finalized Exclusive Negotiating Agreement
- Completed ALTA Survey of Project Site
- Completed Environmental Surveys of Project Site
- Prepared and submitted Preliminary Review Applications to DSD
- Completed retail absorption analysis
- Briefed the FAA Western-Pacific Region on the proposed development

The following are goals for completion during the next six months:

- Complete Solar Design Analysis (October 2008)
- Submit revised Airport Layout Plan for FAA approval (November 2008)
- Prepare Technical Studies for EIR and Planned Development Permit (January 2009) -
- Prepare Architectural Drawing for 1st development phase (January 2009)
- Submit Master Plan Report with all attachments (February 2009)

Long range schedule for project initiation:

- Negotiate Memorandum of Understanding (February 2009)
- Negotiate lease/development agreement (June 2010)
- Initiate EIR (May 2009)
- Present lease/development agreement to City Council for approval (July 2010)
- Initiate project (July 2010)

In addition to building a first class airport development, DPC intends to minimize the project's environmental "footprint" through the use of various green practices, including:

- Development and implementation of sustainability screening criteria associated with aviation and non-aviation related design to assure that natural resource and energy efficiency are maximized in all phases of the development (design, construction and operation).
- Implementation of an FAA and Airports Council International-North America conforming Environmental Management System, used to control and continually improve operations and practices.
- Designing and building to Leadership in Energy and Environmental Design (LEED) Silver standard.
- Incorporation of solar photovoltaic and other cost-effective, energy-saving features into building designs to optimize the use of renewable energy.
- Incorporation of best management practices for storm water management, including on site retention and re-use, where feasible.
- Incorporation of water efficient landscape design, utilizing gray and reclaimed water where possible.
- Recycling, reduction and re-use of resources (e.g., demolition waste) during construction and operations.

NEW BROWN FIELD 10.7 ACRE RFP

To further the City's goal of complying with the FAA's June 2004 report expressing concern over the non-aviation land uses at Brown Field, the City is seeking one or more highly qualified and experienced developer(s) to submit proposals to develop and operate an aviation use on the RFP site at Brown Field Airport. The site is approximately 10.7 acres at the west end of the existing ramp area and is not associated with the DPC project. Like the earlier RFQ and RFP process, the potential developer(s) will be requested to demonstrate their ability to support the airport's mission of developing, operating, maintaining and promoting Brown Field for the benefit of the public, airport users and the communities it serves. The development of compatible, aeronautical real estate projects on all or a portion of the site will support the City's mission and public policy objectives.

The site has been minimally developed and is partially occupied by automobile re-sale lots that are in the process of being cleared, and a former underground fuel farm that has been removed. This is an excellent location for an aviation-related development due to its proximity to the aircraft ramp. The boundaries of the site may be adjusted to fit the aviation development and demand, as well as the needs of the airport. Development of this site will complement the future development currently being contemplated at Brown Field.

Aviation-related development at the airport will be in accordance with the City's objectives, Brown Field Minimum Standards, and FAA requirements. The airport is unzoned and land uses are governed by the Airport Master Plan and Airport Layout Plan, and will be reviewed by the Airports Advisory Committee and Otay Mesa Community Planning Group. The Mayor and City Council have ultimate authority over all development proposals. Examples of potential developments at this site include, but are not limited to, aircraft hangars, aviation support

services, airframe and power plant maintenance, and refueling. Qualified development teams must have substantial experience in developing and operating airport facilities and/or aviation facilities. It is critical that the team include an experienced aviation related developer and operator with experience in designing large-scale aviation facilities. Emphasis will be placed on financial capability.

FISCAL CONSIDERATIONS:

The Airports Division is an enterprise fund that is supported largely by rent collected from leases. This development would significantly increase 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.
- On January 23, 2008, the Land Use and Housing Committee voted unanimously to support exclusive negotiations with DPC-Brown Field.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

City staff has made presentations regarding the issuance of the proposed RFP to the Airports Advisory Committee, Otay Mesa Planning Group, Otay Mesa Chamber of Commerce, and South County Economic Development Council.

KEY STAKEHOLDERS AND PROJECTED IMPACTS: The stakeholders and likely groups 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 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 primary 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.



Michael C. Tussey
Deputy Director
Airports Division



David Jarrell
Deputy Chief Operating Officer
Public Works

Attachment: Brown Field RFP