



THE CITY OF SAN DIEGO  
**REPORT TO THE CITY COUNCIL**

DATE ISSUED: **June 10, 2009**

REPORT NO: **09-092**

ATTENTION: Committee on Land Use and Housing  
Agenda of **June 17, 2009**

SUBJECT: Exclusive Negotiation Agreement with DPC-Brown Field for  
Development at Brown Field Airport

REFERENCE: Report to the City Council 07-107  
Report to the City Council 08-002  
Report to the City Council 08-129

REQUESTED ACTION:

Recommend that staff enter into an Exclusive Negotiation Agreement (ENA) for a proposed development on Brown Field Airport with Distinctive Projects Company, Inc. (DPC-Brown Field).

STAFF RECOMMENDATION:

Staff recommends that the City enter into an ENA with DPC-Brown Field.

COMMUNITY PLANNING GROUP RECOMMENDATIONS:

Staff attended 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

- Nov 20, 2007 - Airports Advisory Committee
- Jan 23, 2008 - Land Use and Housing Committee
- March 6, 2008 - San Diego County Regional Airport Authority
- July 16, 2008 - Otay Mesa Chamber of Commerce & South County EDC
- August 19, 2008 - Federal Aviation Administration ("FAA") Airports District Office
- Sept 4, 2008 - San Diego Regional Chamber of Commerce Infrastructure & Special Projects Committee
- Sept 17, 2008 - Land Use and Housing Committee
- Dec 9, 2008 - San Diego Regional Chamber of Commerce Transportation Committee
- Jan 20, 2009 - San Diego Regional Chamber of Commerce Public Policy Committee
- Feb 17, 2009 - FAA Airports District Office

#### 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. The City was seeking one or more highly qualified and experienced developer(s) to submit evidence of qualifications and experience of 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. These actions were taken with the knowledge that development of compatible, aeronautical real estate projects at the airport would support the City's mission and public policy objectives.

The objective of the RFQ process was to obtain information regarding interested developers who had the ability to develop and implement a signature aviation project that will provide new jobs and development at Brown Field Airport. The RFQ also clearly established that non-aviation development would be considered only if the aviation demand had been satisfied and that development at the airport must conform to the City's objectives and Federal Aviation Administration (FAA) requirements.

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.

The initial development site (Site) offered was located between the east end of the existing ramp and the beginning of Runway 26R, approximately 65 acres, on the Airport. However, conceptual proposals which include additional land and or locations, including larger scale proposals were specifically invited in the RFQ.

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. Staff considered this an excellent location for a FBO due to its central location and proximity to the aircraft traffic that uses the U.S. Customs area. FBO's typically offer services which primarily include aircraft refueling and a combination of the following: airframe and power plant maintenance, flight training, aircraft rental, aircraft charter, avionics sales and service, and aircraft storage/hangar rentals.

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 that responded 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. Since that time, the following tasks have been completed:

- 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
- Completed Solar Design Analysis
- Submitted revised Airport Layout Plan for FAA approval
- Prepared Technical Studies for Environmental Impact Report (EIR) and Planned Development Permit
- Prepared Architectural Drawing for first development phase
- Submitted Master Plan Report with all attachments

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.

#### PROPOSED ENA

The attached proposed ENA will allow DPC two years to complete the following tasks which are needed prior to finalizing a development agreement and EIR for City Council Consideration:

- Negotiate lease/development agreement
- Commence Environmental Review
- Submit Planned Development Permit
- Seek approval of Airport Layout Plan with associated Section 7 Biological Opinion from Fish and Wildlife Service concerning vernal pools and NEPA certification
- Perform water and sewer study
- Present project documents to City Council for approval

If DPC does not meet the measurable goals set forth in the proposed ENA, the City has the right to terminate the ENA without penalty. In consideration of City's agreement to negotiate exclusively, DPC shall pay a non-refundable sum of \$100,000 for the two year term of the ENA. Additional consideration would be required for any extension of the ENA.

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.

As part of the proposed development, a new entrance to Brown Field is envisioned. Currently, the Experimental Aircraft Association's (EAA) leasehold is within the area proposed for the new entrance. Accordingly, EAA has agreed to adjust its leasehold boundaries by way of the attached Amendment. The adjustment of EAA's leasehold will benefit both the Airport and EAA even if the proposed development does not occur as it will allow for the future creation of a new airport entrance and it will make EAA's leasehold more developable.

#### 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 the 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 nearly 110,000 operations in 2008. With the exception 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 in order to tack off with a full load of 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, which is 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 are occurring on areas designated only for aviation use on 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 cited by the FAA involve 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. The vast majority 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. To further effect this plan, staff has take the steps set forth above.

#### FISCAL CONSIDERATIONS:

The Airports Division is an enterprise fund that is supported largely by rent collected from leases. This proposed 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:

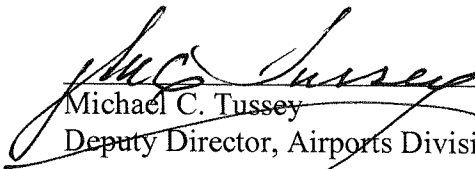
- On July 11, 2007, the Land Use and Housing Committee voted unanimously to support the issuance of the Brown Field RFP.
- On January 23, 2008, the Land Use and Housing Committee voted unanimously to support exclusive negotiations with DPC-Brown Field.


#### COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

City staff has made presentations regarding the issuance of the proposed RFP to the City 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 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.

  
Michael C. Tussey  
Deputy Director, Airports Division

  
David Jarrell  
Deputy Chief Operating Officer, Public Works

Attachments: Exclusive Negotiation Agreement  
EAA Amendment