

SUPPLEMENTAL



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: William F. Sherry,
A.A.E.

SUBJECT: OPTIONS FOR RFP ISSUANCE
FOR WEST SIDE DEVELOPMENT

DATE: March 2, 2012

Approved

Date

3/2/12

SUPPLEMENTAL

REASON FOR SUPPLEMENTAL

Airport staff is bringing forward minimum standards that detail the proposed minimum City requirements for general aviation (GA) leaseholds on the west side of the Airport. The purpose of adopting minimum standards is to ensure that safe, efficient and quality level services are provided by any party that obtains a GA leasehold. When adopted, the minimum standards will be incorporated into any Request for Proposal issued by the City for general aviation development. The staff report, originally dated, January 10, 2012, was dropped. A replacement report, dated March 13, 2012, will be brought back to Council for consideration.

Related to the adoption of minimum standards, staff is aware of questions and comments from Council offices on whether the City should defer the issuance of a Request for Proposal (RFP) until studies associated with the configuration of the airfield to resolve standards conformance issues are complete.

Although the March 13 replacement staff report on minimum standards is thorough, it was not drafted to address questions and/or concerns related to when the RFP should be issued. Given the importance of this question, the purpose of this supplemental memo is to outline the options for proceeding with the issuance of a RFP or planning processes so that the Council can have as much clarity as staff can provide on pros and cons of the viable alternatives for moving forward with West Side development.

RECOMMENDATION

Adopt a RFP-first approach for West Side general aviation that would have a second, new full-service FBO operational in late 2014 (estimated).

DISCUSSION

Identifying Key Planning and Development Processes and Decisions

In proceeding with West Side development, there are four key related planning and development processes and/or decisions that are integral to West Side development. Those four processes/decisions include:

1. *When to issue a RFP for the development of a second, new full-service Fixed Based operator (FBO).*

To realize much sooner some of the economic benefits of the property available for development, a RFP could be issued in 2012 for the development of 15.5 acres for a second full-service FBO. Ultimately, when a determination has been made regarding the configuration of the airfield, including the possible closure of Runway 11-29, the second FBO operator may be awarded an additional 6.5 acres for development at some point in the future. The RFP could be issued soon after the minimum standards are approved.

Conversely, to have more certainty about the configuration of the airfield, including any additional land that may result, the City could elect not to issue a RFP until all studies and environmental review processes for the full West Side development have been completed.

2. *The completion of a Safety Risk Assessment process.*

Staff has developed alternatives for mitigating identified standards conformance issues and has presented these alternatives at several public meetings. Two of the alternatives require the permanent closure of the small GA Runway 11/29. Several comments regarding concerns over the safety of alternatives requiring the closure of the runway have been voiced by stakeholders. It is staff's intent to initiate a Safety Risk Assessment (SRA) with the FAA to evaluate the proposed alternatives. The overall purpose of an SRA is to help airports enhance safety by facilitating the review of hazards and mitigation strategies by qualified experts within FAA.

The SRA process for the West Side will review the configuration of the West Side of the airfield relative to published FAA standards and evaluate the risks and benefits of proposed alternatives for mitigating identified deficiencies. Specific conformance issues identified to date relate to the distance between Runway 11/29 from the adjacent Taxiway V and the required clear zones around Taxiway V. The alternatives developed to date include moving Taxiway V to the west and establishing a conforming clear zone adjacent to it, necessitating taking back lease hold area from the existing tenants; or moving Taxiway V to the east, resulting in the permanent closure of Runway 11/29.

3. *The determination if Runway 11-29 should be closed.*

The goal of the SRA is to determine the best option for reconfiguration of the airfield on the west side, if necessary, from a safety perspective. As a separate effort, staff has conducted studies on the impact of the alternatives on the capacity of the airfield. It is staff's intent to return to

Council with a recommended course of action prior to proceeding with any modifications to the existing master plan, including new CEQA and NEPA studies. If it is staff's recommendation that Runway 11/29 be closed, FAA approval of the proposed runway closure would be required.

4. *The completion of the California Environmental Quality Act (CEQA)/National Environmental Protection Act (NEPA) environmental review processes*

Currently, the Airport has CEQA/NEPA clearance for the first 44 acres of developable Airport property available. (CEQA is the State of California environmental review process while NEPA is the federal environmental review process.) However, any change to the configuration of the airfield will require an amendment to the Airport Master Plan, including either a new or supplemental environmental impact report. Staff estimates it could take at least two years to complete the CEQA and NEPA environmental review processes and to amend the Airport Master Plan to reflect any limits and mitigations required by those review processes. It is possible that other factors and circumstances could result in the review process taking even longer.

The aforementioned four planning and development processes and/or decisions are related to and will interact with each other in determining when development can occur on the West Side. Council needs to determine the sequence it wants these processes and decisions to occur. The sequence of the processes and decisions will have a direct impact on how soon the first development will occur and how soon the Airport and City can expect to realize the anticipated benefits from the development of the property.

Planning and Development Approach Options

In proceeding with the development of the West Side, there are only two viable planning and development approach options:

Option #1 – The Planning-First Approach

One option is to complete the planning processes *before* developing the West Side. Under this option, the sequence of development and planning events and their estimated time frames for completion would be as follows:

1. Complete the SRA review and determine a course of action – now through June 2012
2. Complete CEQA/NEPA reviews and a Master Plan amendment – July 2012 through June 2014
3. Issue the RFP and award for development of the new FBO – July 2014 March 2015
4. Design the new FBO – April 2015 through November 2015
5. Construct the new FBO – December 2015 through March 2017
6. FBO construction complete and facility operational – **March 2017** (*estimated*)

The above time frames are staff's best estimates of how long it will take to complete each phase of the planning-first approach. The actual processes could take longer.

The planning-first approach would mean: 1) first completing the Safety Risk Assessment to resolve any FAA safety conformance issues; 2) determining if Runway 11-29 *should* be closed; 3) initiating and completing the full CEQA/NEPA environmental review processes; and 4) amending the Airport Master Plan *before* issuing a RFP for development. Under this option, assuming there are no intervening factors, circumstances or new issues, the new second full-service FBO could be completed and operational in late 2017 (estimated).

The planning-first approach should be used if the priority is to first identify FAA safety conformance issues and ensure certainty about the quantity and configuration of the Airport property on the West Side that will be ultimately be available for development before issuing a RFP. Potentially interested proposers could then submit proposals with a clearer sense of the West Side property that would be available for their proposed facilities and activities and the quantity and configuration of the surrounding available West Side property for future development.

However, the planning-first approach will require additional environmental review of any proposed changes to the Master Plan that will delay the development process for at least two years pending completion of the environmental review process. Thus under the planning-first option, no steps towards West Side development (including the issuance of a RFP) could be taken for at least two years. The issuance of the RFP, award of a proposal, and facility design and construction would take *an additional* three years after the West Side environmental review processes and the Airport Master Plan amendments have been completed. Thus a second FBO would not be completed and operational until 2017 at the earliest. This five-year time frame would be a lost opportunity for new City and Airport revenues and new services and jobs created by a more competitive business environment.

Pros and Cons of the Planning-First Approach

Pros: The biggest advantages of the planning-first approach are:

- Planning for the entire West Side is completed first so proposers will know how much land is available for development and its configuration, which should be helpful in submitting their proposals;
- All the available property on the West Side would be open for development at the same time (which staff anticipates will take years to fully develop).

Cons: The biggest disadvantage of this option is that none of the West Side property would generate any revenues, jobs, or competition until 2017. The lost revenues, in particular, could be detrimental to both the City and the Airport.

Option 2 – The RFP-First Approach

The second option is to first issue a RFP for the development of the 15.5-acre second full-service FBO for the West Side. After an award has been approved and building designed for construction, the SRA, environmental review process and amendment of the Airport Master Plan

March 2, 2012

Subject: West Side Development Options

Page 5

would be activated and completed. Under this option the sequence of the development and planning processes and decisions would be as follows:

1. Issue the RFP and award for development of the new FBO – Now through August 2012
2. Design the new FBO – September 2012 through April 2013
3. Construct the new FBO – May 2013 through August 2014
4. Complete the SRA review and determine a course of action – January 2013 through June 2013
5. Complete the CEQA/NEPA reviews and a Master Plan amendment – July 2013 through June 2015
6. FBO construction complete and facility operational – **August 2014 (estimated)**

Similar to the planning-first approach, the above time frames are staff's best estimates of how long it will take to complete each phase of the expedited approach. The actual process could take longer.

Using the RFP-first approach, the City would issue the RFP for the second full-service FBO to be located on 15.5 of the original 44 acres of developable property. The initiation of the SRA, the subsequent selection of a safety conformance standard alternative, the required environmental clearances, and the Master plan amendment would be deferred for the better part of one year until the RFP has been issued, evaluated and awarded. However, once the decision is made to amend the Airport Master Plan and the environmental review process has started, no other West Side development could take place until Council and FAA approval of the amended Master Plan. Once those processes are concluded, with the property configuration then known, the new FBO *may* be offered an additional seven acres in the future to make it equivalent in size to the current FBO and the full West Side property would be open for other development proposals. (Staff anticipates it will take years to fully develop the West Side property.)

The City is able to proceed with the issuance of the RFP for the development of the second full-service FBO now because the currently available 44 acres is designated for GA development in the existing Airport Master Plan. In addition, because the City will be able to at least temporarily resolve any safety standards conformance issues, the City will have the time and opportunity to defer the completion of the SRA and environmental clearance processes for approximately one year while proceeding with development on that portion of the West Side property that is already environmentally cleared.

Pros and Cons of the RFP-First Approach

Pros: The major advantage of the RFP-first approach is:

The new full-service FBO could be operational by the summer of 2014 – about three years sooner than under planning-first approach. The earlier operation will bring several significant benefits, including:

- *Increased Airport revenue* – With the Competitive Strategic Plan now complete, staff has made all of the reductions possible to keep Airport costs down. Accordingly, the Airport is now entirely dependent on external global, national, and regional economic forces that will

determine what actions will need to be taken in the future. If the economy improves, the Airport is well positioned to compete for additional air service because of the actions Council has previously approved to reduce costs. However, without additional non-airline revenue, if the economy worsens, the Council could be faced with having to make very difficult choices such as outsourcing police, fire, and other services at the Airport within the next year or two. The new 15.5-acre FBO is expected to generate approximately \$1.9 million in additional revenue (primarily from fuel flowage fees and ground rent) for the Airport annually when it is fully operational. The \$1.9 million is comparable to \$0.45 on the cost per enplaned passenger. The additional revenue from new the West Side services could help to avoid – or at least reduce – the potential for contracting out Airport security and safety services.

- *Increased General Fund revenue* – The City would realize additional sales and property tax revenues sooner from the new GA aviation activity. In 2010, the City's General Fund realized about \$2.3 million in aviation property taxes from GA aircraft stored on 47.5 acres on west side of the Airport. If a second, 15-acre full-service FBO were operational, staff estimates that, proportionally, it would generate about \$825,000 in new property tax revenue to the City. The property tax on the buildings and the landing rights for the aircraft that utilize the facility could generate another \$100,000 in revenues.
- *Earlier job creation opportunities* – Moving forward now with the development of the new FBO will create a number of temporary and permanent jobs sooner. When the facility is operational, staff estimates it will support 80-100 new permanent jobs.
- *Earlier arrival of increased competition for the full range of FBO services* – Earlier development will bring competition for the full range of FBO services sooner and attract more potential clients sooner.

Cons: The largest disadvantage of the RFP-first approach is the question of whether there is a market for additional development, a question that can only be answered with the issuance of a RFP.

Because the CEQA and NEPA environmental review processes will be triggered by a decision to move forward with a master plan amendment for the full West Side development, there is no option to proceed with the issuance of an RFP after a decision is made that requires an amendment to the Airport Master Plan.

Because Council would not have the authority to approve a lease and operating agreement for a new FBO until the CEQA and NEPA processes for the full West Side development are complete, the basic options for moving forward with issuing a RFP are to: 1) issue it now (once the proposed minimum standards have been approved); or 2) issue it after all studies are complete and any master plan amendment has been completed and approved by both the City and the FAA..

Based on the aforementioned discussion, it is staff's belief the fundamental tradeoff between the two viable options for proceeding with West Side development are to:

- Complete the studies related to airfield reconfiguration and amend the Airport Master Plan first, defer the issuance of the first RFP for at least two years and not see a second operational full-service FBO for at least five years; or
- See a second full-service FBO operational within approximately the next two years by issuing the RFP first and deferring the initiation of the full West Side planning process, including the SRA conformance review and the CEQA/NEPA environmental review processes, for one year.

Conclusion

Staff is recommending Council adopt the *RFP-first approach* (Option 2) and issue a RFP *before* initiating the full West Side planning and development processes, including the SRA, the master plan amendment and environmental review processes. Staff recommends this option because:

1. The City could be responsive about three years sooner to any expressed market interest and the opportunity for job generation;
2. The earlier revenue generation could be used to help the Airport to retain critical City security and safety services;
3. The City General Fund could benefit sooner from the additional sales and property tax revenues;
4. The 15.5-acre parcel is already designated for general aviation development in the Master Plan;
5. New full-service FBO operations could proceed without compromising FAA safety conformance standards until a final determination is made on the full West Side development, including a decision on Runway 11/29; and
6. The one-year delay in completing the full West Side development process, including the SRA and initiating the environmental clearances, can be accomplished with no detrimental impacts on Airport operations or the surrounding neighborhoods.

PUBLIC OUTREACH/INTEREST

A copy of this supplemental report will be posted to the City's website for the March 13, 2012 Council agenda. In addition, because this is an item of significant public interest, copies of the report were also emailed to the following key stakeholders: the Airport Commission, Atlantic Aviation, AvBase, the Shasta-Hanchett Neighborhood Association, the Rosemary Gardens Neighborhood Association and Citizens Against Airport Pollution.

HONORABLE MAYOR AND CITY COUNCIL

March 2, 2012

Subject: West Side Development Options

Page 8

COORDINATION

This report was coordinated with the City Attorney's Office and the City Manager's Office.

CEQA

CEQA: Resolution Nos. 67380 and 71451, PP12-001.

/s/

WILLIAM F. SHERRY, A.A.E.

Director of Aviation

Please direct questions to William Sherry, Director of Aviation, at (408) 392-3611.