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NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

TO: Board of Supervisors
FROM: Liz Habkirk for Steven Lederer - Director of Public Works
Airport
REPORT BY: Liz Habkirk, Deputy Dir. of PW-Gen Services - 259-8321
SUBJECT: Discussion and Direction to Airport Staff on an RFP for a Second Fixed Based Operator

RECOMMENDATION

Director of Public Works requests discussion and direction on a draft Request for Proposals for a potential second Fixed Based Operator to enter into a long-term lease at the Napa County Airport.

EXECUTIVE SUMMARY

Based on Board of Supervisors direction received on February 12, 2019, staff has prepared a Request for Proposals (RFP) that would facilitate a possible long-term lease for property at the Napa County Airport by a second Fixed Based Operator (FBO). The RFP process will ensure the Airport can continue to meet its Federal Aviation Administration grant assurances, including those for non-exclusivity, and will also show a proactive step towards increasing on-airport competition; an underlying goal of the non-exclusive rights provision. Additionally, the RFP will create a competitive process to maximize Airport and County revenue generation. Staff is seeking the Board's review of the draft RFP and final direction from the Board of Supervisors to release the RFP.

FISCAL IMPACT

Is there a Fiscal Impact? No

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: The proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.

BACKGROUND AND DISCUSSION

The Napa County Airport ("Airport") is an important community asset that plays a significant role in the local tourism industry and contributes to the larger national aviation community. Since its inception, the Airport has supported general aviation, various aviation businesses, numerous jobs, and thousands of newly trained pilots.

At general aviation airports, a Fixed Based Operator (FBO) is a commercial enterprise that is granted the right by the governing body of the airport to operate at the airport and provide aviation services, such as fueling, parking, hangar space, and maintenance services. The Airport has been served by a single FBO since 1946, originally Bridgeford Flying Service, then Napa Jet Center, which was purchased by the current provider Lynx FBO Network ("Lynx") in June of 2018. The Airport maintains a series of lease agreements that were assigned to Lynx when they acquired Napa Jet Center which collectively allows their FBO business to operate at the Airport.

In February 2019, staff received direction from the Board of Supervisors to complete a comprehensive update to the Primary Management and Compliance Documents (PMCDs) that govern operations at the Airport and received direction from the Board to prepare a Request for Proposals (RFP) to potentially allow a second FBO to compete at the Airport after adoption of the PMCDs. Staff returned to the Board in May 2019 and received final approval of the PMCDs.

At the meeting in February, staff outlined the benefits of the RFP process for a second FBO in meeting Federal Aviation Administration (FAA) guidance related to the prohibition of granting exclusive rights to a single-operator and to assist the County in establishing market rates for leasable property at the Airport. The Board expressed a desire to use the RFP process to solicit the market interest and overall business growth potential at the Airport. The Board provided direction to request the following items in the RFP: past experience in providing FBO services, the presentation of a comprehensive operations/management plan, conceptual facility plans, and a financial offer, including capital investment, as a part of the scoring mechanism within the RFP. Board members discussed a need to ensure that a Successful Respondent would be able to complete the capital infrastructure envisioned by the County and create a "win-win" scenario at the Airport where both the existing and new FBO, as well as the County, would thrive. Staff also provided an overview of a Draft Terminal Area plan, which essentially creates equal areas for two FBOs with equivalent access from both the air and landside to operate. Finally, the Board confirmed the recommendation to preclude Lynx from participating in the RFP process. This limitation was recommended based on FAA guidance prohibiting the granting of an exclusive right to any given operator when it's the sponsor's desire to increase competition.

Based on direction provided by the Board of Supervisors, and with the assistance of consultants at the Business Aviation (BA) Group and Mead & Hunt, Airport management, Public Works, County Executive Office, and County Counsel staff have developed the draft RFP for the Board's final review and are prepared to release the draft publicly and begin the proposal process. At the conclusion of the RFP process, staff would bring a recommendation of a "Successful Respondent" back to the Board of Supervisors for further direction on agreement negotiations if appropriate.

In addition to the components outlined above, the RFP has been drafted to establish several main development goals and objectives: enhance airfield infrastructure; provide a positive experience for all airport users; create a gateway to the Napa Valley; improve the Airport's economic performance through market-based rents, fees, capital contributions, and workforce activities; and promote a sense of place and pride at the Airport.

The RFP will require Respondents to detail a comprehensive vision for their services at the Airport, including a business/management plan, identification of key management personnel responsible for their operations at the Airport, a capital investment schedule, and conceptual facility plans. Respondents will be required to demonstrate previous success in providing similar services and development at other Airports and meet minimum financial

qualifications, which includes a financing plan for the proposed improvements and financial projections for the first ten years of operations.

Ongoing feedback from the County's aviation consultant (BA Group) continues to reveal a significant amount of interest in the Airport from the FBO industry on a national level. Staff has experienced similar attention over the past several months and has received numerous inquiries from various FBO entities interested in the opportunity to respond to a RFP. Several west coast based FBO operators have visited the Airport to learn more, whereas those from the mid-west and east coast have communicated with staff on their desire to tour the Airport and have requested to be included in communications about a future RFP. Based on this initial interest staff expects the RFP to be highly competitive which will ultimately benefit the Airport and the County.

Below are highlights of various RFP sections and the full draft of the RFP is attached to this item for review.

Available Development Area

As presented at the February Board meeting, the RFP provides a draft Terminal Area Plan that depicts approximately 10 acres of property available for lease, including existing apron and vehicle parking space that will be made available to the Successful Respondent. The area is located in the northwest area of the Airport property close to the Airport entrance and accessible from the Airport's main intersection on the airside. The layout accommodates two FBOs of roughly equivalent size to operate with equal access to both airside and landside traffic. It accounts for Lynx having several existing leaseholds on the "east" area and presents the "west" area as the "Available Property" offered in the RFP.

Environmental Review and Existing Infrastructure Reconfiguration

To ensure compliance with both National Environmental Protection Act (NEPA) and California Environmental Quality Act (CEQA) requirements, the County is developing an environmental review process scope with its planning consultant (Coffman Associates, "Coffman") for both the reconfiguration of existing infrastructure and planned FBO development.

The RFP also outlines the existing infrastructure reconfiguration that will need to occur in order for the Successful Respondent to develop the entire Available Property. This scope includes sewer and roadway realignment, electrical vault and beacon relocation, and demolition of the existing Maintenance and Airport Terminal Buildings. The RFP details the sequencing of completion of these projects. It also describes the current private infrastructure and leaseholds located in these areas and the County's intent to negotiate with Lynx to unencumber the entirety of the Available Property as soon as possible.

Pioneering Period

The Successful Respondent will be allowed an opportunity to operate at the Airport below the required Minimum Standards during a "Pioneering Period," as allowed within the PMCDs. The Successful Respondent would be allowed to lease space from the County in vacant facilities at 1950 and 2000 Airport Road to provide terminal and hangar facilities while undertaking construction of their permanent facilities. The use of these buildings will ensure that the Airport begins realizing the benefits of a second FBO while the extensive design and construction of the permanent facilities progresses. The Pioneering Period is strictly defined in the RFP, with construction of permanent facilities required by October 2022 and a fully operational FBO in new facilities no later than the spring of 2023.

Negotiations with Lynx

While the RFP is focused on the solicitation of proposals from potential new FBOs to compete in a two-FBO

environment, the RFP also identifies the intent of the County to simultaneously engage in lease negotiations with Lynx. This would allow the County to potentially resolve the issue of existing Lynx infrastructure or leaseholds in the Available Development Area, as well as provide an opportunity for Lynx to demonstrate how they would bring additional value through new facilities and updated lease revenue components within the newly defined "East FBO" area. Should the RFP result in a recommendation for a second FBO, any lease negotiations with Lynx would be ideally concluded at the same time as a new agreement with a second FBO to maximize the competitive environment at the Airport and create leaseholds with similar terms and lease length.

Scoring Matrix

In order to inform the Board's decision about the market feasibility of the Airport supporting multiple FBOs, the scoring matrix has been developed to be weighted on financial contributions, both to the Airport and to the County's General Fund. The proposed scoring breakdown is as follows:

- 40% - Revenue to the Airport (lease rate, fuel flowage fees)
- 25% - Total Capital Investment
- 15% - Revenue to County General Fund (Property and other taxes)
- 10% - Management Overview & Financial Qualifications
- 5% - Development Plan
- 5% - Benefits to the Local Community

The scoring matrix was designed to maximize fairness and impartiality by having 80% of the scoring criteria quantitative in nature, with the goal of reducing subjectivity for the review panel. The Respondents are required to provide specific dollar figures for these items. One of the Airport's FAA grant assurances is to make the Airport as financially self-sustaining as possible, thus the most weight (40%) has been assigned to Airport revenue.

The total capital investment, weighted at 25%, represents the amount a Respondent will commit during a 30-year period for various capital costs including the construction of hangars, a terminal building, and apron expansion/reconstruction.

Revenue to the County's General Fund, weighted at 15%, is the last specific dollar amount Respondents must provide as a commitment during the term of their lease. This annual revenue to the General Fund is derived in part by the value of land and improvement within the Successful Respondent's leasehold, determined and collected by the Napa County Assessor's Office in the form of Possessory Interest Tax. In addition to Possessory Interest Tax, unsecured Property Tax is assessed on aircraft that are based or habitually situated at the Airport. Due to the significant value of jet aircraft and the annual revenue that is generated from unsecured property tax on based aircraft, Respondents are encouraged to bring their own aircraft, or any affiliates, and base them in Napa.

The remaining evaluation areas, making up 20% of the scoring criteria is comprised of the Respondent's management and financial qualifications, development plan, and what benefits they contemplate bringing to the local community.

Board Direction and Contract Negotiations

If appropriate, staff anticipates bringing the highest ranking Respondent to your Board for further direction on lease negotiations. An exemplar agreement will be released as an addendum to the RFP to ensure all parties are familiar with the exemplar agreement terms. A Respondent will be required to agree in form to the terms they would be held to if selected as a qualification of submitting a response. While some terms, such as total lease term with option periods will, at the County's option, be subject to a negotiation process with the Successful Respondent, staff anticipates an agreement similar in form would be recommended for execution to the Board of Supervisors after negotiations.

Timeline

In order to facilitate the environmental review processes, incorporate the ability for potential Respondents to ask questions and provide input on the proposed terms, and allow time for the development of conceptual facility and business plans by potential Respondents, staff is proposing the following basic timeline (additional details and milestones are included in the draft RFP):

- August 2019, RFP Release
- October 2019, Marketing of RFP/Napa County Airport at the National Business Aviation Association conference
- March 2020, proposals due
- April-May 2020, evaluation and clarification of proposals and follow-up interviews (if necessary)
- June 2020, discussion and direction by Board of Supervisors

The environmental review requirement mentioned above plays a significant role in defining the proposed ten month duration. While a CEQA review must be completed, the required NEPA review is more significant due to the need for the FAA's approval. Because the Airport's current FAA-approved Airport Layout Plan (ALP) does not show the contemplated improvements (new hangars, FBO terminal buildings, etc.) of an 'East' and 'West' FBO, an ALP update must be initiated to show these proposed changes. FAA review and approval of an ALP update is considered a federal action, which necessitates a NEPA review. The proposed timeline and milestones build-in the NEPA/CEQA process that is necessary before the County executes a new lease with Lynx and/or a Successful Respondent and ensures the County is able to incorporate any feedback from the FBOs on the ALP layout that staff may recommend be incorporated.

The following work/studies are required by the FAA for their review of an ALP update:

- **Preliminary design/engineering.** This work is needed to accurately determine the project area of disturbance and produce a grading and drainage plan. Airport staff has initiated the first step of this work with the solicitation for a topographical survey of the development envelope. Once the survey is complete, the preliminary design is expected to take approximately three months. In order to better inform the Respondents regarding drainage and other design considerations as they prepare their proposals and design of facilities, this information will be shared through an addendum to the RFP.

- **Update of Airport's Demand Forecast.** In order to analyze impacts on air quality and noise, an update to the Airport's forecast numbers for the expected number of future operations (takeoffs and landings) and passenger enplanements must be completed. Such updates take approximately three months to complete followed by FAA review of this component report, averaging one to two months.

- **Field Studies.** Expected field studies include, cultural, historical, and biological.

Once the listed items above have been compiled into a complete NEPA document, the FAA would review and ultimately approve the ALP update. Initiating environmental review during the RFP process, ultimately condenses the timeline between RFP release and the Successful Respondent's ability to begin its operations. Completing the environmental review through the ALP update with relevant potential FBO feedback incorporated should also expedite the actual redevelopment process for both the Successful Respondent and Lynx.

Finally, the proposed timeline allows for adjustments to the RFP to be made based on Respondent feedback received during the RFP process. As detailed in the RFP schedule, there are two opportunities for questions/objections by the Respondents with subsequent responses provided by the County. Due to the complexity of the development and the potential discovery resulting from the environmental review process, staff has created an iterative process so Respondent feedback and environmental considerations can be used to refine development details. This process is expected to result in a more informed development approach intended to

work well for the Successful Respondent and the County for the foreseeable future.

Requested Action

Today's action is a request for discussion and Board direction related to the release of a competitive RFP. If no significant changes are required to the draft RFP, staff is prepared to release the RFP within the next three business days.

SUPPORTING DOCUMENTS

A . Draft RFP

B . RFP Timeline

CEO Recommendation: Approve

Reviewed By: Mary Booher