



## Council Agenda Report

From: Mark Scandalis, Airport Manager

Subject: Approval of a Full Service Fixed Based Operator Agreement with Loyd's Aviation

CEQA Determination: The City finds that this action is not a project under the California Environmental Quality Act pursuant to State Guidelines Section State CEQA Guidelines, §§ 15060, subd. (c)(2)-(3), 15378.

Date: September 17, 2024

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### Facts

1. A fixed based operator is a commercial business granted the right by the Airport sponsor to operate on an airport and provide aeronautical services such as fueling, aircraft storage, tie-down and parking, aircraft rental, aircraft maintenance, flight instruction, and other related services.
2. Municipally owned airports with moderate to high traffic volume, such as the Paso Robles Municipal Airport (KPRB), typically utilize a private FBO company to provide these services to general aviation customers.
3. Since the early 1970s, KPRB has contracted for provision of full service FBO services to the flying public. Since that time, several companies have operated the full service FBO concession at KPRB, including Golden Carriage Air, Oasis, The Executive Air Center, Aero Service, North American Jet Charter Inc., and most recently ACI Jet.
4. Prior to, and in preparation for the expiration of the current FBO contract with ACI Jet, a subcommittee of the Airport Commission was formed to discuss the FBO service contract and the issuance of a request for proposals (RFP). The City subsequently contracted with Aviation Management Consulting Group, Inc. (AMCG) to draft an RFP document to solicit FBO services for the Airport.
5. On April 14, 2023, the City released an RFP for FBO services at the Airport. The City received two proposals for FBO Services: one from Loyd's Aviation and the other from ACI Jet.
6. Following the RFP submission deadline, an Evaluation Review Committee was formed to independently evaluate the written proposals. The Evaluation Review Committee was composed of nine individuals knowledgeable about the City, the Airport environment, and the requested services detailed in the RFP. The Evaluation Review Committee comprised of two Airport Commissioners, four members of City management, one outside Airport Manager, one Battalion Chief for CALFIRE Air Attack, and one Airport business owner and user. Following the review, Loyd's Aviation was selected as the preferred proposer by a vote of 5 to 4.
7. Separately, the confidential financial information provided by both proposers was reviewed by City finance staff. Both proposers were determined to have the financial wherewithal to perform the services and either make or obtain sufficient capital investments detailed in their proposals.
8. Following the Evaluation Review Committee process, both responding firms were invited to an in-person interview. The interview panel was composed of seven individuals knowledgeable about the City, the Airport environment, and the requested services detailed in the RFP. The interview panel included two Airport Commissioners, two outside Airport Managers, the Paso Robles Airport

Manager, one Airport business owner and user, and one local Airport developer. Each respondent was given the opportunity to make a presentation, and the interview panel was given an opportunity to ask clarifying questions. At the conclusion of the interviews, the interview panel made the recommendation to City Council that the City retain the ability to negotiate with both proposers in order to seek the best overall arrangement for the City, while acknowledging a preference for Loyd's Aviation, by a 4 to 3 voting margin.

9. On December 19, 2023, the City Council and Airport Commission held a joint meeting to discuss the proposals. After several questions about the proposals, the Council decided to create an Ad Hoc Committee of two Council members and two Airport Commissioners to continue to review the proposals and requested additional information be collected by staff. The Ad Hoc committee and staff were tasked with gathering additional information from both proposers, including a review of available financial information so a comparison of the value of the two proposals could be conducted. The Ad Hoc Committee was tasked to return to the Council with the additional information and a recommendation at a future Council meeting.
10. The Ad Hoc committee, comprised of Councilmembers Steve Gregory and Sharon Roden and Airport Commissioners Eric Cook and Ben Andros, and supported by AMCG Senior Consultant Robert Trimbora, held three open and noticed public meetings to discuss each FBO proposal and gather additional information about each proposal in order to make a recommendation to the Council on which firm with which to begin negotiations. At the May 9, 2024 Ad Hoc Committee meeting, by a 3-1 vote, the Committee voted to recommend Loyd's Aviation as the most respondent proposer and recommended the City enter into negotiations with Loyd's Aviation for the full service FBO contract.
11. At the June 18, 2024 City Council meeting, the Council discussed the proposals and voted by a 3-1 vote to accept the findings of the Ad Hoc Committee and authorized staff to enter into negotiations with Loyd's Aviation. At that meeting, City Council provided staff with general goals for the negotiation with Loyd's:
  - a. Structure the contract as an initial 5-year term with the opportunity to go beyond the initial term provided Loyd's Aviation meets contractual obligations and development milestones.
  - b. Focus on the development of the hangar complex detailed in the proposal en masse.
  - c. Until a new Defense Logistics Agency (DLA) Contract is released in 2026, Loyd's Aviation is to provide contract prices to military and federal government aircraft based on their existing DLA contract rates.
  - d. Ensure competitive fuel prices by benchmarking fuel prices to similarly situated airports within our region.
  - e. Ensure the Loyd's Aviation maintenance shop is started in a timely manner to meet the needs of the Airport and the regional aviation community.
  - f. Design and approval of the proposed terminal expansion is to follow the established development review process, including review by the Airport Commission.
12. On August 8, 2024, staff met with Loyd's Aviation and negotiated the FBO contract in accordance with the goals provided by City Council and the adopted leasing policy. The main points of the proposed lease agreement are:
  - a. Term: 5-year initial term; 30-year extension upon performance of terminal construction (and contingent on continued performance); and five years at fair market rate at conclusion.
  - b. Lease Areas: As defined in Attachment 1, FBO and development areas to include 546 SF of improved office space on the first floor of the Airport Terminal building at 4900 Wing Way, approximately 10,000 SF of hangar space and adjoining office and storage areas at 4990 Wing Way, approximately 25,000 SF of dedicated ramp space adjacent to the 10,000

SF hangar, approximately 3,000 SF of unimproved lease area for the Airport Terminal Expansion, and 139,827 SF of unimproved lease area for hangar development. Additional lease areas include 1,000 SF of improved office space on the second floor of the Executive Air Center and associated car parking areas.

- c. Rent: Initial rent \$15,032.50/month; rent at year five or at issuance of certificate of occupancy on the Airport Terminal Expansion, whichever is sooner, \$18,246.22 (plus any rental adjustment, see below).
- d. Rent Adjustments: Annual rent to be adjusted based on CPI for the previous 12 months. Annual rent adjustment shall be no less than 2% per year but no more than 8% per year or 20% over a 5-year period. In addition to annual CPI rent adjustments, the annual rent may be adjusted every 5<sup>th</sup> year and every 5<sup>th</sup> year thereafter to market rent based on the findings of a market rate adjustment study.
- e. Fees and Charges: If requested to collect fees, Loyd's Aviation shall remit 85% of all aircraft parking fees, ramp fees, and other fees as adopted by City Council collected from aircraft operators.
- f. Improvements:
  - i. Airport Terminal Expansion: Loyd's Aviation will diligently and continuously pursue the construction of the Airport terminal expansion and will have 36 months to finalize the design plan and obtain City approvals. Following City approvals of the designs and specifications construction is to be completed within 24 months.
  - ii. Hangar Construction: Loyd's Aviation shall diligently and continuously peruse the construction of the hangar development as soon as reasonably possible following the execution of the lease agreement. The construction shall be completed in no more than 4 phases.
    - Phase 1 – Loyd's shall work with City collaboratively to design the hangars to architectural standards mutually agreed to by both parties. Hangar design is to be cohesive and harmonious with the Airport terminal. Phase 1 shall take no longer than 18 months.
    - Phase 2 – Infrastructure and Hangar Pads: Earth work, utilities, concrete/asphalt ramp areas, and security fencing for the entire development area are to be completed in this phase. Phase 2 shall take no longer than 36 months following completion of Phase 1.
    - Phase 3 – Construction of the initial 8 hangars (minimum 4 60x60 box hangars and 4 T-hangars). Phase 3 shall take no longer than 5 years following Phase 1.
    - Phase 4 – Construction of the remaining hangars (for a minimum total of 11 60x60 box hangars and 8 T-hangars) may occur based on demand. Phase 4 can take no longer than 10 years from the completion of Phase 1. If Phase 4 is not completed within the 10 years following the completion of Phase 1 the remaining undeveloped hangar pads revert to the Airport with Loyd's Aviation retaining the improvements developed in Phase 3.
- g. Assurance of Completion: Loyd's Aviation shall obtain performance and payment bonds to ensure completion of the construction improvements being made to the lease premises.
- h. Reversion of Improvements: At the end of the lease term (or any extension thereof) and at the City's option, the ownership of all improvements shall revert (transfer) to the City

or Loyd's Aviation shall remove and/or demolish any and/or all improvements (as designated by the City) and return the lease premises to its original condition.

- i. Additional terms: Aviation gasoline self-serve pricing per gallon, no higher than 105% of the average respective pricing at Airports located within 150 nautical miles from the Airport; installation of spring retractable hose reel at self-serve fuel island; administration of a discounted fuel program for based tenants.
- j. Default: Section 12 outlines default and remedies in the event of default. Nonperformance on the capital improvements detailed in section 7 is an event of default (see Section 12.1.2).

### **Options**

1. Take no action;
2. Approve a Full Service Fixed Base Operator Lease Agreement with Loyd's Aviation; or
3. Provide alternative direction to staff.

### **Analysis and Conclusions**

The fixed based operator is an essential business at the Airport providing fueling, maintenance, and other aviation related services to the flying public. The negotiated points of the lease agreement along with the required capital improvements contained within, once complete, will help to provide better services to the flying public via better amenities in the expanded Airport Terminal building, more robust aircraft maintenance services through an FBO owned and operated shop, and increased hangar space for both midsize jet and general aviation aircraft. Additionally, this lease agreement will provide necessary revenue to the Airport Fund for the continued operation and maintenance of the Airport.

### **Fiscal Impact**

Rental income for the Loyd's Aviation FBO lease is expected to be \$15,032.50 per month for the first year, and increasing to \$18,246.22 per month by 2029, or upon issuance of the certificate of occupancy for the expansion of the Airport Terminal building. Yearly CPI adjustment and 5-year market adjustment by rent study will help to keep the lease agreement at fair market values over the life of the lease agreement. This lease agreement represents an immediate \$2,232.50 per month increase over the initial proposal submitted by Loyd's.

The Airport currently collects \$14,642.01 per month from the FBO lease agreement with ACI Jet. ACI Jet retains sublease income from Joe's One-Niner Diner, Mercy Air, and Soar Paso. In a separate City Council action are short-term lease agreements, which will allow the City to contract directly with the current tenants at a total rental income of \$8,986 per month.

When considering the revenue generated through an agreement with Loyd's Aviation and from the three short-term lease agreements, the Airport will realize a \$9,376.49 per month increase over the current lease revenue received from ACI Jet. The lease revenues will be accounted for within the Airport Enterprise Fund for reinvestment into Airport operations, maintenance, and capital projects.

### **CEQA**

The City finds that this action is not a project under the California Environmental Quality Act pursuant to State Guidelines Section State CEQA Guidelines, §§ 15060, subd. (c)(2)-(3), 15378.

**Recommendation**

Approve Resolution 24-XXX, authorizing the City Manager to execute the lease agreement with Loyd's Aviation for full Fixed Based Operator Services, subject to any minor, technical, or non-substantive changes as approved by the City Manager and City Attorney and subject to any minor insurance changes approved by the Risk Manager.

**Attachments**

1. Lease with Loyd's Aviation for Fixed Based Operator Services
2. Resolution 24-XXX – Full Service Fixed Based Operator Agreement with Loyd's Aviation