

M E M O R A N D U M

DATE: March 14, 2012

TO: Honorable Mayor and Councilmembers

FROM: Patricia Allison, City Manager's Office

SUBJECT: **CITY MANAGER ITEM – STATUS UPDATE REGARDING THE
APV CONTRACT FOR MANAGEMENT OF THE OCEANSIDE
MUNICIPAL AIRPORT**

City of Oceanside
Property Management
Memorandum

DATE: March 14, 2012
TO: Peter Weiss, City Manager
FROM: Douglas Eddow, Real Estate Manager
SUBJECT: Airport Property Ventures – Oceanside Municipal Airport Update

At Councilmember Kern’s request staff has been asked to provide an update of the lease and operation of the Oceanside Municipal Airport (“Airport”) by Airport Property Ventures (“APV”). On August 12, 2009, the City Council approved the Amended and Restate Lease and Operating Agreements (individually or collectively the “Agreements”) with APV, for the lease and operation of the Airport. Per the Agreements, APV is obligated to operate the Airport as a municipal airport and to make improvements to both the movement areas, if required, and the leased areas of the Airport. Set forth below is a summary of the activities conducted at the Airport and the improvements made or proposed to be made at the Airport by APV.

FINANCIAL

Status of APV annual minimum rent payments in accordance with the Agreements

- The minimum rent payment is automatically distributed to the City of Oceanside on the 15th of each month via APV’s bank. Total amount paid thus far, per year:
 - 2009 – \$27,000 (Sept.-Dec.)
 - 2010 – \$105,283
 - 2011 – \$100,254

Total revenue from the Airport to date

- 2009 (Sept. – Dec.): \$160,045.00
- 2010: \$477,876
- 2011: \$356,646

Percentage Rent payment status

- APV has not yet reached a revenue level whereby we would be required to pay a percentage rent.

Annual fuel sales status

- 2009 (Sept. – Dec.): \$44,362.11
- 2010: \$168,228.10
- 2011: \$163,118.95

Status of State of California (“Caltrans”) loan

- As the City receives the minimum monthly payments from APV a portion set aside to pay the entire amount needed for the Caltrans annual loan payment.

OPERATIONS

Status of Airport tenant population

- In April 2010, APV striped 18 new tie-down locations to accommodate additional tenants.
- 64 tenants in September 2009 compared to 68 tenants as of March 2012.

Number of available hangars during APV's Management of the Airport

- The number of available hangars has remained the same since APV began managing the Airport in September 2009. However, many of the hangars which were at the Airport when APV assumed management in September 2009 have deteriorated due to age and are considered to be not rentable.

Status of monthly runway operations

- During 2010, the Airport had 8,086 annual operations, which amounts to an approximate average of 22 operations per day.
- During 2011, the Airport had 6,849 annual operations, which amounts to an approximate average of 19 operations per day.
- APV ascertains that the operations were increased in 2010 due to the three (3) month closure of Palomar Airport for runway repairs. As a result of the closure, Palomar Airport tenants relocated to Oceanside Airport and therefore utilized the Airport for their landings and take-offs.
- In addition, the slowing economy in 2011 caused several Airport tenants to decrease their flight activity.

Status of safety related NOTAMS filed by APV

- APV has filed four (4) NOTAMS. One NOTAM related to the identifier lights not rotating, two NOTAMS related to the strobe light failure, and the other NOTAM related to smoke obstructing the flight path.

Status of APV fuel sales (per month)

- APV fuel sales by month are as follows:

GALLONS OF FUEL SOLD				
	2009	2010	2011	2012
JAN		1,899	2,224	2,726
FEB		1,844	1,376	
MAR		2,301	2,626	
APR		2,493	1,992	
MAY		6,278	1,619	
JUNE		4,637	1,529	
JULY		3,191	3,721	
AUG		3,386	3,775	
SEPT	2,683	2,654	3,824	
OCT	2,564	2,094	2,344	
NOV	2,381	2,753	3,026	
DEC	2,028	1,455	2,847	
TOTALS	9,656	34,985	30,903	

Fuel sales summary over the last two years

- Fuel sales have remained steady and competitively priced over the last two years. In 2010, the Airport did see a slight increase in fuel sales during the time that Palomar Airport was closed for repairs because many Palomar Airport tenants temporarily relocated to Oceanside during the closure.

Status of accidents or incidents at the Airport since APV's tenancy

- There have been three (3) on-airport accidents (on the runway) caused by pilots hitting their propellers on the runway. No serious injuries were reported.
- There have been two (2) off-airport accidents; one being a pilot who crashed at the old drive-in theater, and another crash near the intersection of El Camino Real and Mission.
- Both off-airport accidents were considered serious. The crash at the old drive-in theater resulted in pilot injury (loss of a finger), and the crash at El Camino Real and Mission resulted in a fatality.

Status of Airport use by emergency services providers (i.e. Life Flight, Mercy Air, Angel flight, etc.)

- In an average thirty (30) day period, Mercy Air uses the Airport about 2-3 times a month. Angel Flights comes in approximately once a month.

BUSINESS DEVELOPMENT

Airport marketing and advertising

- APV has been marketing the new hangar development via a direct mail campaign to existing tenants.
- APV has also marketed the new hangar development to members of Pacific Coast Flyers through the Pacific Flyer Newspaper.
- APV distributes "Visit Oceanside, California" brochures (as generated by the Oceanside Chamber of Commerce) at the front-desk in the terminal building.
- In addition, a comprehensive brochure rack featuring Oceanside area attractions, tours, and point of interest, is featured in the lobby of the terminal building.
- In 2009, APV designed and launched an Airport web site, www.OceansideMunicipalAirport.com, which is linked to the City's Airport web page.
- Although APV currently does not have any specific targets of promotion, moving forward, APV will work with the Oceanside Chamber of Commerce in assessing potential efforts for marketing and promotions.
- APV is currently a member of the Oceanside Chamber of Commerce.

Status of businesses operating at the Airport

- Two (2) businesses were in operation at the time APV assumed management of the Airport and those two businesses are still in operation (DanAir with 3 on-site employees and One Stop Aviation with 2 on-site employees).

Status of other businesses requesting to operate at the Airport

- The following businesses were denied access to operate at the Airport in writing: one (1) flight school and two (2) bi-plane ride businesses. Each of these businesses was denied because of the Citizens for a Better Oceanside (CBO) Agreement with the City of Oceanside.

- The Federal Aviation Administration (“FAA”) has recently advised the City that the sections of the CBO Agreement that deal with aeronautical activities cannot be enforced. The businesses that were denied have since been contacted by APV. They have been advised to resubmit their request in conducting business at the Airport.

COMMUNITY INTEGRATION

Status of noise complaints at the Airport

- Since managing operations at the Airport, APV has processed and responded to a total of nine (9) noise complaints from Oceanside residents. Overall, complaints have been lower since APV’s management, as four (4) of those noise complaints were received in September 2009.

Status of fines or access restrictions for any violators of the noise abatement procedures

- None.

Status of “on-airport” Community Liaison Officer program

- The Community Liaison Officer is the Manager of the Airport, Mr. Dennis Easto.
- Community activities at the airport include: meetings by the Oceanside Pilots Association; Oceanside Pilots Association annual picnic; meetings with the Citizens for a Better Oceanside; fly-in by various groups; and tours for Boy Scouts, Civil Air Cadets, and Disabled Children.
- The Oceanside Chamber of Commerce is currently working with APV on planning a possible Sundowner event for Summer 2012.

Status of meetings with regional Community Emergency Response Team (CERT) representatives

- APV has had numerous phone discussions with representatives of CERT.

Status of emergency preparedness drills at the Airport

- APV staff has been trained on the use of fire extinguishers in the terminal building as well as for external fires. APV staff has been trained on the proper procedures for testing the fuel tanks on a daily basis, how to control spills, and how to operate the emergency shut off valve for gas. On an annual basis, APV staff is trained on how to deal with hazardous materials, such as gas spills, oil spills, and evacuation procedures.

Status of community involved in the pre-development of the C&D hangars

- The pre-development planning for the C&D hangar development occurred prior to APV’s tenancy and community input for the entire hangar development, including the C&D hangars was solicited at that time.

MAINTENANCE

Maintenance actions taken by APV since September 2009

- Repaired roof, ceilings, and walls on main administration building caused by water damage over the years.
- Contracted with a landscape company to provide general maintenance services as well as comprehensive weed abatement.
- Repaired strobe lights for Airport runway.

- Replaced several old electrical outlets located inside the terminal building.
- Filled Airport parking lot pot holes.
- Installed new key-card reader and facility code cartridge for Airport entry/exit gates.
- Installed three area flood lights along the perimeter of the airplane parking area.
- Removed old broken pump from toilet tank in Airport bathroom and installed new pump.
- Replaced three bad lamps in the Beacon light, checked and tested rotation brushes, and cleaned all accessible parts.
- Repaired doors on Hangars #11, #14 and #15.
- Repaired main operating unit for West Entry/Exit Gate.
- Repaired door on Hangar #17.
- Replaced safety loop ground wire for west security gate.
- Installed new windsock.
- Replaced two trash cans.
- Installed two “No Littering” signs.
- Repaired and re-installed two runway lights
- Repaired small holes in midfield taxiway by applying new asphalt.
- Changed fuel filters on both fuel dispensers.
- Replaced south side strobe light lamp.
- Replaced 150-watt high pressure sodium lamp on north side of Building 6.
- Replaced 100-watt mercury vapor lamp on Building 4.
- Replaced two lamps on the RED light over main office building.
- Replaced one lamp at west end of the runway.
- Installed new Windsock.
- Worked with SDGE to restore power which was lost on the “B’ leg to Buildings 3, 4, & 5
- Repaired and lubed all rollers on Hangar #14.
- Made additional repairs to door on Hangar #15.
- Welded door and adjusted roller tracks on Hangar #16.
- Re-secured tracks on Hangar #17.
- Repaired door on Hangar #4.
- Repaired air-conditioning unit and plumbing fixtures in the main office building.
- Replaced burned out strobe light on north side of runway.
- Replaced blue runway light that was damaged by an errant landing.
- Installed new flasher unit for runway light.
- Engaged Bonsall Petroleum to fix a minor leak in a fuel line. Straightened dispenser frame and removed and re-doped fuel outlet piping.
- Power vacuum swept runway, taxiway, and surrounding grounds.
- Removed and replaced spring canister in duro hose reel of fuel pump.
- Re-welded door on Hangar #3 to allow for smoother opening and closing operations.
- Performed testing on fuel pumps.
- Poured ¾” cement rock on center median to help alleviate loose debris from gathering on tarmac during/after helicopter landings.
- Troubleshoot and repaired security light wiring.
- Replaced low pressure sodium lamps.
- Installed new light fixtures on terminal building.
- Adjusted roller tracks, re-riveted three-panels, and lubed door on Hangar 23.

- Repaired exit loop wire on West Gate.
- Replaced fuel filters on both fuel pumps.

FAA AND CALTRANS REGULATORY PROCESS AND FUNDING

Summary of the FAA and Caltrans improvement fund process

- APV, with assistance from the City, completes and submits the detailed forms that are required by both agencies. The approval times can vary from sixty (60) days or longer depending on the funding cycle. Once approved, all funds flow through the City then to the Airport fund.

Status of planned FAA and Caltrans funding projects

- In September 2010, with the assistance of APV, the City secured a FAA grant in the amount of \$141,778 for the update of the Airport Layout Plan. HNTB, a planning firm, is currently the primary consultant for this effort. APV is responsible for coordination of this work effort between the City, FAA, and HNTB. The FAA requested that this be completed prior to additional FAA grant funds being made available to the Airport for other projects because the layout plan had not been updated in the past ten (10) years.
- The draft Airport Layout Plan was completed in late 2011 and is currently at the FAA for review and approval.
- In September 2011, with the assistance of APV, the City received approval for a grant of FAA funds in an amount of approximately \$237,000. The City had not applied for FAA funds for a number of years and the funds were expiring. APV and the City have worked with the FAA to save and utilize the expiring funds. The following projects were approved by the FAA under this grant.
 - Design the rehabilitation of approximately 430,000 square-feet of existing Airport apron pavement
 - Design of approximately 10,000 linear-feet of perimeter fencing
 - Purchase and installation of two pedestrian access gates and an emergency vehicle access gate
- In November 2011, the City received approval for the disbursement of \$60,000 in grant funds from the Caltrans California Aid to Airports Program (CAAP) Division of Aeronautics. APV completed the grant application on behalf of the City. This program provides each airport in California with \$10,000 each year. The sponsor must apply each year to receive these funds. The City of Oceanside had not applied for these funds for a number of years and as a result the funds had and were expiring. APV was successful in getting Caltrans to not let these funds expire and the City received six (6) years of funding under this program.
- In December 2011, the City submitted a FAA grant application in the amount of \$164,627. The total cost of these improvements is \$173,292, with a City and State match totaling five percent, or \$8,665. APV prepared the grant application on behalf of the City for the follow projects:
 - Runway Lighting Upgrades/Electrical Vault (design only)
 - Water Service Line and Fire Hydrant
 - Terminal Building Restroom ADA Upgrades
- Upon a review of the analysis contained in the draft Airport Layout Plan, which was forwarded to the FAA in late 2011, a number of issues were identified that would require a major revision of the geometry of the Airport. HNTB determined the taxiways did not

meet the FAA requirements. They also determined that the property adjacent to the Deutsch property needs realignment which would require major adjustments of the property line and removal of walls and berms. In addition, there is also a pavement study being done by the Caltrans Division of Aeronautics that initially has revealed that the pavement on the Airport does not meet the required standards

- On January 12, 2012, several FAA officials met with the City and APV to discuss how the FAA can better support infrastructure improvements at the Airport. The discussion included the status of the Airport's FAA grants and how best to resolve some of the above mentioned issues.
- On February 6, 2012 there was a follow-up meeting with the FAA staff, Caltrans Division of Aeronautics staff, APV staff and City staff at the FAA Regional Headquarter offices in Hawthorne, California. This meeting resulted in the FAA requesting that all grant money awarded to the Airport be reviewed and funding changes updated, and that a new Master Plan be developed for the complete renovation of the Airport.
- February 2012, in accordance with the FAA's advice, APV is currently preparing a Request for Proposal for a Master Plan consultant. The procurement process will be in accordance with the FAA's federal procurement rules. Once a master plan consultant has been selected with approval of City staff, a new FAA grant application for the master plan work will be submitted by APV on behalf of the City to have this work undertaken for the Airport.

AIRPORT DEVELOPMENT

Status of the construction of the C&D hangars

- In October 2009, APV commenced the process to build ten (10) hangars (C&D hangar buildings), consisting of approximately of 16,000 SF of building area on existing foundations at the Airport. During the first quarter of 2010, APV began selecting consultants and establishing the bid process for the project. APV also began promoting these new hangars for rent to prospective tenants.
- During the third quarter of 2010, APV completed the bid process for the C&D hangar buildings. This process culminated with the selection of the hangar fabrication firm (Erect-A-Tube), the general contractor (MW Construction), and the architect (Howard Anderson + Associates).
- On February 8, 2011, a Developer's Conference was held with the City's Development Services Department regarding design and permit issues connected with the C&D hangar project. During that meeting, APV was advised that the existing foundation upon which the C&D hangars are to be constructed were never permitted nor inspected by the City's Building Division, and that a full drawing submittal and review would be required prior to receiving a building permit. Moreover, the construction drawings provided to APV by the City were incorrect and that the City was unable to locate the construction drawings or any other paperwork connected with the foundation project.
- On April 27, 2011, APV submitted a letter to the City which outlined the changed status and schedule of the C&D hangar project.
- In March - April 2011, after extensive research by Howard Anderson + Associates, contacting the original designer, contractor, engineers, and metal building fabricator, the correct construction drawings were obtained. As a result, APV had to undertake the

following extensive forensic work required to verify the as-built conditions of the existing foundation:

- In April 2011, APV engaged Group Delta Consultants to perform an updated soils report. Scope of work included visiting the site, reviewing the existing geotechnical investigation report, and providing updated geotechnical recommendations.
- In June 2011, APV engaged C.P.L. Detection to x-ray existing concrete slab to locate and confirm reinforcing and T-Mac Construction to expose perimeter footings and core drill the slab to confirm concrete thickness. The investigation showed no evidence that the foundation was constructed different from the drawings.
- In June 2011, Erect-A-Tube revised the metal hangar design and drawings to reflect current building codes and submitted information to be used for foundation analysis. In July 2011, APV engaged Schmit Engineering to perform an analysis of the existing as-built foundation systems to determine if the existing foundation is adequate or if the footings would require additional reinforcement. It was found that some additional foundation work will be required to meet City standards.
- On July 14, 2011, project architect, Howard Anderson + Associates, submitted construction drawings for the C&D hangars for plan check review.
- On August 2011, plan check comments were received by Planning, Building and Engineering Divisions. The Planning and Engineering Divisions approved the revisions. However, the Building Division made several other corrections and additions such as site and facility accessibility, including ADA restrooms in the terminal building.
- On September 21, 2011, the revisions were resubmitted to Building Department and approved.
- On September 28, 2011, plan check comments were received by Fire Department, which included the installation of a water line and fire hydrant. The existing water outside of the Airport was not suitable for the required water line.
- On November 06, 2011, the revisions were resubmitted to Fire Department and approved.
- In December 2011, APV (through the City) submitted a FAA grant request for the water service/fire hydrant costs.
- Currently, APV is awaiting approval of its loan request and the FAA grant for the construction of the C&D hangars and related improvements within the next forty-five (45) days. Upon final approval of the project financing, APV is prepared to have its contractor begin steel fabrication.
- Per the construction schedule, the steel fabrication will take approximately (10) weeks to complete; the site work and foundation construction approximately six (6) weeks; and the metal building erection approximately twelve (12) weeks to complete. The fabrication and site/work foundation can be done simultaneously. Moreover, bathrooms in the terminal building will require an upgrade, which will be done simultaneously with the building erection. In total, the construction period is anticipated to take approximately 22-25 weeks.

Status of the remainder of the “South Side” development

- The delay in C & D hangar construction is not related to any future delay in the development of the remainder of the “South Side” improvements. The future delay is as a result of findings by HNTB, who prepared the Airport Layout Plan and the resultant review and request by the FAA to complete a new Master Plan.

- Additional improvements to the “South Side” such as the restaurant (if feasible) and an aircraft wash facility will be determined through the new Master Plan process.

Development Scheduling

- Regarding the Predevelopment item referenced in the Development Schedule attached to the Agreements, APV has submitted a grant application to the FAA, which was awarded in September of 2010. Said grant was needed to update the Airport Layout Plan, which was required by the FAA before other funding could be made available for airport improvements.
- The Airport Layout Plan has been completed and submitted to the FAA and is pending approval. Further, as part of the Predevelopment requirement, APV another grant application has been submitted to the FAA for improvements to the movement areas that is also pending approval by the FAA.
- Regarding the schedule for the construction of the C&D hangars, APV had submitted its building plans to the City to obtain the requisite regulatory approvals. However, due to the incomplete prior approval process for the construction of the foundation pads and the construction of the A&B hangars in 2005, unforeseeable delays have been encountered as a result of the requirement to include additional improvements (e.g., building mitigation measures to offset concrete pad reinforcement, installation of fire suppression improvements, etc.). The required additional improvements also significantly increased costs, which necessitated the need to identify additional equity and/or lending sources.
- Lastly, the Settlement Agreement with Deutsch will allow for the commencement of the development planning for the “North Side” additional Airport property, which includes needed analysis of access to the property by planes and from the street.