



**SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY
STAFF REPORT**

**Item No.
16**

Meeting Date: **JULY 7, 2011**

Subject:

Grant a Site Lease to AFCO CRDC SAN LLC for Development and Construction of a Central Receiving and Distribution Center (CRDC); Approve an Installment Purchase Agreement with AFCO CRDC SAN LLC to Finance, Design, and Build the CRDC; and Authorize the President/CEO to Execute the Site Lease and Installment Purchase Agreement

Recommendation

Adopt Resolution No. 2011-0080, authorizing the President/CEO to grant a site lease to AFCO CRDC SAN LLC for development and construction of a Central Receiving and Distribution Center (CRDC) for a maximum term of twenty (20) years; and execute an installment purchase agreement with AFCO CRDC SAN LLC to finance, design, and build the CRDC with Leadership in Energy and Environmental Design (LEED) Silver Criteria in an amount not to exceed \$18,238,001.00 with payments scheduled over a maximum twenty (20) year term.

Background/Justification:

At its July 1, 2010, meeting, the Board was informed of staff's research of potential alternative project development and financing options for upcoming projects on the north side of San Diego International Airport. Staff further informed the Board that candidate projects would be recommended to the Board on a project-by-project basis. At its September 2, 2010, meeting, the Board was informed that a Request for Qualifications (RFQ) would be released requesting that development teams submit qualifications to design, build, and finance a CRDC, sized at approximately 21,000 square feet.

The development of a CRDC is needed to centralize and consolidate most goods delivered to the airport, increase the number of receiving docks to accommodate increased throughput associated with the expanded Concession Development Program, and accommodate future potential TSA security screening requirements for goods delivered to the airport. The CRDC needs to be operational by December 1, 2012, to coincide with the opening of new concessions under the Concession Development Program.

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On October 25, 2010, twelve development teams submitted statements of qualifications in response to the RFQ. All respondents were determined to be qualified and invited to participate in a Request for Proposals (RFP) process. The RFP proposed that the Authority lease the project site to the selected firm (Site Lease) for one dollar (\$1.00) per year and execute an Installment Purchase Agreement (IPA) to finance, design and build the facility. When construction is completed and accepted by the Authority, the Authority will begin to make installment purchase payments to the developer for a term of up to 20 years at the conclusion of which the Authority will own the facility. The IPA includes an early buy-out option, which could be exercised by the Authority, in its discretion, at any time during the Site Lease, allowing it to take ownership of the facility by paying a lump sum purchase price. In addition to the base proposal price, the RFP also required development teams to submit three alternative cost proposals to build the CRDC to LEED certified, silver and gold standards.

On February 18, 2011, the Authority issued the RFP to the twelve development teams pre-qualified for this opportunity. Six proposals were received by the April 26, 2011, submittal deadline from the following entities:

- Aero San Diego, LLC
- AFCO CRDC SAN LLC
- Pacific Airport Ventures, LLC
- P3 Solutions Group, LLC
- Pegasus SAN, LLC
- Turner Construction Company

The evaluation panel convened on May 11, 2011, to determine the panel's highest scoring development teams to invite for interviews. As stated in the RFP, development teams were evaluated on the following criteria:

- Contract Sum Proposal
- Lease Buy Out Option
- Technical Proposal (which included technical evaluation of the proposed design, Respondent Team design and construction expertise, and proposed implementation schedule)
- Life Cycle Costs Analysis
- Board Policy 5.14 (Small Business, Local Business and Service Disabled Veteran Owned Small Business Goal and Preference Program)

The panel determined that the following three development teams had the highest scoring and that they would proceed to the interview phase of the solicitation:

- Aero San Diego, LLC
- AFCO CRDC SAN LLC
- P3 Solutions Group, LLC

On May 18, 2011, interviews were conducted. Each development team provided a presentation of its qualifications and responded to prepared questions which targeted the evaluation criteria presented in the RFP. Following interviews, the evaluation panel evaluated the development teams on the same criteria above except for Board Policy 5.14, which according to the policy, is not to be used in the final ranking of solicitations. The panelists' final rankings are presented in the matrix below:

Final - Evaluation Criteria	Contract Sum Proposal	Lease Buy-out Option	Drawings and Spec.	Schedule	Team Exp.	Life Cycle Cost Analysis	Total
Maximum Points	45	10	20	5	5	10	95
Aero San Diego, LLC	36	9	16	2	1	1	65
AFCO CRDC SAN LLC	45	3	16	3	4	0	71
P3 Solutions Group, LLC	*0	*0	13	1	3	4	21

*Note: During the evaluation panel interview, the panel determined that P3 Solutions Group, LLC failed to provide fixed financial terms in their proposal, as specified in the RFP. Their Contract Sum Proposal fee submitted in their proposal was subject to future financing which could expose the Authority to interest rate and market access risk, as well as schedule risk.

The evaluation panel selected AFCO CRDC SAN LLC as the best qualified development team to design, build and finance the CRDC. Therefore, staff recommends granting a Site Lease to AFCO CRDC SAN LLC for development of a CRDC for a maximum term of twenty (20) years, and entering into an installment purchase agreement with AFCO CRDC SAN LLC to finance, design and build the CRDC with LEED Silver Certification for an amount not to exceed \$18,238,001.00 with payments scheduled over a maximum twenty (20) year term. Targeting LEED Silver Certification for the CRDC is recommended per the Memorandum of Understanding between the State of California Attorney General and Authority which recommends that the Authority strive to construct all new facilities to meet LEED Certification of Silver or better. The LEED Silver price proposal for AFCO CRDC SAN LLC is \$125,000 over the base proposal price.

Fiscal Impact:

Assuming the maximum twenty (20) year term, total installment purchase agreement payments of \$18,238,001.00 will be paid in 240 equal monthly installments of \$75,991.67. As required in the installment purchase agreement, funding for the amounts due under the agreement will be from any legally available funds of the Authority after payment of all Authority Operation and Maintenance Expenses, all amounts necessary to pay debt service on and to fund the reserves for the Authority's Outstanding Senior and Subordinate Debt Obligations and amounts necessary to fund the Authority's Operation and Maintenance Reserve Subaccount and Renewal and Replacement Subaccount in accordance with the Master Trust Indenture. Funding will be reflected in the annual budget to be adopted by the Authority's Board.

Environmental Review:

- A. The construction and operation of the CRDC was evaluated subject to the California Environmental Quality Act ("CEQA"), Pub. Res. Code §21065, as a project in a Final Negative Declaration (SCH#2010111087; SDCRAA #ND-10-01) certified by the SDCRAA on March 3, 2011 in Resolution Number 2011-0030.
- B. The construction and operation of the CRDC was determined by the California Coastal Commission on May 11, 2011 to be a project waived from the requirement for a Coastal Development Permit, Waiver De Minimis Number 6-11-025-W, pursuant to Title 14, §13238 of the California Code of Regulations.

Equal Opportunity Program:

The Authority's small business program promotes the utilization of small, local, disadvantaged, and other business enterprises on all contracts, to provide equal opportunity for qualified firms. By providing education programs, making resources available, and communicating through effective outreach, the Authority strives for diversity in all contracting opportunities.

The Authority has a Disadvantaged Business Enterprise ("DBE") Plan as required by the Department of Transportation, 49 CFR Part 26. The DBE Plan calls for the Authority to submit an annual overall goal for DBE participation on all federally funded projects.

This project does not utilize federal funds; therefore, it will not be applied toward the Authority's over-all DBE goal.

Prepared by:

VERNON D. EVANS
VICE PRESIDENT, FINANCE/TREASURER

RESOLUTION NO. 2011-0080

A RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY, AUTHORIZING THE PRESIDENT/CEO TO GRANT A SITE LEASE TO AFCO CRDC SAN LLC FOR DEVELOPMENT AND CONSTRUCTION OF A CENTRAL RECEIVING AND DISTRIBUTION CENTER (CRDC) FOR A MAXIMUM TERM OF TWENTY (20) YEARS; AND TO EXECUTE AN INSTALLMENT PURCHASE AGREEMENT WITH AFCO CRDC SAN LLC TO FINANCE, DESIGN AND BUILD THE CRDC WITH LEADERSHIP IN ENERGY AND ENVIRONMENTAL DESIGN (LEED) SILVER CRITERIA FOR AN AMOUNT NOT TO EXCEED \$18,238,001.00 WITH PAYMENTS SCHEDULED OVER A MAXIMUM TWENTY (20) YEAR TERM:

WHEREAS, at its July 1, 2010 meeting, the Board was informed of staff's research of potential alternative project development and financing options for upcoming projects on the north side of San Diego International Airport and that candidate projects would be recommended to the Board on a project-by-project basis; and

WHEREAS, the development of a CRDC is needed to centralize and consolidate most goods delivered to the airport, increase the number of receiving docks to accommodate increased throughput associated with the expanded Concession Development Program, and accommodate future potential TSA security screening requirements for goods delivered to the airport; and

WHEREAS, at its September 2, 2010 meeting, the Board was informed that a Request for Qualifications (RFQ) would be released to request development teams to submit their qualifications to design, build and finance a CRDC, sized at approximately 21,000 square feet; and

WHEREAS, on October 25, 2010, twelve development teams submitted statements of qualifications for the RFQ and all respondents were subsequently determined to be qualified and invited to participate in a Request for Proposal (RFP) process; and

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WHEREAS, the RFP proposed that the Authority lease the project site to the selected firm (Site Lease) for one dollar (\$1.00) per year, execute an Installment Purchase Agreement (IPA) to finance, design and build the facility, and in addition to the base proposal price, development teams were requested to submit three alternative cost proposals to build the CRDC to LEED certified, silver and gold standards; and

WHEREAS, the IPA includes an early buy-out option, which could be exercised by the Authority in its discretion, at any time during the Site Lease allowing the Authority to take ownership of the facility by paying a lump sum purchase price; and

WHEREAS, on February 18, 2011, the Authority issued the RFP to the twelve development teams pre-qualified for this opportunity and six proposals were received by the April 26, 2011 submittal deadline; and

WHEREAS, the evaluation panel convened on May 11, 2011 to review the six written proposals, to determine the panel's highest scoring development teams, and to invite three development teams for interviews; and

WHEREAS, the teams were evaluated on contract sum proposal, lease buyout option, technical proposal (including proposed design, construction expertise, and proposed implementation schedule), life cycle cost analysis and Board Policy 5.14 (Small Business, Local Business and Service disabled Veteran Owned Small Business Goal and Preference Program); and

WHEREAS, the evaluation panel determined that Aero San Diego, LLC, AFCO CRDC SAN LLC, and P3 Solutions Group, LLC would proceed to the interview phase of the solicitation; and

WHEREAS, the documents for this project require that prevailing wage be paid by AFCO CRDC SAN LLC and its contractors for this public works project; and

WHEREAS, on May 18, 2011 interviews were conducted and following deliberation, the evaluation panel determined that AFCO CRDC SAN LLC was the best qualified development team to design, build, and finance the CRDC; and

NOW, THEREFORE, BE IT RESOLVED that the Board hereby AUTHORIZES the President/CEO to grant a site lease to AFCO CRDC SAN LLC for development and construction of a CRDC for a maximum term of twenty (20) years and to execute an installment purchase agreement with AFCO CRDC SAN LLC to finance, design and build the CRDC with Leadership in Energy and Environmental Design (LEED) Silver Criteria for an amount not to exceed \$18,238,001.00 with payments scheduled over a maximum twenty (20) year term.

BE IT FURTHER RESOLVED that the Board **APPROVES**, as required in the installment purchase agreement, that funding for the amounts due under the agreement will be from any legally available funds of the Authority after payment of all Authority (a) Operation and Maintenance Expenses, (b) all amounts necessary to pay debt service on and to fund the reserves for the Authority's Outstanding Senior and Subordinate Debt Obligations, and (c) amounts necessary to fund the Authority's Operation and Maintenance Reserve Subaccount and Renewal and Replacement Subaccount in accordance with the Master Trust Indenture.

BE IT FURTHER RESOLVED that the Board **DIRECTS** that funding will be reflected in the Authority's annual budget to be adopted by the Authority's Board of Directors; and

BE IT FURTHER RESOLVED that the Board of the San Diego County Regional Airport Authority (SDCRAA) **FINDS** that the construction and operation of the CRDC project was evaluated subject to the California Environmental Quality Act in a Final Negative Declaration (SCH#2010111087; SDCRAA #ND-10-01) adopted by the SDCRAA on March 3, 2011 in Resolution No. 2011-0030; and was determined by the California Coastal Commission on May 11, 2011 to be a project waived from the requirement for a Coastal Development Permit, Waiver De Minimis Number 6-11-025-W, pursuant to Title 14, Section 13238 of the California Code of Regulations.

PASSED, ADOPTED, AND APPROVED by the Board of the San Diego County Regional Airport Authority at a regular meeting this 7th day of July, 2011, by the following vote:

AYES: Board Members:

NOES: Board Members:

ABSENT: Board Members:

ATTEST:

TONY R. RUSSELL
**DIRECTOR, CORPORATE SERVICES/
AUTHORITY CLERK**

APPROVED AS TO FORM:

BRETON K. LOBNER
GENERAL COUNSEL

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ITEM 16

San Diego County Regional Airport Authority

**Grant a Site Lease to AFCO CRDC
SAN LLC to Design, Build, and Finance
a Central Receiving and Distribution
Center (CRDC)**

**Vernon D. Evans, CPA
Vice President, Finance/Treasurer**

July 7, 2011

CRDC

Purpose:

- Centralize and consolidate receiving and distribution of goods delivered to airport
- Replace former loading docks at Terminal 2 West and increase the number of loading docks to accommodate larger concession program
- Provide a facility to accommodate future TSA security screening requirements for goods delivered to airport

CRDC Location Map



Not to Scale

Source: San Diego County Regional Airport Authority, February 2011.
Prepared by: San Diego County Regional Airport Authority, February 2011.

Figure 4
Project Location at San Diego International Airport

CRDC Development Selection Timeline

- July 2010 Board informed of staff's research of potential alternative project development and financing options for north side projects
- Sept 2010 Board informed that RFQ would be released for development teams to design, build and finance a CRDC
- Oct 2010 RFQ submittals received
- Feb 2011 RFP released

RFP Provisions

- Site Lease
- Installment Purchase Agreement (IPA)
- Buy-out Option
- Base Price Proposal Plus LEED Alternative Price Proposals



CRDC Development Selection Timeline

(Continued)

- Mar 2011 Board adopted CEQA Negative Declaration
- April 2011 RFP submittals received
- May 2011 Authority receives Coastal Development Permit Waiver for CRDC from Coastal Commission
- May 2011 Evaluation panel selects preferred development team

CRDC Development Team – Evaluation Matrix

Evaluation Criteria	Contract Sum Proposal	Lease Buy-out Option	Drawings and Spec.	Schedule	Team Exp.	Life Cycle Cost Analysis	Total
Maximum Points	45	10	20	5	5	10	95
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Proposed Facility



Central Receiving and Distribution Center



**AIRPORTS FUEL
REGIONAL ECONOMIES**

Financial Benefits of the CRDC Alternative Financing Approach

Compared to traditional bond financing for the CRDC Project, the AFCO proposal offers several advantages:

- AFCO's proposed project costs are below the Authority's estimated project cost
- The project will be completed in less time than utilizing other project delivery methods, which is critical in meeting the Concession Development Program timeline
- No need for the Authority to structure a bond issue or issue Commercial Paper
- No financing risk if interest rates rise
- No impact on the Authority's Debt Service Coverage (DSC) ratio
 - If bond funded, the CRDC Project would reduce DSC by about 0.03x each year

CRDC Development Team Recommendation

Adopt Resolution No. 2011-0080, a) granting a site lease to AFCO CRDC SAN LLC for development and construction of a CRDC for a maximum term of twenty (20) years; and b) approving an installment purchase agreement with AFCO CRDC SAN LLC to finance, design and construct the CRDC with Leadership in Energy and Environmental Design (LEED) Silver Criteria for an amount not to exceed \$18,238,001.00 with payments scheduled over a maximum twenty (20) year term.

Next Steps

- Construction begins 4th Quarter CY2011
- Facility Operational – December 1, 2012

Questions

