

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS  
AGENDA ITEM TRANSMITTAL**

<p>(1) DEPARTMENT General Services Agency – Airport Services</p>	<p>(2) MEETING DATE 7/23/2013</p>	<p>(3) CONTACT/PHONE Richard Howell 781-5205</p>	
<p>(4) SUBJECT Terminal development report and request for approval of Schematic Design Phase results (Phase 2) of Terminal Design/Development Project for the San Luis Obispo County Regional Airport (SBP) and request authorization to move to third and final phase, Design Development of the project.</p>			
<p>(5) RECOMMENDED ACTION It is recommended that the Board:  1. Receive and file the report, and  2. Approve the Phase 2 Schematic Design results of Passenger Terminal Design/Development at San Luis Obispo County Regional Airport (SBP) and authorize Airport Services to move to Phase 3 Design Development.</p>			
<p>(6) FUNDING SOURCE(S) FAA AIP Grants: \$1,090,127 Passenger Facility Charges: \$57,375 Total Project: \$1,147,502</p>	<p>(7) CURRENT YEAR FINANCIAL IMPACT \$549,070 Design expense</p>	<p>(8) ANNUAL FINANCIAL IMPACT \$598,432 Design expense</p>	<p>(9) BUDGETED? Yes</p>
<p>(10) AGENDA PLACEMENT  <input type="checkbox"/> Consent    <input type="checkbox"/> Presentation    <input type="checkbox"/> Hearing (Time Est. ___)    <input checked="" type="checkbox"/> Board Business (Time Est. 30 min.)</p>			
<p>(11) EXECUTED DOCUMENTS  <input type="checkbox"/> Resolutions    <input type="checkbox"/> Contracts    <input type="checkbox"/> Ordinances    <input checked="" type="checkbox"/> N/A</p>			
<p>(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A</p>		<p>(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: N/A  <input type="checkbox"/> 4/5th's Vote Required    <input checked="" type="checkbox"/> N/A</p>	
<p>(14) LOCATION MAP N/A</p>	<p>(15) BUSINESS IMPACT STATEMENT? N/A</p>	<p>(16) AGENDA ITEM HISTORY  <input type="checkbox"/> N/A    Date: 3/5/2013, 3/6/2012, 9/6/2011, 8/2/2010</p>	
<p>(17) ADMINISTRATIVE OFFICE REVIEW Vincent Morici</p>			
<p>(18) SUPERVISOR DISTRICT(S) District 3 -</p>			

# County of San Luis Obispo



TO: Board of Supervisors

FROM: General Services Agency / Richard Howell  
781-5205

DATE: 7/23/2013

SUBJECT: Terminal development report and request for approval of Schematic Design Phase (Phase 2) of Terminal Design/Development Project for the San Luis Obispo County Regional Airport (SBP) and request authorization to move to third and final phase, Design Development of the project.

## **RECOMMENDATION**

It is recommended that the Board:

1. Receive and file the report, and
2. Approve the Phase 2 Schematic Design results of Passenger Terminal Design/Development at San Luis Obispo County Regional Airport (SBP) and authorize Airport Services to move to Phase 3 Design Development.

## **DISCUSSION**

### **Report**

On March 5, 2013 the Board requested specific information relating to the experience of other communities that have developed new or expanded terminal facilities. The ultimate goal is to determine whether there was a return on an investment by the communities.

Data was collected regarding the development of terminals at ten airports in the United States. Information from Federal Aviation Administration (FAA) databases provided enplanement level trends and information as to the effect a new facility had on airport revenues. Included in the enplanement analysis is a comparison of the San Luis Obispo County Regional Airport (SBP) during the same period.

An attempt to present a balanced analysis of this information has been made but it is important to remember that in the middle of the time line is the Great Recession that extended from December 2007 until June 2009. This financial event obviously had great impact on air travel while at the same time the price of oil was reaching levels never before experienced in this Country. In the case of SBP, the Airport lost 38% of its capacity as carriers responded to the price of oil. We were not the only community that experienced such losses.

Table 1 presents a list of airports that renovated, expanded or constructed new terminals beginning in 2004. The table identifies the year the work was completed and the cost of building construction.

Airport Name	Type Work	Year Completed	Building Cost
Traverse City MI	New	2004	\$24,600,000
Gainesville, FL	E/R	2006	\$6,409,072
Asheville, NC	E/R	2009	\$7,849,000
Springfield, MO	New	2009	\$67,653,000
Amarillo, TX	E/R	2011	\$37,894,222
Bozeman, MT	E/R	2011	\$42,888,000
St George, UT	New	2011	\$6,482,751
Kalamazoo, MI	New	2011	\$33,322,050
Peoria, IL	New	2011	\$32,701,000
Flint, MI	Expansion Only	2011	\$13,530,000

Table 1: Sample Airports

E/R= Expansion and Renovation of Existing Facility

Enplanement Impacts

Annual enplanements for the sample airports from 2003-2011 were extracted from the Air Carrier Activity Information System managed by the FAA.

The results of the analysis were mixed. Six airports experienced increases in enplanement activity with 30% of the airports seeing double digit increases. Four airports experienced losses with one community seeing a double digit decrease. One community saw a less than 1% decrease (Amarillo, TX). Charts 1 and 2 present groupings of airports that experienced increases or declines in enplanement levels in comparison to the year prior to opening the new or modified facility. The red marker box on each data line represents the year the new facility was opened. As previously mentioned a line representing the enplanement activity at the SBP is provided for reference.

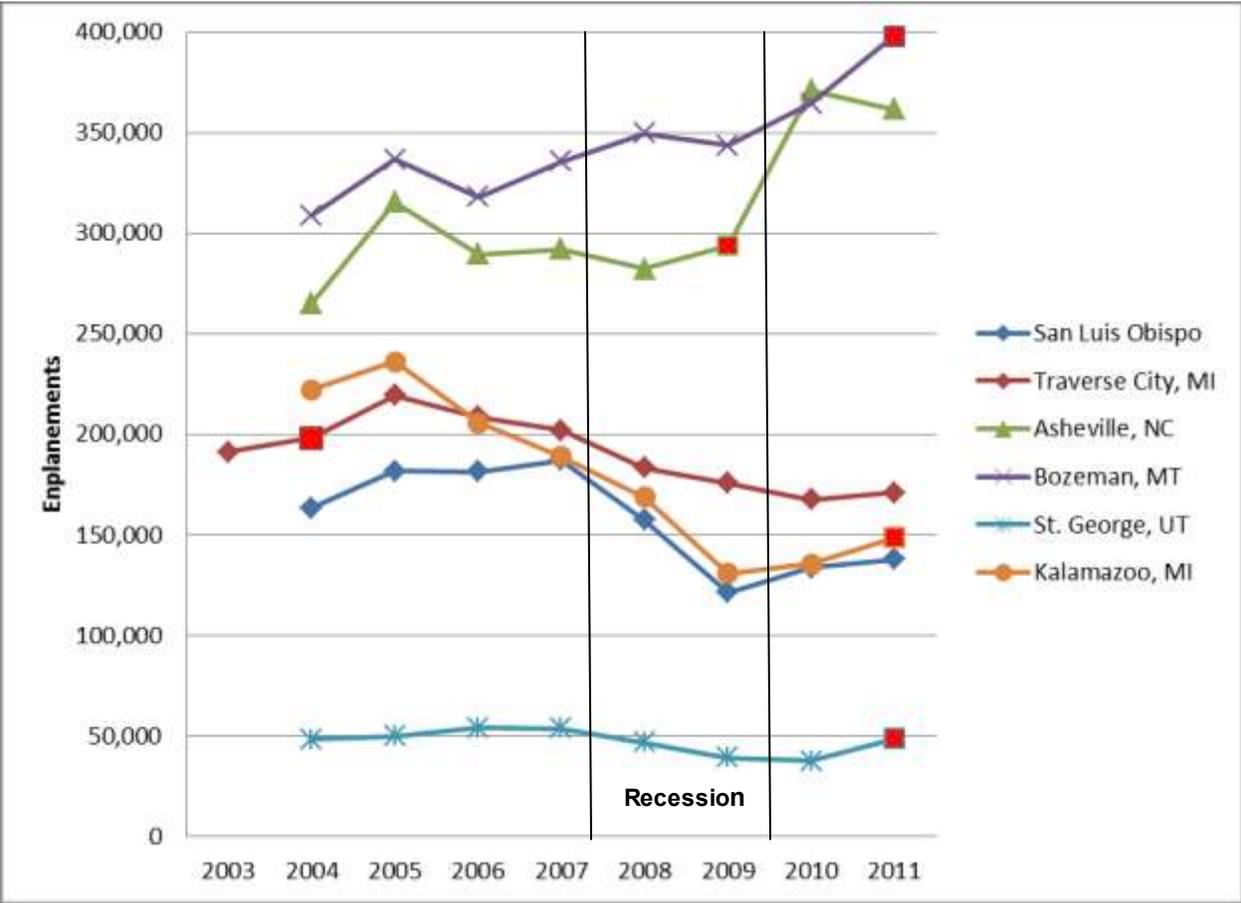


Chart 1: Terminal Development Resulting in Passenger Increases Compared to Year Prior to Opening

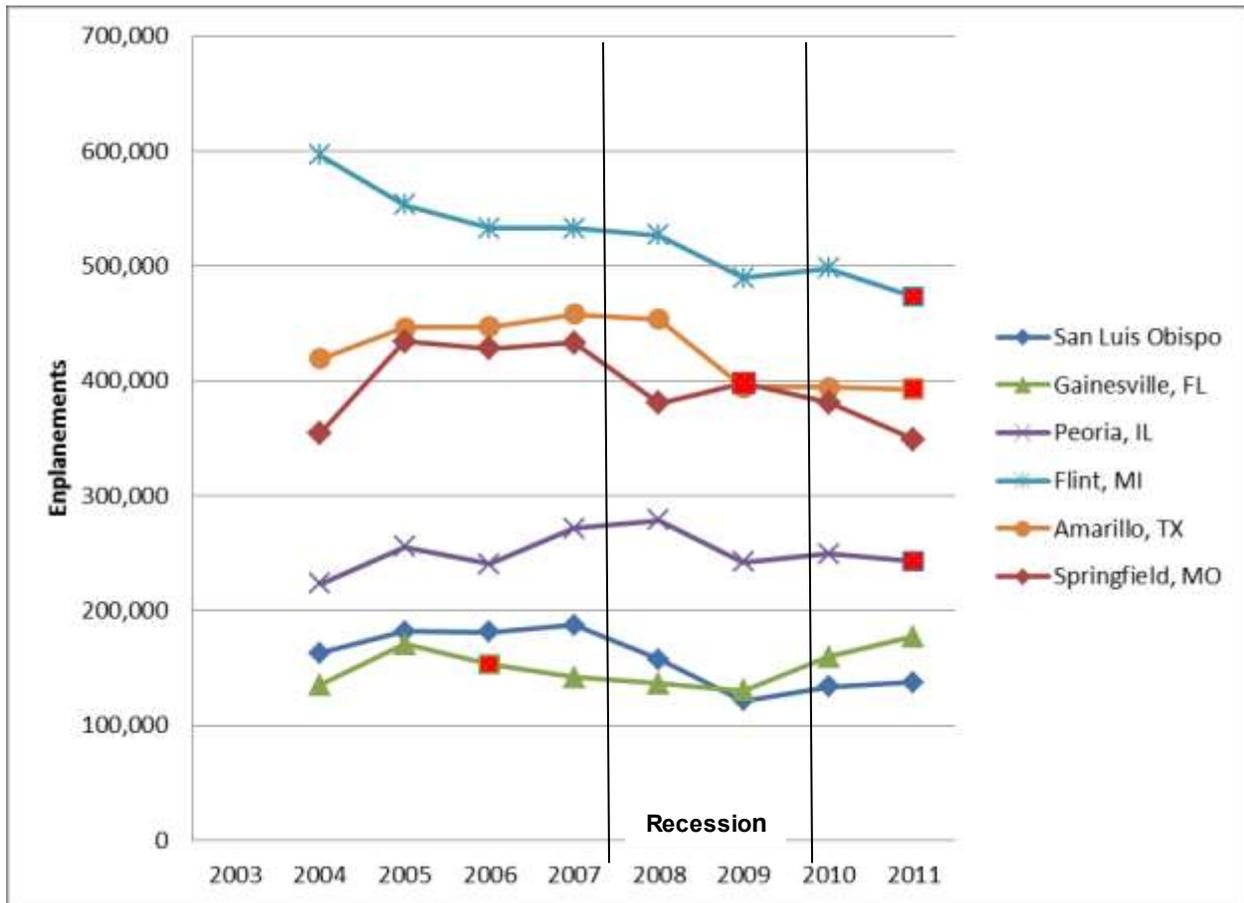


Chart 2: Terminal Development Resulting in Passenger Decreases Compared to Year Prior to Opening

Table 2 below combines the information relating to enplanements for the sample airports to establish an overall average impact to enplanements.

Airport	Enplanement numbers the year before the terminal project completed	Difference in enplanements
Traverse City, MI completed in 2004	191,166	7,023
Gainesville, FL completed in 2006	171,036	-17,504
Asheville, NC completed in 2009	282,306	11,483
Springfield, MO completed in 2009	380,419	17,606
Amarillo, TX completed in 2011	394,593	-1,778
Bozeman, MT completed in 2011	364,521	-6,697
St George, UT completed in 2011	37,596	33,349
Kalamazoo, MI completed in 2011	135,555	10,986
Peoria, IL completed in 2011	249,595	13,079
Flint, MI completed in 2011	497,649	-24,536
Total	2,704,436	43,011
Total difference in enplanements divided by total prior year enplanements	2%	

Table 2: Average impact to enplanements

Taken together, the overall average was a 2% **increase** in enplaned passengers the year the facility opened. Applying the rate of change to the San Luis Obispo enplanement numbers would reflect an increase of 2,500.

Revenue Impacts

While enplanements are an important measure, the opening of a new facility also presents opportunities for revenue generation not always available in an older building. For example, existing tenants have the ability to rent larger spaces, new concession opportunities present themselves and the cost of maintenance generally goes down.

Revenue information from the sample airports that opened facilities was reviewed. The information was collected from annual reports filed with the FAA.

The analyses of the results showed that three of the ten airports showed a decline. Seven of the airports saw an increase in overall revenue (Chart 3) at the airport when the new facility opened. Of the remaining that did not (Chart 4), two facilities opened during the Great Recession (2008-2009) and represented the largest drop in revenues in the sample group. As with the tables above the comparison is to the year prior to opening the new or modified facility. The red marker box on each data line represents the year the new facility was opened and a line representing the revenue activity at the SBP is provided for reference.

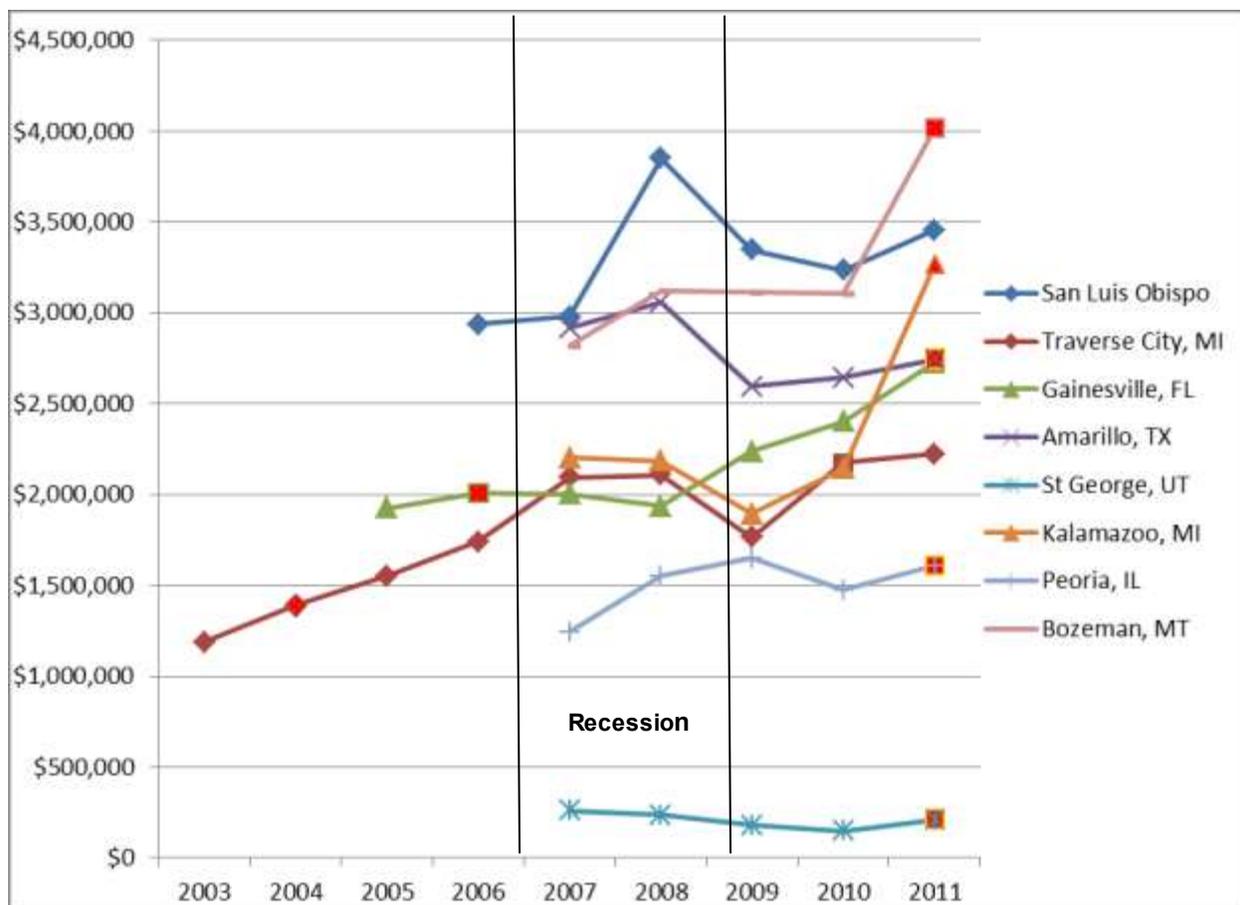


Chart 3: Terminal Development Resulting in Revenue Increases Compared to Year Prior to Opening

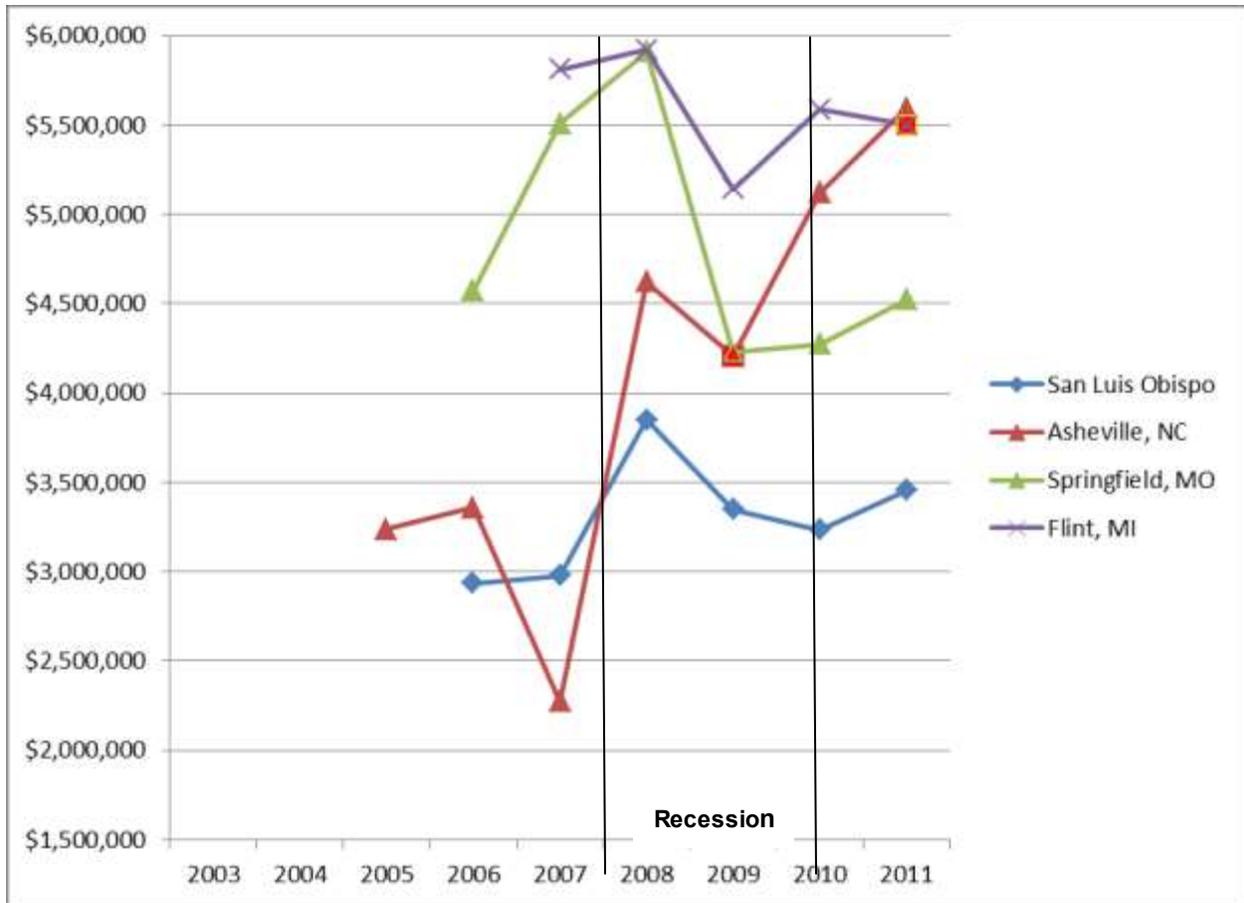


Chart 4: Terminal Development Resulting in Revenue Decreases Compared to Year Prior to Opening

It can't be overstated the impact the recession had on airports across the country. Looking at Asheville, NC and Springfield, MO that opened facilities during the Recession and took revenue hits it is seen their revenues begin recovering after the recession.

<b>Airport</b>	<b>Revenues in year prior to terminal project completion/operation</b>	<b>Difference in revenues year of terminal completion/operation and prior year</b>
Traverse City, MI completed in 2004	\$1,187,652	203,348
Gainesville, FL completed in 2006	\$1,926,034	82,966
Asheville, NC completed in 2009	\$2,273,000	-414,000
Springfield, MO completed in 2009	\$5,508,000	-1,679,000
Amarillo, TX completed in 2011	\$2,644,000	101,000
Bozeman, MT completed in 2011	\$148,480	64,520
St George, UT completed in 2011	\$2,144,000	1,123,000
Kalamazoo, MI completed in 2011	\$1,476,000	133,000
Peoria, IL completed in 2011	\$3,106,000	910,000
Flint, MI completed in 2011	\$5,587,000	-86,000
<b>Total</b>	<b>\$26,000,166</b>	<b>438,834</b>
Average revenues compared to prior year total		2%

Table 3: Average impact to airport revenues

Taken together, the average increase in revenue at an airport opening a new, expanded or renovated facility was 2% but development of the information is somewhat limited due to the majority of facilities opening in 2011. To present a clearer picture we have analyzed four of the airports that had facilities open three or more years. Enplanement and revenue impacts to Traverse City, MI, Gainesville, FL, Asheville, NC, and Springfield, MO are presented in Tables 4 and 5 respectively.

<b>Airport</b>	<b>Opening</b>	<b>2011</b>	<b>Number Difference Between Opening date and 2011</b>	<b>Percent Difference Between Opening date and 2011</b>
Traverse City, MI completed in 2004	198,189	170,977	-27,212	-13.7%
Gainesville, FL completed in 2006	153,532	177,282	23,750	15.5%
Asheville, NC completed in 2009	293,789	361,617	67,828	23.1%
Springfield, MO completed in 2009	398,025	349,091	-48,934	-12.3%
<b>TOTALS</b>	<b>1,043,535</b>	<b>1,060,978</b>	<b>17,443</b>	<b>1.7%</b>

Table 4: Enplanement difference between opening and 2011 for Airports open longer than 3 years

<b>Terminal</b>	<b>Opening</b>	<b>2011</b>	<b>Revenue Difference Between Opening date and 2011</b>	<b>Percent Difference Between Opening date and 2011</b>
Traverse City, MI completed in 2004	\$1,391,000	\$2,224,000	\$833,000	60%
Gainesville, FL completed in 2006	\$2,009,000	\$2,726,000	\$717,000	36%
Asheville, NC completed in 2009	\$4,208,000	\$5,592,000	\$1,384,000	33%
Springfield, MO completed in 2009	\$4,230,000	\$4,522,700	\$292,700	7%
<b>TOTALS</b>	<b>\$11,838,000</b>	<b>\$15,064,700</b>	<b>\$3,226,700</b>	<b>27%</b>

Table 5: Revenue difference between opening and 2011for Airports open longer than 3 years

Over the span of some time, it would appear that other communities have experienced benefits in revenue creation that goes beyond the development of enplanements resulting from a new or enhanced facility. While hard to assess with new facilities generally comes new opportunities for revenue generation from the existing enplanement group. New concessions, larger spaces for tenants, and new opportunities for business in the facility can drive increased revenues.

Predicting the outcome for the San Luis Obispo County Regional Airport is difficult. The volatility of airline industry seems to be ongoing and there is no guarantee that construction of new terminal will generate additional revenue. Table 6 presents estimated revenue increases associated with an increase in revenues using the FY 2011-12 revenue totals for the Airport. These estimates are not intended as a forecast of revenue increases associated with the construction of a new terminal at the San Luis Obispo Airport. Rather they are intended to provide context to the revenue amounts if revenue is generated through such construction.

	<b>Revenue Amount</b>	<b>Amount of Revenue increase</b>
FY 2011-12 SLO Airport Revenue	\$2,212,572	\$0
2% increase in revenue	\$2,256,823	\$44,251
5% increase	\$2,323,201	\$110,629
10% increase	\$2,433,829	\$221,257.20
15% increase	\$2,544,458	\$331,886
20% increase	\$2,655,086	\$442,514.40
25% increase	\$2,765,715	\$553,143.00

Table 6: Estimates of Revenue Impacts.

### **Terminal Development Project**

On August 18, 2010, with the Board's approval, Airport Services accepted a grant under the Federal Aviation Administration (FAA) Airport Improvement Program (AIP) for Design Services of a new terminal building.

On September 6, 2011, the Board approved a Master Contract with Reynolds, Smith & Hills (RS&H) for Aviation General Consulting Services to the Airport. One of the projects identified in this contract was design/development of a potential new terminal building.

On March 6, 2012 the Board approved a three phased New Terminal Design Development project. The project funding comes from an (AIP) grant and Passenger Facility Charges (PFC) collected from enplaning passengers to meet the local share requirements. As each Phase is completed, Airport Management was to return to your Board to provide updates and receive approval to continue onto the next Phase.

On March 5, 2013 the Board accepted the results of Phase 1 of Terminal Design Development and approved the request to move to Phase 2. Airport Services and its consultant, RS&H have completed the second phase of the work titled Schematic Design. This phase consisted of the following efforts:

- Site Plan Alternative Configurations:
  - Service area layout alternatives
  - Baggage belt layout and related tug operations alternatives
  - Rental car parking lot alternatives
  - Rental car parking area vehicular access alternatives
  
- Architectural Design:
  - Floor plans
  - Enlarged floor plans of selected areas
  - Reflected ceiling plan layout
  - Roof plans
  - Primary building sections
  - Standard details and enlarged plan detail drawings
  - Exterior building elevations
  - Overall finish floor plans
  
- Engineering Design
  - Mechanical systems project approach and written description
  - Plumbing systems project approach and written description
  - Electrical systems project approach and written description
  - Fire Protection systems project approach and written description
  
- Cost Estimate Budget Development / Continuing Financial Analysis

Airport staff and its consultants continue development of a proposed budget and funding analysis. During the course of this second phase the following issues were considered:

- The program budget for the overall project continues to evolve. It is anticipated that the total program cost will be approximately \$2.7 million above estimates provided at the end of Phase 1. The rise in program budget over the previous cost estimates reflects a more thorough inclusion of all programmatic elements. While not definitive, the program estimate at this juncture is \$24.7 million versus the \$22 million presented in Phase 1. The reasons for this increase are as follows:

Site Conditions:

At this time, the existing conditions of the pavements and sub-surfaces at the site are only being estimated based on general observations and available data. As a result, a conservative approach is being taken on the anticipated site-work and its impact to project budget. Further refinement of the anticipated scope is anticipated upon completion of the site survey and geotechnical investigation that will be performed in the next Phase.

Proposed Building Size:

Phase 2 included the terminal building being refined to a schematic level design. As a result of the design evolution, building areas were adjusted to reflect decisions made through the process. The outcome was an increase in the proposed building area of approximately 5,000 square feet. This raises the footprint of the proposed facility to approximately 49,000 square feet. The primary elements adjusted in this process include the following:

Exterior Wall Section Definition: The definition of the interior and exterior finish materials and assembly details ultimately provided a refinement of the total width of perimeter wall sections. The defined widths of

the exterior walls have resulted in an increase to the gross building square footage.

Rotation of the Baggage Claim Carousel 30 degrees: Though impacting the overall area of the building, this change greatly improved passenger access to the baggage claim carousel as well as improving access and queuing to the Car Rental counters. Additionally, by rotating the carousel, the anticipated reliability of the baggage handling conveyor belt is greatly improved by removing turns and greatly reducing the potential for jams.

- Preliminary coordination with the FAA San Francisco Airport District Office indicates that there is acceptance of the need to undertake the terminal, but extensive FAA participation in the project (in the range of \$15 - \$20 million) will require coordination by the Airport with FAA Headquarters in Washington DC. This coordination began in June 2013.
- Preliminary analysis of the AIP eligibility indicates that the overall program will be highly eligible for AIP grant funding. Analysis indicates an eligibility level of approximately 82% that can be paid for with FAA grants. The local share of eligible portions (10% by law) and ineligible areas equates to approximately 18% of the program budget. (see table below)
- The County's local share, including ineligible portions, could come from several sources including Passenger Facility Charges (PFC), rental car Customer Facility Charges (CFCs), or other capital borrowing. At the present \$24.7 million estimate there will be \$6.4 million in local/ineligible share. Our financial analysis has initially determined that the airports PFC collection stream will be eligible for approximately \$4.7 million and CFCs can be used for \$500,000. The remaining \$1.2 million is ineligible for outside funding and the money would have to come from another source with debt service from the Airport Enterprise fund. Further development of a funding plan will take place during Phase 3 of the project.

Updated Program Cost	\$24.7 million
Approximate portion FAA Eligible (82% of Program Cost less 10% local share)	\$18.3 million
Approximate portion PFC eligible	\$4.7 million
Approximate portion CFC eligible	\$500,000
Approximate portion remaining unfunded	\$1.2 million

Approval of this phase will allow Airport Services to move to Phase 3 which will include the following:

Phase 3 – Design Development  
Civil/Site Development  
Architectural Design Development  
Interior Design Development  
Structural Design Development  
Mechanical/HVAC/Plumbing /Electrical Design  
Fire Protection Design  
Security and Access Control Design  
Cost Estimate Budget Development/Continuing Financial Analysis

The end of Phase 3 will represent the end of this project and will result in:

- A 60% developed set of full sized construction drawings
- Submittals will include architectural and engineering drawings of the above reference items
- An outline of a Specifications Book
- Material finish boards
- Cost estimates and funding plan for the proposed building

Airport staff will return to the Board at the completion of the project to present the results of the project and receive final approval of the work.

## **OTHER AGENCY INVOLVEMENT/IMPACT**

Federal Aviation Administration provides AIP grant funding.

## **FINANCIAL CONSIDERATIONS**

Funding for this design development project remains unchanged from the authorization of the Board on March 6, 2012. Status of the project as of 6/30/13: 100% of this project will be paid for with an FAA grant and PFC's. No County funding is necessary to complete the project:

<b>Project Phase</b>	<b>Status</b>	<b>Cost</b>
Phase 1: Terminal Area Plan/Concept Development	Completed	\$179,009
Phase 2: Schematic Design	Pending Completion	\$302,141
Phase 3: Design Development	Pending	\$498,706
Other Direct/Non Salary Costs	On-going	\$87,981
Total/Projected to Date*		\$1,067,837

\*There is a line item in the consultant's Work Order to perform a Benefit-Cost Analysis for the FAA in the amount of \$41,507. Preliminary discussions with FAA lead us to believe this analysis will not be necessary and we removed it from this table.

Overall project funding is as follows:

<b>Terminal Design Development Project Costs</b>	
FAA Share	\$1,090,127
Local Share (PFC)	\$57,375
Total Project Cost	\$1,147,502

## **RESULTS**

We believe that maintaining the status quo regarding the terminal is not a viable approach to the overall health of the airport. Use of the existing facility into the future impacts our ability:

- To grow airlines and travel choices
- Meet our regulatory commitments with FAA
- Provide an attractive and usable facility as the first impression to our visitors

The Airport is important to the growth of the business and visitor associated activities in the community and the information here can be used for making decisions in the future. We submit that proceeding with the completion of the Design Development is prudent at this point and will offer more details for future decisions regarding the development of the project while affording no fiscal risk to the County at this time.

With the approval of this phase, Airport Services will have completed the Schematic Design Phase and will be ready to move into final design development (Phase3). Completion of phase 3 will finish this project with a product that will represent a 30% construction document submittal level. Should the Board elect, the next step beyond this Design/Development project would be to create a new project to create a set of final construction documents.

## **ATTACHMENTS**

Attachment 1: Site Map

Attachment 2: Updated Floor Plan