



MEMORANDUM

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May 15, 2007

TO: AIRPORT COMMISSION
Hon. Larry Mazzola, President
Hon. Linda S. Crayton, Vice President
Hon. Caryl Ito
Hon. Eleanor Johns
Hon. Richard J. Guggenhime

FROM: Airport Director

SUBJECT: Award of Fixed Base Operator Lease and Operating Agreement

**AIRPORT
COMMISSION**
CITY AND COUNTY
OF SAN FRANCISCO

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MAYOR

LARRY MAZZOLA
PRESIDENT

LINDA S. CRAYTON
VICE PRESIDENT

CARYL ITO

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RICHARD J. GUGGENHIME

JOHN L. MARTIN
AIRPORT DIRECTOR

DIRECTOR'S RECOMMENDATION: AWARD THE FIXED BASE OPERATOR LEASE AND OPERATING AGREEMENT TO SIGNATURE FLIGHT SUPPORT CORPORATION FOR A TERM OF TEN (10) YEARS WITH A BASE RENT OF \$11,000,000 OR THE SUM OF PERCENTAGE RENTS IN VARIOUS CATEGORIES, WHICHEVER IS GREATER

Executive Summary

We have completed the competitive selection process for the Fixed Base Operator Lease and Operating Agreement and award is recommended to Signature Flight Support Corporation ("Signature").

Background

On September 19, 2006, the Airport Commission ("Commission") adopted Resolution No. 06-0178 authorizing staff to commence a competitive selection process and issue a Request for Proposals ("RFP") for The Fixed Base Operator Lease and Operating Agreement ("Agreement"). The fixed base operation ("FBO") is located on Plot 42 on the north side of the airfield, for the accommodation, storage, and maintenance of general aviation aircraft. The FBO handles general aviation, corporate and other non-scheduled aircraft.

On November 30, 2006, as part of a RFP for FBO operations at the Airport, staff conducted a pre-proposal conference. The RFP provided for a lease and operating agreement with a term of ten (10) years, percentage rent as proposed in each of several service categories and an initial minimum annual guarantee no less than \$3,500,000.

On February 6, 2007 by Resolution No. 06-0228, the Commission authorized staff to accept proposals.

In response to the RFP, on March 23, 2007, Airport staff received five proposals for the Fixed Base Operator Lease and Operating Agreement. They are as follows:

- Piedmont Hawthorne Holdings, Inc., d/b/a Landmark Aviation
- Signature Flight Support Corporation
- Truman Arnold Companies, d/b/a TAC Air
- San Fran Jet Center, Inc.
- Million Air Interlink, Inc.

As specified in the Request for Proposals ("RFP"), staff reviewed the proposals to ensure that the proposers met the minimum requirements set forth in the RFP. After careful review of the minimum submittal requirements, staff determined that Million Air Interlink, Inc. and San Fran Jet Center, Inc. did not meet the minimum requirements.

Staff forwarded the three proposals that met the minimum requirements to the evaluation panel for review. The proposals were reviewed in accordance with the following evaluation criteria set forth in the RFP: (a) Ownership or Management Experience; (b) Financial Strength of Proposer; (c) Proposed Payment to Airport; (d) Design Intent; (e) Business Plan; and (f) Management and Staffing Plan. On April 20, 2007, the panel convened and conducted oral interviews. While all three qualified proposers submitted excellent proposals, after the proposal evaluation and oral interviews, the panel determined unanimously that Signature submitted the superior proposal. Signature scored the highest points in each of the evaluation criteria described above. The total scores from the panel are as follows:

Proposer	Points (Maximum Points 200)
Signature Flight Support Corporation	189.2
Truman Arnold Companies, d/b/a TAC Air	176.3
Piedmont Hawthorne Holdings, Inc., d/b/a Landmark Aviation	146.1

Proposal

Signature proposes to pay a minimum annual guarantee of \$11,000,000 (with an annual CPI adjustment) or the percentage rents shown in the table below, whichever is

greater. The following are the percentages that will be effective under the new Agreement as compared with percentages paid under the current agreement.

Category	Current Percentage	
	Rent	Signature Proposal
Landing Fees	100%	100%
Fuel Sales	16%	27%
Aircraft Parking	50%	55%
Advertising	25%	40%
Other Gross Revenues	25%	26%
Aircraft Sales	0	1%

Signature is the current FBO operator at SFO. For Calendar Year 2006, rent paid by Signature to the Airport was \$7,690,005. The proposed payment to the Airport outlined above represents an increase of 43% in guaranteed revenues to the Airport. Based on the proposed percentage rent submitted, there is an opportunity for revenues to exceed the 43% increase.

Pursuant to the Minimum Investments requirements set forth in the RFP, Signature will be required to invest no less than \$930,000 in refurbishing the Executive Air Terminal and no less than \$1,292,750 in improving the hangars and other facilities. Among the improvements Signature proposes to perform pursuant to this requirement are expansion of passenger lobby and of the galley and food preparation areas in the Executive Air Terminal. To enhance safety and security, Signature proposes to improve passenger processing and security screening, including installation of state of the art security camera systems covering both perimeter and interior areas.

Signature is also proposing to build a new hangar at its own cost, utilizing the Leadership in Energy and Environmental Design ("LEED") Green Building Rating System. The new hangar will incorporate sustainable "green" architecture design; environmentally-friendly building products, energy efficient, water, electrical, mechanical and waste management systems, and environmentally-sensitive construction practices to provide a high performance building and minimize the impact on the environment, and to meet the demand of the general aviation user. The existing hangar will also be improved to LEED standards for existing facilities.

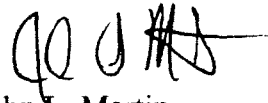
Furthering Signature's commitment to the environment, all existing ground service equipment will be replaced with new, more environmentally responsible model equipment within nine (9) months of the start of the new lease.

It is expected that all tenant improvement work except construction of the new hangar will be completed within 120 days of commencement of the new lease term, and that the new hangar facility will be completed within twelve (12) months of lease commencement.

The Airport's execution of the new lease is conditioned upon Signature's compliance with the Nondiscrimination in Employment Program and the Equal Benefits Ordinance, both of which are under review by the Human Rights Commission.

Recommendation

I recommend awarding the Fixed Base Operator Lease and Operating Agreement to Signature Flight Support Corporation contingent upon completion of the Human Rights Commission's review and favorable determination of its compliance with the Nondiscrimination in Employment Program and the Equal Benefits Ordinance, and further to direct the Commission Secretary to seek Board of Supervisor Approval.



John L. Martin
Airport Director

Prepared by: Leo Fermin
Deputy Airport Director
Business and Finance

Attachments

JLM/LF/DS/TR:amm
bc: Admin./Chron./File
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AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 07-0106

AWARD OF THE FIXED BASE OPERATOR LEASE AND OPERATING AGREEMENT TO SIGNATURE FLIGHT SUPPORT CORPORATION

WHEREAS, pursuant to Resolution No. 06-0178, adopted September 19, 2006, the Airport Commission (“Commission”) authorized staff to commence the competitive selection process for the Fixed Base Operator Lease and Operating Agreement (“Agreement”) through a Request for Proposal (“RFP”) process; and

WHEREAS, pursuant to Resolution No. 07-0030, adopted February 6, 2007, the Commission authorized staff to accept proposals; and

WHEREAS, on March 23, 2007, staff received five proposals, three of which were determined to meet the minimum requirements set forth in the RFP and forwarded to panel for evaluation; and

WHEREAS, a five-member panel reviewed the qualified proposals and determined unanimously that Signature Flight Support Corporation (“Signature”) submitted the superior proposal, with a initial Minimum Annual Guarantee of \$11,000,000 for the first Lease Year or the sum of the following percentage rent (1) 100% of all Landing Fees, (2) 27% of all Fuel Sales, (3) 55% of all Aircraft Parking , (4) 40% of all Advertising , (5) 26% of Other Gross Revenues, and (6) 1% of fixed fees for Aircraft Sales whichever is greater; now, therefore, be it

AIRPORT COMMISSION

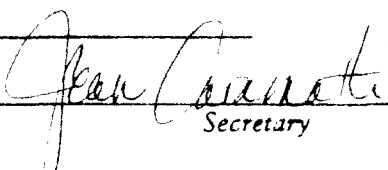
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 07-0106

RESOLVED, that this Commission hereby awards the Fixed Base Operator Lease and Operating Agreement to Signature Flight Support Corporation, for a ten (10) year term, with an initial Minimum Annual Guarantee of \$11,000,000 or the sum of the following percentage rents: (1) 100% of all Landing Fees, (2) 27% of all Fuel Sales, (3) 55% of all Aircraft Parking, (4) 40% of all Advertising, (5) 26% of Other Gross Revenues, and (6) 1% of fixed fees for Aircraft Sales, whichever is greater, subject to Signature's compliance with the Nondiscrimination in Employment Program and Equal Benefits Ordinance; and, be it further

RESOLVED, that this Commission Secretary is hereby directed to request approval of the Lease by Resolution of the Board of Supervisors pursuant to Section 9.118 of the Charter of the City and County of San Francisco.

I hereby certify that the foregoing resolution was adopted by the Airport Commission
at its meeting of MAY 15 2007


Secretary