

Agenda Report



Date: April 10, 2019
To: Board of Directors
From: Jack Roberts, General Manager
Subject: Terminal Building

Background:

The Big Bear Airport District Board of Directors

Finances: The elephant in the room no matter how we decide to pay for the terminal building is how do we pay for it. In the past, the Board was presented with a phasing of payment for the renovation of the current terminal building. I submit that those estimated revenue and expenses were a rosy scenario that would not have been able to fully finance the terminal building. After the cost of the new fuel farm and staying under budget for most budget items, the project FY19 Budget will end with a surplus of approximately \$450K. Approximately a year ago the estimate was that we would have a \$1M surplus. To date, our reserves are \$4.2M, and with the traditional \$1M set aside to maintain in reserves, we have \$3.2M for capital projects – a little over 50% of the funding needed for a new terminal building, and about 25% of the funding needed to renovate the current terminal building.

Staff has been researching financing options for funding the terminal building. One option is outlined in Attachment 1 – a USDA low interest loan with the potential of a partial grant. I have experience with the USDA and this funding opportunity from my previous position with DWP. While at DWP, I worked with the USDA to get a \$15M funding opportunity that became \$12M in a low interest loan and \$3M in a grant. The loan portion of the opportunity is a 40-year term at 2.375% interest with no prepayment penalty.

Another funding opportunity that District counsel informed staff about is through CSDA. I am less familiar with this program, but it is outlined in Attachment 2. Essentially, it is a loan program where CSDA pays for the project, and we lease the building back until it is paid off.

Old Terminal Building Facts:

The 5,500 square feet is currently being used by District administration, Helicopter Big Bear, and the Barnstorm restaurant. In addition, the front two wings with district tenants occupy 7,986 square feet. Just to limp along with our current building, there are items which must be addressed at a significant cost.

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1. **Seismic Retrofit Cost:**
It is difficult to separate out the exact cost of completing seismic retrofit from the complete renovation cost because most of the retrofit expenses were wrapped in the complete renovation. It is estimated that it would be a minimum of \$1M to complete the retrofits based on the scope of what needs to be completed and the prevailing wage requirements.
2. **Roofing and Snow Load:**
Since the building does not meet current snow load requirements, and from what we are told, they did not meet snow load requirements when the building was constructed. If the board were to decide to reroof the building, it would be necessary to add additional trusses. To address a new roof and upgrade the roof's stability, it is estimated that it would be approximately \$750,000 to address the roof and snow load.
3. **Restaurant Space:**
The restaurant space currently occupied by the Barnstorm has a kitchen that is not ideal for a restaurant. If we remain in the current building, there are not many options to expand the kitchen or dining area of the restaurant space without infringing on other needed space.
4. **Restrooms:**
The current restrooms do not meet ADA compliance for accessibility. It is estimated that it would cost approximately \$100K per restroom to bring them up to ADA compliance (a total of three sets on the ground level) and a reduction in adjacent square footage to renovate the restrooms.
5. **HVAC:**
The HVAC system was diagnosed to be at the end of its line during an assessment in 2005. We have gotten 14 more years of service out of the system through our staff and contractors. We are nearing the end of the ability to patch-work fix the system. If we were to remain in the building, we would need to replace the HVAC system at a cost of approximately \$250,000.
6. **Fire Suppression:**
The current fire suppression system in the terminal building needs major mechanical refurbishment. It is unknown at this point what the cost would be to fix the system, but likely it would be no less than \$100,000.

New Terminal Building Considerations:

1. **Size:**
The size that is currently being used by District administration, Helicopter Big Bear, and the Barnstorm restaurant is 5,124 square feet. It is estimated that the District needs 8,000 square feet for current needs, and for marginal cost, can expand the building to 10,000 or 12,000 square feet.
2. **Design Elements:**
The opportunities for design options with new construction are anywhere from industrial to opulent. Given the District is the face of the community for some of the most affluent visitors to the valley (with a significant economic impact), the Board must consider appropriate design elements to be attractive to current and future clientele. For that reason, staff recommends Craftsman Style design elements as the finish for the building. The Craftsman Style was made popular in the early 20th century on both coasts, but rooted in Pasadena, CA on the west coast. The style was a revolt to the industrial movement and

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avored the use of natural and handcrafted materials. This style is fitting for both the location and our mountain community.

3. Inside Layout:

The location of the terminal building will drive the inside layout due to view. Staff looked at the engineer recommended places for a new building and consulted as-built drawings to determine if there are any in-ground conflicts. Staff recommends the placement of a new terminal building directly to the north of the current terminal building as a rectangular building running parallel to the runway – allowing maximum viewing of the airfield. Due The basic elements of the inside of terminal building, it should include: a pilots' lounge/planning; boardroom that if large enough can double as a community events space; administration with employee break area; restaurant; lobby area; and kiosks for rental car and air tour businesses.

4. Space for Tenants:

The Board needs to decide of the terminal building should be constructed large enough to house tenants (either current or future). Without a significant price increase, it is possible to add square footage during the initial phase of design and we would essentially be looking at just the increase in material cost if we leave the unfinished space for future use.

5. Procurement Process:

a. Traditional RFP for Design Build:

The traditional process for a Design-Build RFP is to publish an RFP for potential companies to consider submitting bids to construct the terminal building. That process is about four months long. The District is obligated to take the bid from what is determined to be the lowest responsible bidder. Often what this process leads to is bidders submitting bids at the lowest cost possible to win the bid and any item that wasn't specifically listed in the RFP becomes a change order and thus increases the cost of construction. After the initial bid is accepted, the following are the steps in the process:

1. Design of the building and foundation based on the site. Changes made at this point adjust the total budget of the project. **Decision Point and Progress Payment**
2. Site Preparation for the foundation and utilities. **Progress Payment**
3. Foundation Construction. **Progress Payment**
4. Building Construction. **Progress Payment**
5. Interior Construction. **Progress Payment**
6. Final Walk-through for Acceptance. **Progress Payment**

b. Sourcewell Process for Design Build:

The process for Sourcewell is significantly reduced because the vendors offering products and services have gone through an RFP process already (saving approximately 4 months of the process). The project proposed by BlueScope Steel (with Knight as the subcontractor) would have a not-to-exceed price (+/- design changes). As with all our construction projects, payments are made via progress payments – unlike purchasing a vehicle. Further, BlueScope Steel is proposing that the contract be written so that progress payments are made for actual costs. If an estimated cost comes out lower than the estimate, the savings stays with the District. If

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the Board selects the Sourcewell option, then the process is to execute a contract requires the same steps as above:

1. Design of the building and foundation based on the site. Changes made at this point adjust the total budget of the project. **Decision Point and Progress Payment**
2. Site Preparation for the foundation and utilities. **Progress Payment**
3. Foundation Construction. **Progress Payment**
4. Building Construction. **Progress Payment**
5. Interior Construction. **Progress Payment**
6. Final Walk-through for Acceptance. **Progress Payment**

Financial Impact:

Depending on the Board decision, the cost of a new building has been estimated at \$6M.

Recommendation:

1. Adopt