

**NON-FLOOD PROTECTION ASSET MANAGEMENT AUTHORITY  
MINUTES OF THE SPECIAL AIRPORT COMMITTEE MEETING  
THURSDAY NOVEMBER 21, 2013 – 4:00 P.M.**

A special meeting of the Airport Committee of the Non-Flood Protection Asset Management Authority was held on Thursday, November 21, 2013 at 4:00 P.M., in the Lake Vista Community Center, 2<sup>nd</sup> Floor, 6500 Spanish Fort Blvd., New Orleans, Louisiana after due legal notice of the meeting was sent to each Board member, the news media, and a copy of the call was posted.

Chairman Heaton called the meeting to order at 4:08 a.m. and led in the Pledge of Allegiance.

The roll was called which did not constitute a quorum and the meeting became informational only.

**PRESENT:**

Chairman Wilma Heaton  
Commissioner Romona Baudy

**ABSENT:**

Commissioner Darrel Saizan  
Commissioner Pearl Cantrelle

**STAFF:**

Louis Capo - Executive Director  
Sharon Martiny – Non-Flood  
Fred Pruitt – Airport Director  
Dawn Wagener – Non-Flood

**ALSO PRESENT:**

Gerard Metzger – Legal Counsel  
Al Pappalardo – Real Estate Consultant  
Alton Davis – Richard C. Lambert Consultants  
Brayton Matthews – Flightline First  
Addie Fanguy – Landmark Aviation  
Jonathan Buff – Hawthorne  
Alan Ashcraft – Landmark Aviation  
Millard Johnson – TDKG, P.C.  
Chad Farischou – Landmark Aviation  
Scott Zimmerman – Hawthorne Aviation  
George Messina – Messina's  
Susan F. Drogin – Breazeale, Sachse & Wilson, LLP

**APPROVAL OF AGENDA**

Due to a lack of quorum the Agenda could not be adopted and the meeting was informational only.

**APPROVAL OF PRIOR MINUTES**

Due to a lack of quorum the minutes could not be approved.

**OPENING COMMENTS**

Chairman Heaton advised that although the meeting was informational only, the Agenda would be followed.

**REPORT ON CURRENT AIRPORT ISSUES**

- 1) **Update on signing the lease with Messina's Lakefront Airport, LLC to operate the café, Walnut Room and special events catering at New Orleans Lakefront Airport Terminal**

Mr. Capo advised that the lease has been signed with Messina's Lakefront Airport, LLC. A resolution has been reached regarding the two outstanding issues with the chiller and the gas line.

It was determined that the gas line had to be enlarged to allow additional connections, which cost was estimated to be approximately \$1,000. Messina's will split this cost 50/50 with the Authority. There have been several discussions regarding the chiller. The architect reported that the Building Automation System (BAS) was not reporting the correct information. The wiring was crossed in the system causing the BAS to give inaccurate readings on the chillers. Also, the lines were contaminated with foreign material. It was determined that the square foot allocation of the restaurant leasehold against the ratio of the entire building was 13%. Chairman Heaton noted for record that the lessee will pay the lessor an amount equal to 13% of the electricity billed from the Terminal's meter. Lessee shall pay 13% of the entire electric bill until the chiller is transferred to the restaurant meter or until a second agreement is made that Messina's chiller will remain on the building's meter and the equipment is working adequately. Mr. Metzger advised that this would be a Letter Agreement attached to the Lease. This issue will not delay operations of the tenant as the Authority has a signed lease effective December 1, 2013.

Mr. Messina advised that anyone calling to schedule an event in the Terminal Building will contact Mr. Capo or Mr. Pruitt who will then forward the calls to Messina's for follow-up. Brochures and a sign will be placed in the Terminal Building with all pertinent contact information and a description of Messina's services. Mr. Messina informed that during the last week approximately six calls were received per day, and that is without advertisement. Messina's lead sales person is Kristen Casey. Messina's is moving forward and has several appointments to view the area for catered events. Dominican High School will host its winter formal in the Terminal on December 7, 2013. The first event is scheduled December 6, 2013, when Children's Hospital arrives for a luncheon. Children's Hospital also booked their gala in March and that event will draw approximately 800 people into the building.

Chairman Heaton requested that staff coordinate a press release announcing the opening of the Airport Terminal for catered events. There are many people in the state and local tourism market that would like to meet and give Messina's more business. Mr. Messina advised that the required insurance certificates were ordered and will be provided by December 1, 2013.

### **PRESENTATIONS:**

Chairman Heaton noted that the proposals for the Bastian-Mitchell Hangar were due the Friday before the Airport Committee meeting in late afternoon. The Committee determined that it was not fair to request the proposers to make a presentation as staff and consultants did not have adequate time to review all material, therefore a special meeting was called. For the record, although there is no quorum, the Committee will allow the proposers to make their presentations and define what is being offered as this is part of the process.

**1) Hawthorne New Orleans, LLC on its proposal to lease the Bastian-Mitchell Hangar and plans for the use of the hangar and development of new business at New Orleans Lakefront Airport  
Bill Koch, Jonathan Buff and Scott Zimmerman**

Bill Koch, Chairman of Hawthorne Global Aviation Services, introduced Jonathan Buff, the Vice President and General Manager at Lakefront Airport and Scott Zimmerman, the Vice President of Hawthorne's Financial Department in the Corporate Office located in Charleston, South Carolina.

Hawthorne is grateful for the opportunity to share proposal highlights as a prospective lessee of the Bastian-Mitchell Hangar. Hawthorne operates premier locations in New York and Chicago and is a company with an 82-year operating history. Hawthorne is presently capacity-constrained in the existing facilities.

The Bastian-Mitchell Hangar is a natural extension of Hawthorne's existing facilities that give the opportunity to bring new business and growth to Lakefront Airport.

Mr. Koch addressed the RFP selection criteria and noted that Hawthorne proposed the best economic offer. There are mechanics for escalations to continue over time and Hawthorne is proposing a long-term 30 year commitment with four five-year extensions. Hawthorne will bring new high-end business aviation tenants to Lakefront Airport which will create new growth and positive economic impact. Lakefront Airport has Hawthorne's commitment as a management team and Hawthorne's investors, Mollusk Capital Partners, is a significant private equity firm backing Hawthorne. Over the next several years Hawthorne will be a 25-30 location major market FBO chain. The Bastian-Mitchell Hangar is immediately adjacent to Hawthorne and a natural extension. Jonathan Buff will describe Hawthorne's operating plans and Scott Zimmerman will explain the math and numbers behind the proposal. Mr. Buff has a 20 year career in aviation services.

Mr. Buff noted that the Authority created a world class facility with the Bastian-Mitchell Hangar and Hawthorne's intent is to fill the Hangar with an equally high caliber client. Hawthorne has reached out to 12 local flight departments and area airports with high aircraft utilization and these flight departments expressed sincere interest in relocating. Hawthorne's facility in the Chicago area is substantially leased and the project completion date for that facility is approximately three months away. New aircraft that will be based at Bastian-Mitchell will result in approximately \$3.5 million in flowage fee over the term of the lease. Increased aircraft operations are key to garnering additional FAA funding. Hawthorne has a long-term intent to increase the Airport's visibility and return Lakefront Airport to the days when it was a \$3.5 million fuel gallon sales Airport. The Bastian-Mitchell Hangar location is well-suited for the smooth flow of operations for Hawthorne at Lakefront Airport and safety concerns would be mitigated and reduce the need for additional traffic on the taxiways. This contiguous nature of the facility is key in providing a safe, secure, customer driven environment. Mr. Buff advised the Committee that he is a hands-on General Manager actively involved with the operation and would focus on activity at both the existing campus and at the Bastian-Mitchell Hangar.

Hawthorne is involved in advanced discussions with a regional maintenance and repair provider that would provide Lakefront Airport the opportunity to gain a high profile FAA certified maintenance organization. The McDermott Hangar is the ideal location for that certified maintenance organization. This world class maintenance organization would bring a significant presence to Lakefront Airport which will increase flow fees and produce additional jobs at that facility.

Scott Zimmerman, Vice President of Finance, advised that one opportunity over the 30 year lease term is fuel flowage, which is projected to be approximately \$14 million in additional gallons with Lakefront Airport receiving .25 per gallon or \$3.5 million from those flowage fees. This is a conservative estimate that could go higher depending on flight activity. Hawthorne's contemplates hiring two professional line technicians and one CSR. Beyond direct hires, incremental staff would include crew, dispatch, management, maintenance and 10 professional MRO technicians in the north hangar. Hawthorne has identified \$200,000 in additional equipment that would be purchased if awarded the Bastian-Mitchell Hangar. Hawthorne would invest directly in this equipment.

Another benefit Hawthorne would bring to Lakefront Airport is the Excel Air Charter Fleet which is a wholly owned Hawthorne Company based out of New York. Hawthorne's long-term financial commitment to Lakefront Airport with the award of the Bastian-Mitchell Hangar would produce approximately 14 million incremental gallons of fuel flowing through Lakefront Airport. The conservative

estimate is \$12 million in base rent and additional rent for insurance and utilities of approximately \$21 million which is a commitment of over \$37 million.

Commissioner Baudy noted that the Committee is concerned about the growth in New Orleans after the tremendous catastrophe known as Katrina and questioned if Hawthorne would be importing employees or hiring employees from the New Orleans area. Mr. Koch advised that local people will fill the new positions, which will be full-time with benefits and training for those positions. Hawthorne utilizes a professional line service training program. Hawthorne is a young company with an 82 year history in aviation services and consists of the original management team. Hawthorne is revitalized with new capital and a new investor group. Hawthorne is a young company and does not yet have a diversity plan in place.

Chairman Heaton requested that the proposers quantify and qualify DBE goals with vendor participation, both with purchases and goods & services, and state those succinctly via e-mail. The Board will receive identical information rather an interpretation of what the commitment is.

Chairman Heaton advised that the proposals received were a result of a Request for Proposals and questioned if the rental rate Hawthorne provided was subject to negotiation. As a public agency, the Authority will be checked to ensure fair market rates are charged. Mr. Koch noted that Hawthorne responded to the RFP exactly as requested and put the best offer forward. If selected, in further negotiations Hawthorne would be willing to have further discussions regarding fair market rates.

**2) Encore FBO, LLC d/b/a Landmark Aviation on its proposal to lease the Bastian-Mitchell Hangar and plans for the use of the hangar and development of new business at New Orleans Lakefront Airport  
Chad Farischon – Regional Vice President, Landmark Aviation**

Mr. Farischon introduced Addie Fanguy, General Manager of Landmark Aviation and Allen Ashcraft, Executive Vice President and General Counsel of Landmark Aviation. Mr. Farischon advised that Landmark's proposal would generate more revenue for the Airport and includes three CPI increases along with flowage fees. The flowage fees were provided by guaranteed prospective tenants who signed Letters of Intent that were included in Landmark's proposal. One of those prospective tenants is ready to relocate their flight department to Lakefront Airport and would generate 300,000 new gallons of fuel resulting in \$75,000 worth of flowage fees to the Authority. Current tenants at Landmark ordered new aircraft, larger aircraft and will bring \$100,000 in additional flowage fees to equal the \$100,000 included in the proposal. Landmark is dedicated long term to the field and community as demonstrated by the diligence in maintaining operation after Hurricane Katrina and through the successful Super Bowl event. Landmark has a network of 60 locations throughout the country and Europe and has over 65 aircraft in the charter and management fleet throughout the United States. There are 12 major maintenance facilities that run from different service centers. Awarding the lease to Landmark will give the Airport an opportunity to fill the hangar with the best customers in the shortest amount of time and the best return of dollars to the Airport.

Landmark was ranked one of the top 50 FBOs in the country and has a strong track record and 25 loyal base tenants. Of those 25 existing tenants Landmark is at capacity with no space to offer. Landmark has existing Fortune 500 company tenants in need of additional space.

What is different here is Landmark's rent is based on the total so it is in total inclusive of over and above what was stated as an insurance cost. The CPI increase in our proposal is CPI increase or the greater of 1% so a 30 year history of CPI is 2.4%. I will go into why, economically, it means more dollars to the Airport. It is important to clarify that in Landmark's proposal our lease length was specifically stated so it did not extend beyond our FBO operating agreement

because obviously there is no way to operate the hangar if you are not existing as an FBO. That does not mean Landmark absolutely, as we included, lease extensions in the FBO agreement is in our proposal. Landmark is willing to consolidate or to accelerate those options to go past what we have proposed in terms of the term. In our experience, most airports by state statute whether it is an airport authority or county, they typically cannot go past 30 years so 50 years is somewhat unusual, but we are all for it. Obviously, a co-terminous lease with the FBO operating agreement makes a lot of sense. You cannot operate the hangar independently of not having an FBO. Emphasize that Landmark is willing to have more conversations about extending that term and consolidating options. We are here for the long term. Landmark is not going to go anywhere. The financial benefit to the Airport is the \$247,369 in additional rent, \$100,000 today of additional fuel flowage fees from signed commitments.

Chairman Heaton noted for the record the \$247,369 in additional rent, but that is inclusive of utilities. Mr. Farischon stated that was correct. The \$8,000 per year in additional parking space rent, job creation because there will be 16 new jobs that come to this airport. That is not a guess; that is 16 new jobs. Again, the financial benefit in year one the base is \$84,000, the flowage fees of \$100,000 which is new gallons to the Airport. This is the new tenant and expanding existing Landmark tenants. It is \$100,000 that is new; it is not other tenants on the Airport or other FBOs tenants. Year one income with the parking fees is \$355,000. The biggest take away here is that you understand the difference with how the CPIs are constructed in the two proposals. Landmark's is a CPI increase every year, once a year. Hawthorne's is every five years. You will see in Landmark's initial proposal the chart indicates that at year 26 Landmark's rent will exceed \$1.1 million.

I have touched on Landmark's marketing, reach, network and capabilities. This is new business that we continue to bring in to the Airport through our reach and through our network. We see it in the increase in gallons on the Airport and in the market share data. It is proven. We have also proven that we can fill hangars. We have built new hangars in our building this year and next year and we are continuing to fill those hangars. Landmark is the third largest chain and we are in a tremendous growth mode at this point and will continue to add more tenants and those loyal Landmark tenants that will continue to utilize Landmark at Lakefront Airport and throughout.

In summary there will be more revenue dollars for the Airport over the life of the lease; \$1.1 million in rent and annual CPI. There will be \$100,000 per year in flowage fees from day one as soon as we sign the lease they are moved in. We have a tenant that has a new aircraft on order. They went to get a pre-buy on the old one today to sell it.

Again, this is not bringing 16 new jobs to the Airport, it is a long-term partnership with an operator that has demonstrated time and time again successful events, attracting those events, coordinating those events and Landmark's history and track record is what speaks for itself. Awarding this lease to Landmark gives the Airport the best opportunity to fill the hangar with the right customers in the shortest amount of time and the best return.

Chairman Heaton stated that the Committee would like to ask Landmark the same questions that were asked of Hawthorne regarding diversity. Mr. Farischon deferred to Allen Ashcraft, Landmark's General Counsel, who is well versed in diversity. Mr. Ashcraft stated that Landmark will respond that Landmark is a good sized company with approximately 1,800 employees across the United States and in France and Canada. I will have to call our Human Resources Department to get the exact figures.

Chairman Heaton questioned Landmark's goals for the facility and for purchasing and requested this question be answered via e-mail so the response is in writing and would not be interpreted, but shared with the Board. Also, if Landmark were selected for negotiation would the figure given in the proposal be negotiable as this is a public entity and must receive fair market value on rental property. Mr. Farischon advised that Landmark responded to the RFP as required, but if a fair market rent is required to be negotiated Landmark would negotiate.

Mr. Ashcraft advised the Committee that Landmark Aviation is a registered trademark with the United States Patent Trademark Office and is used for all operating facilities with the exception of our Department of Defense Systems and one charter operation in Sioux Falls, South Dakota which facilities use the Encore name as the name relates to the 82 year history. There is not an 82 year history on Hawthorne Corporation, but there is a subsidiary (Piedmont Hawthorne Aviation, LLC) which is Hawthorne's largest operating entity and holds 24 FBOs. That entity was sold in 2008 by Dubai Aerospace Enterprises. There are members of Hawthorne Corporation's Organization who worked for Piedmont Hawthorne and the entities which date back to 1932 and Hawthorne continues to own and operate those entities today. Encore FBO, LLC is not a special purpose entity, it is the holding company for 10 FBOs. Landmark Aviation purchased Odyssey Aviation and Encore was the purchasing entity for those assets. If Landmark was selected for the Bastian-Mitchell Hangar, the lease would be signed by Encore FBO, LLC.

Chairman Heaton advised that the entire Management Authority Board will be making the decision regarding the Bastian-Mitchell Hangar. The information provided today will be presented to the remaining Board members along with the complete analysis of both proposers. No decision will be made today due to a lack of quorum. The questions asked today should be e-mailed to Mr. Capo and Mr. Pruitt who will in turn provide those answers to counsel. The Committee will analyze the best proposal and make a recommendation at a Special Board meeting in December.

Mr. Fanguy noted if the Board meeting is postponed until December, there is a good chance the Fortune 500 Company would not come to Lakefront Airport. Time is critical for this company to get occupancy of the Bastian-Mitchell Hangar. Chairman Heaton informed that the Committee could not conduct business without a quorum present. A special Board meeting can be scheduled to expedite this matter. This decision will be a long-term commitment for both the Authority and the proposer. The information received today must be forwarded to each of the 15 Board members, some of whom have never seen this information. As the Chairman of the Airport Committee, this matter will not be recommended tonight.

Mr. Pappalardo clarified that Landmark proposed rent of \$20,647 per month that includes \$163,000 as the initial year's additional rent. Landmark proposed the \$20,000 be escalated by the CPI each year. If insurance premiums come in the same there is no difference. If insurance premiums of \$163,369 increase by \$5,000, the \$20,000 will be increased by the annual CPI and the \$5,000 additional would be paid on top of that.

## **NEW BUSINESS**

### **1) Discussion regarding Responses to the RFP for the Bastian-Mitchell Hangar**

Chairman Heaton noted for the record that the Airport Committee will completely analyze this information and each proposer will get a copy of that analysis. Proposers will be given the opportunity to rebut, refute or add to the analysis prior to the analysis being submitted to the Board for approval. The Bastian-Mitchell lease is one of the most important leases this Authority will approve and approval will be based on what is in the best interest of growing Lakefront Airport

as that is the Board's goal. The Board's goal is to make New Orleans Lakefront Airport all that it can be.

### **PUBLIC COMMENTS**

#### **Brayton Matthews – Flightline First**

Mr. Matthews informed the Airport Committee of conditions at Lakefront Airport that may relate to future grant monies. There have been eight NOTAMS published since Hurricane Isaac in September of 2012. These are critical for runway systems lights, the REILS and the PAPI lights. Flightline requests that proposals be sent to the FAA on a plan to repair the lights for the safety of all aircraft flying into Lakefront Airport. Mr. Pruitt advised the PAPI lights are FAA owned. All lights owned by Lakefront Airport are up and running. A letter was submitted to the FAA requesting those lights be brought back on. The letter was submitted around the time of the crash at the airport in San Francisco. The FAA is working on the issue and has parts for the PAPIs on 36-L and 18-R, but no manpower or authorization. Chairman Heaton requested that all three FBOs get a copy of the letter that was sent to the FAA and that an update be provided at the next Airport Committee meeting.

Mr. Matthews stated that the second item I would like to see taken care of is Runway 18-L and Taxiways B and C if we could possibly receive grants to have those re-seal coated and repainted to make those clearer for landing aircraft coming into the Airport. Mr. Pruitt noted that currently there is a design grant to have all of the taxiways east of Bravo to be seal coated and repainted. The runway will be next in the line as FAA funding is available. When the vacuum truck is back in service, which it turned out that it was not a major problem, we have a paint machine that the Airport owns now and we are going to repaint the short runway.

Mr. Matthews also noted that drainage throughout the Airport appears to be damaged since Hurricane Katrina. Flightline has pumped out the drains on two occasions and the drains continue to clog. There may be FAA grant money to help clear those drain lines. Mr. Pruitt noted that Andy Velayos of the FAA advised that drainage is top priority for the next year and has been included in the AIP CIP for a Drainage Study. Also, the sewer line between Flightline and the lift station has been videoed and that line is sagged and continually causes clogging at the Flightline facility. Flightline obtained an estimate of \$37,000 to repair that line which should be repaired by the Authority as it is on Airport property. Chairman Heaton suggested this request be put in writing so the item can be placed on the next Airport Agenda.

Mr. Matthews addressed insurance pertaining to the Flightline Hangar and requested that Flightline be given authority to obtain their own insurance and shop for best price. Chairman Heaton requested Mr. Metzger follow-up on the insurance issue as the Committee now has Flightline's concern on record.

Chairman Heaton encouraged the FBOs to continue dialogue regarding how the Authority can help the FBOs. There are many challenges ahead and the Authority has a long way to go. Comments from FBOs are encouraged to inform the Committee how the Authority can help and move forward to aggressively secure grants.

Mr. Matthews next addressed the Bastian-Mitchell Hangar and advised the required insurance of \$163,000 per year discouraged Flightline from submitting a bid. The addendum mentioned the insurance could possibly be negotiated. Flightline received the addendum, but the insurance company was not able to give a rating in that 10 day period. Chairman Heaton noted for the record that a contract could be negotiated without a price.

Mr. Capo noted a question included in the addendum addressing insurance, but did not recall the question. Mr. Pappalardo noted several questions and answers that were responded to. The Authority effectively passes on the insurance cost. The Authority covers the cost on the insurance and a large part of that cost is the flood insurance premium. Mr. Capo advised of discussions regarding flood insurance and noted that NFIP could not be shopped through agents to get a cheaper rate. Flood insurance for the Bastian-Mitchell Hangar is \$125,000 for \$500,000 worth of coverage. The State Insurance Commissioner advised that the Hangar could not be self-insured as the Airport would lose certification of waiver. The Bastian-Mitchell is a new building in a V-zone and is not grandfathered as the other buildings.

Mr. Matthews addressed the fair market value of properties at the Airport and at the Bastian-Mitchell Hangar and informed that the Bastian-Mitchell comes to \$208,000 per year, double the bid from Landmark. An estimate was made of the fair market value of the real estate worth at Lakefront Airport and requested when the opportunity arose that Flightline be allowed to renegotiate the lease to match fair market values at the Airport.

Mr. Matthews next addressed FEMA reimbursement of funds to the Airport that the Authority has paid, in particular the several million dollars paid to Stuart Consulting for project management of FEMA contracts. Stuart was paid from the Airport account and FEMA reimburses those monies back to the Airport. The State Auditor's website on Lakefront Airport's records does not indicate where those funds were placed back into the Airport account. Chairman Heaton noted that the Authority pays any incoming bill and it is then submitted for reimbursement. This issue will be placed on the Finance Committee Agenda for a complete explanation.

Mr. Capo advised that documents associated with Stuart Consulting Group's account have been produced and are presently in the office for viewing by Flightline. Mr. Matthews stated that the FAA website from 2011 to date indicates that the FAA sent \$139 million in grants to Louisiana Airports. During that same period of time Lakefront Airport received \$947,000, \$700,000 of which was the sealcoat and painting of Runway 18-R and 36-L. The remainder was for a wildlife study and ramp repair. Mr. Matthews appealed to the Committee to work hard to receive as much federal grant money as possible for Lakefront Airport.

#### **ADJOURNMENT**

Due to a lack of quorum the meeting ended without a call for adjournment.

#### **ANNOUNCEMENT OF NEXT MEETING**

The next Airport Committee meeting is scheduled for Tuesday, December 3, 2013 at 9:30 a.m.

The meeting adjourned at 5:28 p.m.