

NON-FLOOD PROTECTION ASSET MANAGEMENT AUTHORITY
MINUTES OF THE AIRPORT COMMITTEE MEETING
TUESDAY, JUNE 4, 2013 – 9:30 A.M.

The regular monthly meeting of the Airport Committee of the Non-Flood Protection Asset Management Authority was held on Tuesday, June 4, 2013 at 9:30 A.M., in the Lake Vista Community Center, 2nd 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 Saizan called the meeting to order at 9:35 a.m. and led in the Pledge of Allegiance.

The roll called was which constituted a quorum.

PRESENT:

Chairman Darrel Saizan
Commissioner Pearl Cantrelle
Commissioner Wilma Heaton
Commissioner William Hoffman
Commissioner Romona Baudy

FURTHERMORE PRESENT:

Chairman Robert E. Smith Lupo

ABSENT:

Commissioner Nyka Scott

STAFF:

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

ALSO PRESENT:

Gerard Metzger – Legal Counsel
Al Pappalardo – Real Estate Consultant
Alton Davis – Richard C. Lambert Consultants
Chris Fenner – Stuart Consulting
Steve Nelson – Stuart Consulting
Brayton Matthews – Flightline First
Addie Fanguy – Landmark Aviation
Jay Taffett – Hawthorne Aviation
Peter Butler – Attorney for Flightline First
Tom Long - TLCC
Ray Landeche – Lakeshore Subdivision

APPROVAL OF AGENDA

Commissioner Cantrelle offered a motion to adopt the Agenda, seconded by Commissioner Hoffman and unanimously adopted.

APPROVAL OF PRIOR MINUTES

Commissioner Hoffman offered a motion to approve the minutes of the April 30, 2013 Airport Committee meeting, seconded by Commissioner Cantrelle and unanimously adopted.

OPENING COMMENTS

Chairman Saizan advised of an upcoming meeting with representatives of the Commemorative Air Force to discuss relocating their headquarters in this region. The Commemorative Air Force is involved with vintage aircraft, the Tuskegee Air Men and a B-17 show recently at Lakefront. Chairman Lupo noted the

Commemorative Air Force expressed great interest in locating their headquarters in New Orleans due to synergies between themselves and the WWII Museum. There is currently property available at Lakefront Airport based on the current Master Plan. The informational meeting is in the Dallas area and airports will be informed about what is needed and what kind of proposal is required from interested airports to locate their museum and headquarters at a particular airport. Mr. Pruitt and Mr. Pappalardo will represent the Authority at the informational meeting.

Mr. Pappalardo advised that the Commemorative Air Force headquarters includes their offices, hangar, exhibits, multi-purpose area, conference room and banquet space. There are also four aircraft that are kept in a; a B-29 Super Fortress, a B-25 Mitchell, a B-17 Flying Fortress and a B-24 Liberator. The headquarters will employ approximately 29 people and have an annual payroll of \$1.5 million. The air shows draw 100,000 people and a location where the air shows can be viewed is required. There are franchises provide tourist rides in old war birds. The Commemorative Air Force headquarters at Lakefront Airport would become a tourist destination. Aircraft arriving at Lakefront Airport seeking the museum and the headquarters will help the Airport on the operational end with fuel flowage and could provide a synergy with South Shore Harbor. The Commemorative Air Force must be notified by June 6, 2013 that individuals representing this Authority will attend the informational meeting on June 20th to learn what will be contained in the Request for Information which must be submitted by June 30th. The Commemorative Air Force will send an RFP in October to cities that have showed an interest asking for incentives.

REPORT ON CURRENT AIRPORT ISSUES

Mr. Pruitt reported that May fuel sales were \$173,000 which brings the total fuel sales for the Fiscal Year to approximately \$2.1 million. The hot months of summer are approaching which will down track.

OLD BUSINESS:

1) Update on Airport Terminal Interior Restoration

Chairman Saizan advised that lighting fixtures are up in the Walnut Room along with walnut hung in the Walnut Room. The ceiling is magnificent and lighting fixtures are presently being installed. The Walnut Room is almost complete and the contractor is currently working on the bar millwork. The custom light fixtures in the atrium are installed and the Walnut Room neon sign is up and operational. The old copper screen over the sundry counter is cleaned and operates going in and out of the wall. The doors are hung on the second floor and the Airport Director's office is almost complete.

Chairman Saizan addressed the build-out of the space above the Walnut Room. Mr. Davis advised the room is scheduled to have concrete floors and temporary lighting. The exterior walls and platforms are finished. The space may be used for future Board meetings of the Authority. Normal tenant build-outs run \$45-\$50 per square foot, but the infrastructure is in place and there are circuits for lighting. The space basically requires finish work.

Chairman Lupo requested that the contractor's final bill come before the Finance and/or Airport Committee to discuss the finals and how the liquidated damages are being held. No checks are to be issued until the Airport and Finance Committees have reviewed how payments are being made. There is a possibility that liquidated damages could approach what the retainage is. Mr. Davis advised that to date damages have not been held because there is a lot of money still on the job and in retainage. Before another pay application is issued it will be discussed with the Board and Stuart Consulting Group. Mr. Nelson advised that the liquidated damages will be held above and beyond the retainage and the pay application can be discussed before any checks are issued.

Chairman Lupo informed that Commissioner Stack is working with the state on the roadway by the main Terminal Building and noted that the road will be restriped when the contractor is finished. The road that runs in front of the Bastian-Mitchell Hangar has to be repaired. That road is not included in the state grant, but it is in need of an overlay. Commissioner Stack noted if something is done under the state contract it will be cheaper. There may be a way to repair that road, but it would only cover that small area. Mr. Davis advised that the road should be asphalted.

Mr. Davis informed that the shop drawing process is underway for the Airport signage and the contractor is ready to fabricate. No firm schedule has been given as to when the signs will be installed. I am waiting on one more price for the monument signs. I received one that did not give me the full price. I went back to Michelle and advised that I wanted the whole package not just the sign. I also need the footings and foundations. I am waiting to hear back from Michelle and I am waiting for one other price as well. We received pricing for the name for the Terminal itself from Belou Magner. That is a change order. We sent them the sketch that the Board approved and they are giving us the pricing for the aluminum letters that go on there along with the plaque that needs to go in the building.

Chairman Saizan noted that he ran into a woman at the Tuskegee Air event and she informed me that her great grandfather was one of the architects for the Terminal Building. His name was Carl Weiss and her grand daughter is still alive. I wanted to include that information. I have a contact number for her. She is a school teacher in the city. Commissioner Heaton addressed the grand opening and questioned if the Committee made a recommendation on the date for the grand opening. We are backing into the grand opening. Chairman Saizan advised that it is almost the start of hurricane season. We are looking at the weekend of September 27th – 28th. We cannot push it back into October because the Sanger is opening the following weekend. We want to avoid that because that will be a big deal and we don't want to butt heads with that. The down side on that there is a big deal going on in Lake Charles at Chenault Airport. We are looking at September 27th – 28th and we are looking at options on how to deal with this and finance the event. It would be that weekend. Whatever money we raise would be tied to restoration of the artwork. It would not be a lavish event. That is evolving. We want this reflective of how important this actually is because you don't see airport terminals rededicated every day. Commissioner Heaton advised that she found that the architect that did the project of preserving it in the 60's when they made it a bomb shelter was a Simenoux. I would like to mention that somehow like in some sort of program. Chairman Saizan advised that there would be a program and people down the years from 1934 would be mentioned. This is the 80th year that the Airport has been in existence. There will be a commemorative poster for the 80th year. I have a list of people that want invited to this and it will include the people in the Governor's office that helped us. I don't want to forget people that stood up for us.

2) Update on construction of the Bastian-Mitchell Hangar and James Wedell Hangar

Mr. Davis informed that the Bastian-Mitchell Hangar is ready for occupancy. We received the okay from the Fire Marshall. The sprinkler system has been tested with water and everything is operational. The contractor is about to remove his trailer. He is still doing a little clean-up work and small punch list items. He is making the final connection to Hangar 101 for their sprinkler that ties into the pumps at the Bastian-Mitchell. It is ready for occupancy. Chairman Lupo noted that there was a walk through Friday at 10:00 for people that are going to put together responses to RFP/Q for the Restaurant/Caterer at the Terminal Building. Is it possible that we could also have available for any Board members after that to tour the Bastian-Mitchell. Mr. Davis advised that he would make arrangements for the building to be toured.

Commissioner Heaton informed that she toured the Bastian-Mitchell Hangar and was pleasantly amazed that someone could literally lease the hangar tomorrow and plug in their equipment. What is the marketing for the Bastian-Mitchell to let people know about it? Chairman Saizan advised that there were discussions regarding the rental. We want to make a recommendation to the full Board. The motion is that we do an RFP to see what kind of interest the hangar would have.

Commissioner Heaton made a motion to add an item to the Agenda for the purpose of an RFP regarding the Bastian Mitchell, seconded by Commissioner Hoffman and unanimously adopted by a roll call vote.

3) Motion to authorize the issuance of an RFP for prospective tenants in the Bastian-Mitchell Hangar at Lakefront Airport.

Chairman Saizan advised that an RFP would be issued to see what kind of tenants would have interest in the Bastian-Mitchell Hangar. Mr. Pappalardo provided photographs of the Bastian-Mitchell Hangar from a walk-through two weeks ago. In the tile in the entrance area is an old airplane that was inlaid into the tiles. There is a reception area, hangar area, avionics room, office space and there are stairs leading up to a pilot's dressing room. It is all state of the art. The highest and best use for that property would be a corporate tenant. That is what the facility was and through the FEMA process the Authority had to rebuild what was there using replacement materials, current materials and modern construction techniques and basically following the layout for what was there. We feel that the property would be best served if you went out with an RFP with as large a net as possible. I would suggest there is a long time for the RFP to be on the street, perhaps as high as two months so we can tap into any national markets. We could have a successful responder in this room with one of the FBOs that are in the room. I think it is a very good property and the RFP should be widely circulated as soon as possible. This will be properly circulated in the property aviation manuals and publications and the NBAA. Mr. Pruitt advised that he would check into the costs involved in publication of the RFP. There is a magazine called La. Aviator. It is information on all of the aviators in the area and in Louisiana. We could talk to them and get it put on to their site. I will have to do more research as into what is available at minimal cost. The lead time in magazines is such that we could lose six weeks putting an ad in there. There are several websites that the RFP could be advertised on. Commissioner Cantrelle questioned when the RFP is put out, do local people have an advantage. I don't know how this works. Commissioner Heaton noted that you wanted local people to have an advantage, but there is a due process thing so you have to be careful with commercial real estate. Chairman Saizan noted that this is a specialized use for that property. We have to figure out a way to do the RFP so it addresses the specialized kind of use of the Bastian-Mitchell Hangar. It has to be as broad based an advertisement as the Authority can afford. Commissioner Heaton noted that there is an RFP and a Notice of Request for Proposals. At the appropriate time I will make a motion. Chairman Lupo suggested that the RFP have the minimums in it that were established from the expert, Winn Perkins, so

that we don't run into a lowball situation. We know what the property is worth so we have to have minimums in the RFP. The RFP should include the minimum cost for renting the facility, base rent, operational costs, what is included in the costs such as water and insurance. Chairman Lupo added that he wanted the Board to know the economics of this building. When the keys are turned over, this Authority automatically incurs ongoing costs of approximately \$11,000 per month for insurance alone. The minimum rent is approximately \$215,000 per year. It is important that this RFP go out to the largest community to find the best tenant. It is not only the interest of this Authority but the interest of the City. Mr. Pappalardo added that we want to get as good an RFP as we can. We want to get together with Mr. Davis to get some of the background to put in the RFP of the facility, not the history but what the facility offers in terms of square footage and that type of thing. It will take quite a while to put all of that information together. Commissioner Heaton requested a rough draft be presented to the Board at the June 20, 2013 Board meeting. The Board could then authorize Legal Counsel, staff and the Real Estate Consultant to be able to go forward once the Board is comfortable that the minimums are covered in the RFP. We could at least review a draft of the RFP. It scares me to death that we are at this point and there is not draft RFP. Chairman Saizan agreed and noted that this RFP should be on the street as soon as possible. If we are able to move the Board meeting to the 13th and a draft RFP was detailed, the Board may be comfortable with seeing a draft that included all of the pertinent points. Mr. Pappalardo agreed and suggested that the information and minimums be set forth by the Board meeting date. If the Board authorizes the production, at the next Airport Committee meeting the Committee be authorized to let the RFP go, which would be the first week in July. Chairman Saizan agreed and stated that the Board will not meet until July 18th. Mr. Pappalardo stated that the facts could be put together by the Board meeting. Mr. Pruitt will have an opportunity to research every opportunity such as banner ads. Commissioner Heaton suggested drafting a Notice to Advertise. This could be on the street for July 10th. Mr. Pappalardo agreed that it could be on the street for July 10th if the Board authorizes in the resolution next week that the RFP could be released.

Commissioner Heaton offered a motion to authorize the Real Estate Consultant with staff and Legal Counsel to draft for the Board meeting an RFP and Public Notice subject to ratification and approval by the Board, seconded by Commissioner Hoffman and unanimously adopted.

NEW BUSINESS

1) Discussion regarding amending the FBO leases to revise the leasehold descriptions to reflect the new markings depicting the non-movement area on the Airport

Mr. Capo displayed the new non-movement lines that were put in place December 15, 2012, prior to the Super Bowl. Mr. Pruitt noted that the non-movement lines were put in as a safety measure so that Taxiway Foxtrot would be accessible for Global Express to enter the ramps of all three FBOs so everyone had equal availability and the wing clearance meet the necessary FAA regulations. Mr. Capo added that the non-movement line affects all three FBOs. What we have from the surveyor is the actual square footage reduction from the leasehold on Hawthorne and Flightline. They are still working Landmark's survey. This will result in a reduction in rent on apron area. Hawthorne is starting east and moving west and went from 118,450 square feet to 89,143.5 square feet, a reduction of 29,306.5 square feet of apron area. On June 1st Hawthorne had a CPI to increase the proposed reduction of rent from December 15, 2012 to May 30, 2013, five and a half months that this area was out of Hawthorne's leasehold. On December 15, 2012, these markings went down and Hawthorne could not use this area. This was reduced from their leasehold. From December 15, 2012 through May 30, 2013, five and a half months times their square foot equates to approximately \$7,790.65 in rent credits. From June 1, 2013 to June 30, 2013 they had a CPI increase that went up to .63 per square foot from the .58 per square foot. That equates to a one month period of

\$1,538.59 per month. Hawthorne's reduction will be approximately \$9,334.00. Mr. Pruitt advised that this was done so the size aircraft required for all FBOs would be the same and it is for wing clearance of the aircraft to be able to get down Taxiway Foxtrot. Previously, the leases were designed for the National Guard who stayed at Hawthorne where all they had were helicopters. Previously, that taxiway was not designed to handle the wing clearance of a global express. This gives the required safety margins necessary for the FAA regulations especially for the Part 139 Certification because we are getting towards the 139 Certificate. Chairman Lupo added that this was part of all of the discussions regarding remarking the Airport that we had in Dallas. This is moving toward 139 Certification. This is all part of the 139 Certification, having them done on the Airport and markings in order to accommodate new aircraft and safety measures. There was a big problem along the whole southern section of the Airport and the northern section of the FBOs that had to do with planes entering and exiting without really any markings at all. This is permanent. Commissioner Hoffman questioned if all of the FBOs were on board with this and what the legal rights for the Authority to do this is if they are not on board with this. Does the Authority legally have the right to do this? Chairman Lupo stated that in the operation manuals of the Airport is that the Airport can always go in and change these markings. This was strongly recommended by the FAA. The FAA never tells you that you have to do anything, but they can take away your right to fly. Mr. Metzger stated this is a motion to authorize the amendment of the leases. We do feel we have a legal right and we will sit down with the FBOs and find out what their position is.

Commissioner Heaton offered a motion to amend the leases, seconded by Commissioner Hoffman and unanimously adopted.

2) Discussion regarding amending the leases with the FBOs to allow the FBOs to acquire property, flood and general liability insurance policies

Mr. Capo advised that this matter came up before the Insurance Committee. Flightline put in their speaker's card during the public comment portion of the meeting requesting that Flightline be allowed to purchase their own flood, property and general liability insurance. Hawthorne has expressed the same arrangement of going out and seeking the market and acquiring its own insurance. As it stands right now, there are three FBOs. One of the FBOs, Landmark, does shoe and acquire their own insurance.

Commissioner Hoffman offered a motion to amend the leases as long as the Authority is protected. Mr. Capo noted that the concern is the affects of FEMA funding if these big buildings should be damaged. Steve Nelson of Stuart Consulting has been looking into this. Mr. Nelson advised that he discussed this issue with GOHSEP. There are three areas we can look at. The bottom line is that I think it can be done. We would need to be sure from the Office of the Inspector General's standpoint that there is no problem if what you do in the lease is transfer ownership of the building to the tenant. If you do not do that you have to be certain that you craft the language in the lease in such a way that you are protected as you were mentioning. I would strongly recommend that any lease language that is crafted gets sent to GOHSEP for their insurance department's approval. Commissioner Heaton added that she appreciates what the FBOs are asking, my only comment would be that it would seem like in the finances of these policies that you would get a better deal in globo and you would pay a share, but that is not the case. Mr. Capo informed that Mr. Matthews spoke with the Authority's insurance agent about one year ago. The cost at that time was higher if the FBOs acquired their own insurance. One thing we need to do is set minimums on deductibles and what kind of coverage they need to carry. We are not at the point yet without all of those details. Commissioner Hoffman noted that this would come under protecting the Authority's interest. If I was an FBO, the only reason I would want to do it is because I would want a direct relationship with my insurance carrier. I don't have a problem with this as long as the Authority's interests are protected. All of those things just mentioned by Mr.

Capo would have to be addressed during the process. Chairman Saizan noted that this issue was for discussion only and no vote is needed. Mr. Capo advised that he would research the minimums that the Committee can approve and bring this back to the Airport Committee at the July 9, 2013 meeting. Commissioner Heaton noted that from a policy directive we need to give the FBOs all of the flexibility we can in running their businesses. We have to make sure that the Authority is protected in the leases for the Authority because that is our first priority.

Commissioner Cantrelle questioned if the FBOs get their own insurance, I'm not sure and clear on should something happen with FEMA; how would this work with FEMA because FEMA deals with the property owner and not the tenant. Mr. Nelson agreed and noted that there are two ways this can be handled. The way that the Authority handles it is for the intensive purposes of the federal government owning the building because they were insuring it they were physically responsible for damages as a result of an act of God, in that case Katrina. They paid for replacing the building. FEMA did not put any money into the building and they don't really care. If you structure the lease such that the tenant is responsible for hurricane related damages for FEMA and the State's standpoint, they are not going to be asked to spend any money because it is not their building so they are not concerned. The Non-Flood Authority is mentioned as an additional insured and you want to go back and deal with FEMA.

Chairman Lupo advised that this would open up an incredible can of worms when you start letting the tenants purchase insurance. If it was a private individual, not even touching on the FEMA problem, is there a concept that the FBOs might be interested in that allows them to go out and shop insurance and submit that to the Authority for consideration on whether the Authority wants to purchase the insurance. It may make the tenant feel better that he is able to go out and shop and present that to the Authority. Commissioner Cantrelle noted that one tenant was already shopping their own insurance. Chairman Lupo advised that this Authority did not do that. Mr. Metzger stated this was the Millionaire lease that was signed in 2000. Chairman Lupo noted that the Authority had an Insurance Committee who should look at this issue. Chairman Saizan informed that nothing would be solved today on this issue. This is a very complex matter. I would like to understand this a lot more before it is voted on. We have had the beginnings of the discussion and it should be referred to the Insurance Committee. I also think it should come back to the Airport Committee and the full Board to explain exactly what the ins and outs are.

Addie Fanguy, Landmark Aviation, stated that this is a big advantage that we had in dealing directly with the insurance company because you don't get tied up in the bureaucracy and guidelines of state practices and FEMA. On the flip side, our company just went out and shopped insurance and we had \$1.2 million in damages from Isaac and we are just renewing our insurance. This is with 48 other locations around the country with the same insurance company. We still had to raise the deductible to \$500,000 for the premiums to be feasible. If you get flooded out it is \$500,000 out of your pocket. It is a vicious circle and it is because we are behind the flood wall. We have the power because of the size of our company, but looking at other companies or independents it is a tough situation with the insurance as far as leasing. Obviously, our company shopped and this is the best they could do. The deductible was raised to \$500,000 and that is a hard hit.

Chairman Lupo requested that Mr. Pruitt meet with Mr. Davis and FBOs to show them the new signage plan and come up with a plan of what is going to be allowed on the Airport properties on the campus and what is not so they can understand what is coming up and going down at the Airport as far as signage.

PUBLIC COMMENTS

Brayton Matthews, Flightline First

Mr. Matthews addressed the insurance issue and noted that one of the problems of not carrying their own insurance is they cannot talk to the insurance people directly. Our build-out after Hurricane Isaac was considerably higher than what was estimated by the adjusters who came down. It has been a cumbersome process to try to get something done about that. The insurance rates have gone up and in our case with our business with the hangars keepers insurance and the home liability insurance we found that after 7½ years we have a good track record and we actually took a \$20,000 deduction in our costs for general liability and hangars keepers insurance for Flightline this year and our deductible went from \$15,000 down to \$5,000. We do think with prudent care and doing the proper type of build-up after these floods such as raising all of the electrical up and using a better type of sheetrock we have done a lot of things that we have mitigated the costs for when the next flood happens. That is our position on that. If I could make a comment on the expansion of Foxtrot; when we talked about the Super Bowl event and moving heavy aircraft in and out of there, Foxtrot was closed for the Super Bowl. In the past Global Expresses and large aircraft have always 927. It is my feeling that can still place because we are not a 139 Airport right now and probably not in the immediate future that we will have those scheduled aircraft again. It would be my recommendation if at all possible to move those lines back to where they were until such time as need be and let the Airport continue to collect those revenues from the FBOs. Mr. Pruitt advised that if the Airport chose to do that, it would mean that Flightline, Hawthorne and Global Aviation would not be able to have large aircraft on their leasehold. Therefore, the Airport would be having to offer for a minimal to no rates over flow space on a regular basis which I believe would probably be teetering on laws of giving away property because it is not directly in their leasehold. Should they chose to not handle the size aircraft that Landmark can handle that would be their decision. Mr. Matthews noted that Flightline handled those aircraft before and questioned the difference. Mr. Pruitt informed that h difference is the FAA has suggested that for you to handle that size aircraft that line is required. Mr. Matthews stated if that was the suggestion, I would be more than happy at our own nickel with our own FAA attorney to address that with the FAA because we did bring those type of aircraft in to our leasehold and they were brought in coming down Foxtrot as well and there has never been an accident. Again, I would be happy to address that with the FAA for determination on that.

ADJOURNMENT

Commissioner Hoffman offered a motion to adjourn, seconded by Commissioner Cantrelle and unanimously adopted.

ANNOUNCEMENT OF NEXT MEETING

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

The meeting adjourned at 10:43 p.m.