

FBO Terminal / Common Hangar Project Update

City Council Work Session June 18, 2019

Ken Carley, Airport Director

Brad Henderson, Western LLC

Andrew Hunt, Project Control

History of Terminal / Common Hangar / Parking Project

- City Council Discussion
 - January 2016 - Airport Development Plan presented to City Council at Retreat
Included: New Terminal / 25,000 SF Common Hangar / Parking
 - April 2016 – Updated Council at Work Session on Progress of Airport Development Plan which included: Information Gathering for New Terminal / Common Hangar / Parking Project
 - October 2016 – Presented formal proposal for New Terminal / Common Hangar / Parking Project
 - \$20M Funded by MEDC / MCDC / Solid Waste
- Airport Development RFP
 - October 2016: Western LLC Selected as Best Option
- Further Developed and Modified Proposal and Gathered Feedback
 - October 2016 – July 2017
- MEDC and MCDC Consideration
 - September 2017: Approval from MEDC and MCDC for \$4M Grant by each entity
- City Council Approval – December 5, 2017

Public Private Partnership Approved Details

- Western LLC dba WesternTKIleasing, Inc
 - Entered into ground lease and building lease/purchase with the Airport for Terminal and Common Hangar
 - Constructs and owns Terminal and Common Hangar for not to exceed amount of \$16M; if project is under budget, City lease payments are adjusted downward; if project goes over budget, WesternTKIleasing, Inc is solely responsible for cost overruns
 - Leases Terminal and Hangar to the City for up to 20 years; \$6M in rent amortized over 20 years at 4.75% APR
- City of McKinney
 - Provides \$10M rent deposit into an account that is drawn down as the value of the project is constructed (\$4M each MEDC/MCDC and \$2M from Airport Construction Fund)
 - At the end of 20 years of lease payments the ownership of the terminal and hangar revert to the City
 - Can purchase the terminal and hangar at any time, pre-payment penalty of 125% of remaining principal if purchased prior to 5 years from end of lease term

Project Control

- Initially recommended to the City in 2016 by a representative of Kimley-Horn for the AirFlite Hangar renovation project due to Project Control's familiarity of TMNA.
- As Project Control was already working at the Airport, its expertise was sought to monitor the City's \$10M rent deposit into the Terminal project.
- December 5, 2017 Project Control was approved by City Council as 1 of 3 qualified firms to provide owner's representative program management services.
- As a City Council-approved consultant, Project Control's first contract was executed on January 24, 2018, not to exceed 4 months, for a fee of \$7,000/mo. and reimbursable expenses not to exceed \$1,250/mo.
- Contract was amended by City Council Resolution on April 3, 2018 with a not-to-exceed amount of \$115,000 for the Common Hangar and with a not-to-exceed amount of \$181,000 for the Executive Terminal, both with a not-to-exceed amount of \$1,250 a month for reimbursable expenses. The fee is paid monthly at \$7,000/mo. for each project.
- If the fees are expended prior to the project's completion, Project Control will continue its services through project completion, at no additional cost.

Where Are We Now

- Hangar occupied April 28
 - Revenue produced to date
 - Based aircraft rent \$ 32,152
 - Transient aircraft rent \$ 6,550
 - Fuel sales \$112,099 (25,099 gallons)
 - **TOTAL REVENUE** **\$150,801**
 - Negotiating leases for buildout of office space
- Terminal
 - Furniture, Fixtures & Equipment (FFE)
 - Intend to amend Western contract to allow City purchase of FFE from Western LLC
 - FFE lifespan is under 20 years, not financially prudent to amortize the purchase over 20 years
 - Funding source is savings from AirFlite hangar improvement project
 - Council agenda item planned for July
- Letter Sent on Liquidated Damages for Missed Completion Date
 - May 31, 2019 was the deadline as stated in the ground lease before the City is owed damages.
- Contract is not in default unless the improvements are not completed by January 1, 2020

Project Control – Andrew Hunt



Integrity. Passion. Quality.



Who is Project Control?

Project Management pioneer with over **\$13 Billion** across more than **700** completed projects with **38** core staff.



Benefits of Project Control

Access to Deep Bench of Experience

Fixed Fee (No Extension for Late Project Delivery)

Proven Methods from Industry Pioneers

Accountable

Project Management (PM)

Project Manager role is very hands-on and carries a high level of control over the project. In this role, we are responsible for overseeing that all aspects of a project properly executed. These projects are typically owned and financed by our Clients.

City's Project Manager for the Toyota AirFlite

Hangar Renovation and Expansion project

Pre-existing Relationship with the Tenant

Mitigate Risk through control



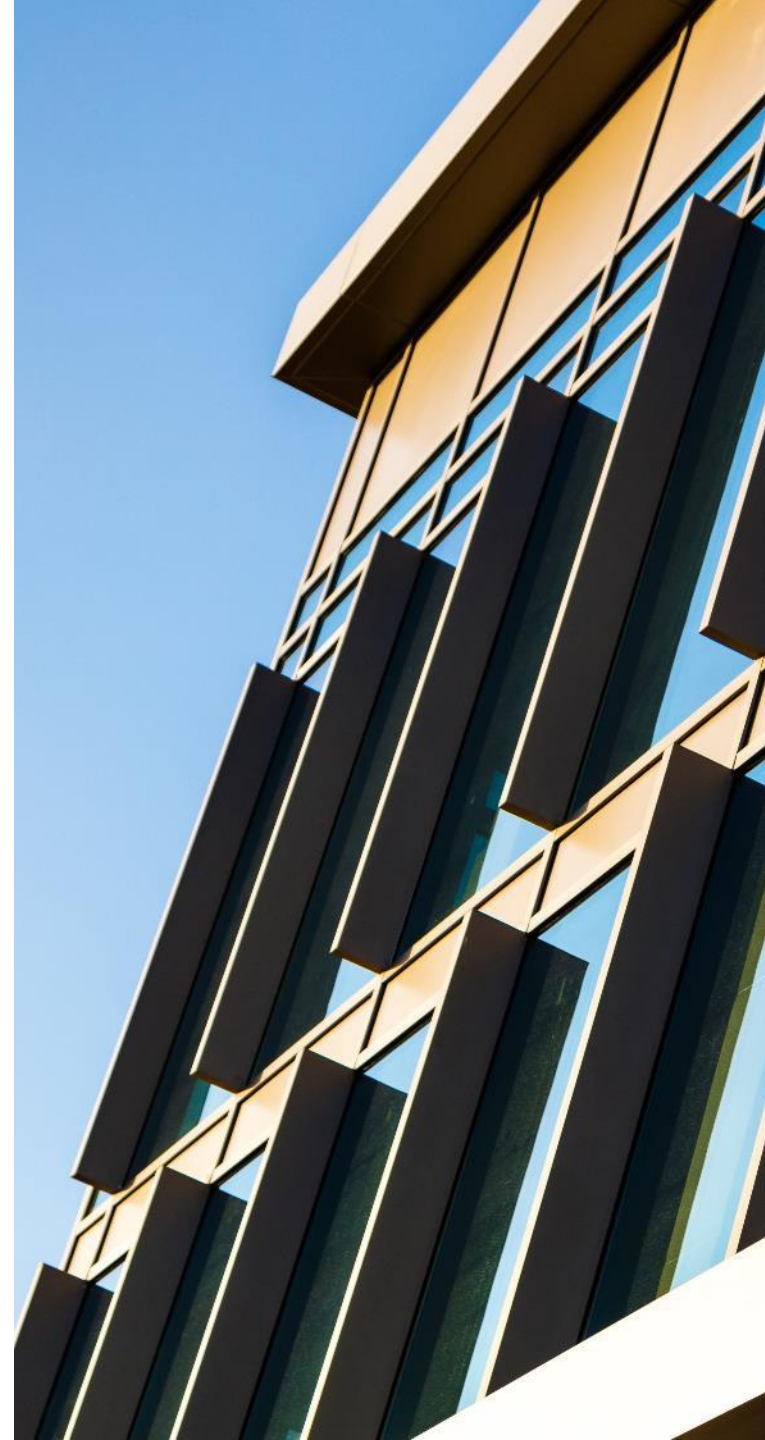
Controlled through Project Control's PM Services

- Advanced design (Architect hired prior to PC)
- Support Procurement of the Construction Manager at Risk (CMAR)
- Incorporate Pre-Construction Services by CMAR
- Lead Design Changes to keep Project Costs within budget and Tenant Satisfied
- Control Project Schedule and Budget
- Run all project bi-weekly on-site meetings
- Support City Procurement and Legal Departments to Strengthen Contracts specifically for the project.
- Detailed Coordination between the Airport, AirFlite, Toyota's vendors, all Design Team Members, Construction Contractor
- Review and Recommend Approval of Project Invoices and Pay Applications
- Support Airport with Project Closeout Negotiations between the Tenant

Project Management Outcomes

Satisfied Tenant

Project **Savings of more than 10% (\$600,000+)** of the City's Project Budget (which includes PC's Fee and without being involved in selecting the design team)



Owner's Representative (OR)

Owner's Representative role is a more removed role with less control over the process. In this role, we are responsible for broad scope oversight and overseeing the fiduciary responsibility of our Client.

Owner's Representative for Common Hangar and the Executive Terminal

Projects are not owned by the City, being developed by Western with partial funding by the City

City can only control the project through fiduciary and broad scope oversight



Controlled through Project Control's OR Services

- Monitor the Financials
- Monitor Overall Schedule
- Monitor Overall Scope
- Attend all weekly project meetings led by the developer,
- Perform bi-weekly site visits, and evaluate and obtain performance on all contract terms
- Review Construction Pay Requests by the Developer
 - upon satisfactory review of all needed documentation, provide written recommendations to the City and facilitate the funding/draw process
 - Utilize this opportunity to enforce a clear tracking and an auditable set of financials by the developer
- Active in assisting the City in negotiation of revisions impacting the Cost of Work and Schedule

Owner's Representative Outcomes

Common Hangar On-Time

Terminal is Late

No Additional Cost to the City

Funding is fully accounted for



Western LLC – Brad Henderson



Common Hangar – Completed April 24, 2019



40,000 Square Foot Hangar
8 Single-car Garages
9,000 Square Feet of Office for Build Out



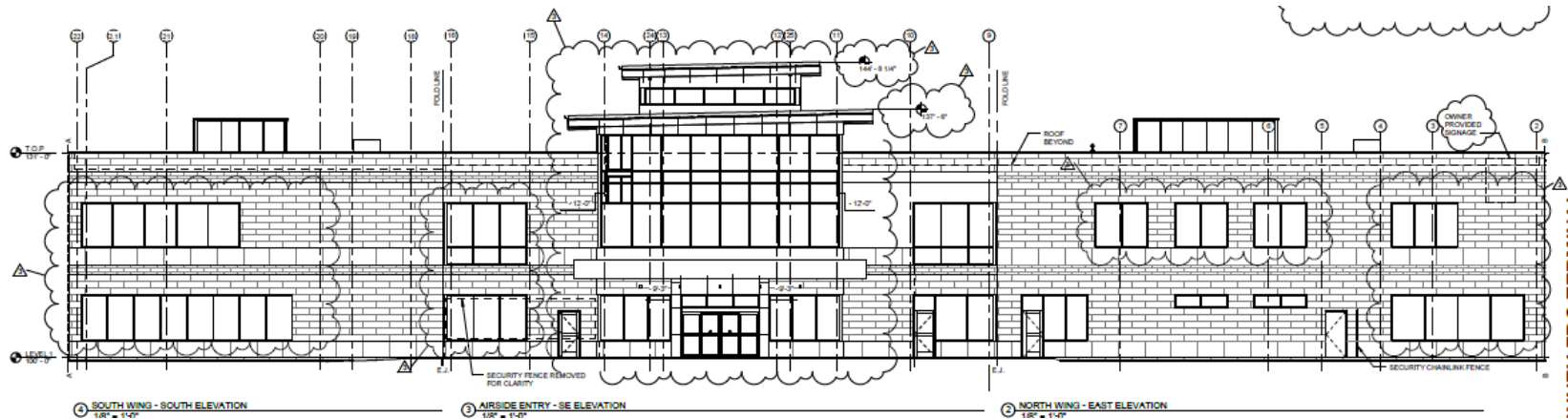
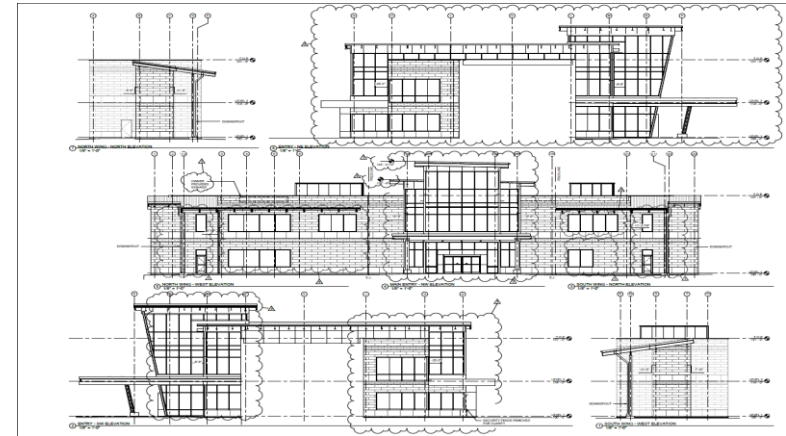
Expanded Parking Lot – Completed March 7, 2019



Expanded Parking Capacity



Executive Terminal – Elevations vs. Rendering



Executive Terminal - Challenges

- Challenges that have pushed back the scheduled completion:
 - Rainwater runoff and drainage system
 - Underground storage tanks from the 1990's
 - Rapid escalation of the local construction market
 - Weather – 84 days lost due to rain



Executive Terminal – Current Status

- Foundation currently under construction
- Building slab to be poured on June 28th
- Vertical construction to begin on July 1st
- Exterior construction to be completed on August 14th
- On schedule for completion on September 28th



Questions?