



Legislation Text

File #: 17-0041, **Version:** 1

Recommendation to authorize City Manager, or designee, to negotiate with interested Long Beach carriers or operators a financial agreement for the development of a Customs and Border Protection facility at the Long Beach Airport, subject to further City Council action approving the final terms and conditions of the agreement; and

Authorize City Manager, or designee, to execute and submit all documents necessary to the United States Department of Homeland Security for designation of the Long Beach Airport as a United States Customs and Border Protection User Fee Airport for the processing of aircraft, passengers and baggage arriving from outside the United States. (Citywide)

Long Beach Airport

The Long Beach Airport (Airport) operates as a department of the City of Long Beach (City) and is a self-sustaining enterprise, generating its own revenues to support its expenses. It currently serves the local region's needs with four passenger air carriers and two integrator/cargo air carriers, along with a variety of general aviation users ranging from individual aircraft owner/operators to corporately-owned businesses that support the broader general aviation market. In 2015, the Airport served over 2.5 million passengers and nearly 25 thousand tons of air cargo.

Noise Ordinance

The Noise Ordinance allows for a minimum of 41 daily air carrier flight slots and 25 daily commuter flight slots. The Noise Ordinance also allows for additional air carrier and commuter flight slots (supplemental flight slots) if the cumulative noise generated for the respective noise budgets for air carrier and commuter flights for the prior 12-month period will permit for additional flights, so as not to exceed the noise budget. In spring 2016, the Airport allocated nine air carrier supplemental flight slots, resulting in a total of 50 air carrier flight slots.

Air carrier allocation of the established minimum 41 flight slots and the nine supplemental flight slots (total of 50 slots) could not increase with the introduction of international service at the Airport, because the Noise Ordinance does not consider flight origination or destination but rather cumulative noise levels as monitored and measured by the Airport's robust and long-standing noise management program.

Federal Inspection Service (FIS) Facility Feasibility Study

On February 23, 2015, JetBlue Airways (JetBlue) provided a written request to the Airport Director requesting that the Airport and City apply to the United States Department of Homeland Security for consideration to designate the Long Beach Airport as a United States Customs and Border Protection (CBP) User Fee Airport (UFA) to establish a Federal Inspection Service (FIS) facility at the Airport for the processing of aircraft, passengers and baggage arriving from outside of the United States. This would allow interested Long Beach carriers or operators to utilize a portion of their current allotment of air carrier and supplemental flight slots for international commercial passenger service. A UFA designation allows for the processing of international arriving passengers at an airport, and the staffing costs associated with this are borne by the airport and typically passed through to participating users (airlines and/or private aircraft). CBP officers are onsite only as scheduled for international arrivals clearance services. Clearance services are not available at other times.

At the City Council meeting held on December 6, 2016, the City Council adopted a motion to set a Study Session date for the FIS Feasibility Study to occur on December 13, 2016, and further authorized City staff to begin engagement with JetBlue and any other interested tenant at the airport with an interest in the FIS and engage with the California Governor's Office and U.S. Customs and Border Protection (CPB), if necessary. On December 13, 2016, the FIS Study Session was presented to the Mayor, City Council, and approximately 300 members of the public. After the presentation, staff responded to several questions by the Mayor and certain City Council members. Prior to the end of the Study Session, staff was directed to respond to additional questions provided by the public and to post the questions and answers prior to the item being brought back for consideration on January 24, 2017. The questions and answers were posted on January 6, 2017, at www.lgb.org, and are also included as an attachment to this staff report.

Subsequently, additional questions related to the possible development of a FIS facility at the Airport were posed. Much of the information addressing these questions is contained in the Study or has been relayed to the greater public at City Commission or Council meetings. The information provided in the attached document focuses on expanding on, and clarifying, specifics related to the sizing of a FIS facility, air service routes currently serving Long Beach and how they relate to convention business, and the economic impact of a FIS, whether locally, regionally, or impacts of trade and tourism between Long Beach and select markets in Latin America.

As authorized by the City Council motion, on December 14, 2016, City staff met with JetBlue to gather information on their additional design and process work. JetBlue shared information specific to CBP functional needs with a FIS facility. The square footage envisioned by JetBlue is smaller than the options shared in the Study and would yield a FIS facility with just under 15,000 square feet (SF) for those finished areas that would be considered within the Terminal Area Improvement Project Final Environmental Impact Report (EIR). The group also briefly discussed a general outline of financing party participation, construction responsibility, and oversight. The group recommended a meeting with local CBP personnel to ensure JetBlue's

envisioned FIS concept is in line with CBP requirements and expectations as to function and programming.

On January 5, 2017, representatives from the Airport and JetBlue met with CBP to share JetBlue's concept reflecting the reduced 15,000 SF footprint of a proposed FIS. This excludes open and semi-open areas for circulation and queuing, but the preliminary figure of 15,000 SF is approximately 30 percent less than what was estimated in the Study and is well within the allowable square footage under the previously completed EIR. Additional environmental approvals would be required if this project were to move forward. CBP indicated preliminary support for JetBlue's concept, but they also shared that final approval would be subject to CBP's group in charge of facilities planning. As such, this meeting was simply a first step in gathering and sharing information with key stakeholders.

A Request for Qualifications (RFQ) was released on August 25, 2015, and on January 19, 2016, the City Council awarded a contract to Jacobs Engineering Group to prepare a report to determine the feasibility, financial or otherwise, of a FIS facility at the Airport. The final contract was fully executed in late February 2016, and two community meetings were held on March 30 and April 20, 2016.

The FIS Study (Study) analyzed seven components to assess the feasibility of a FIS facility at the Airport. These components included market analysis, environmental compliance requirements, economic impact, facility siting alternatives, airport scope and capability, financial feasibility, and security risk assessment. Based on a thorough analysis of these components, the Study concluded that a FIS facility would be feasible.

The Study was released for public review on October 4, 2016. A separate analysis conducted by the City Attorney examining possible effects to the Noise Ordinance was also released concurrently with the Study. The City Attorney concluded that the City's consideration of FIS facility improvements would not jeopardize the grandfathered Airport Noise and Capacity Act (ANCA) status of the Noise Ordinance. A presentation of the Study and opportunity for public comment were provided at the Airport Advisory Commission meeting on October, 20, 2016, and at the Economic Development Commission meeting on October 25, 2016. A summary of the Commission meetings is attached.

City Staff Recommendation

As a recipient of federal funding from the Federal Aviation Administration (FAA), the Airport is obligated to maintain and operate its facilities safely and efficiently and in accordance with specified conditions. These conditions include the Airport maintaining a fee and rental structure for facilities and services at the airport that will make it as self-sustaining as possible; not causing or permitting any activity or action that would interfere with its use for airport purposes; and, ensuring it is available as an airport for public use on reasonable terms and without unjust discrimination for all types, kinds and classes of aeronautical activities. Finally, the Airport is tasked with managing all aspects of the Noise Ordinance to insure

compliance for the benefit of both the users and the surrounding community.

Based on the findings of the Study, the conclusions of the City Attorney's Opinion, and the Airport's obligations to the City and the FAA in managing its activities and operations, City staff recommends moving forward on the process for development of a FIS facility. The following concurrent steps, seeking CBP approval for UFA designation and negotiating with interested Long Beach carriers or operators a financial agreement for the FIS facility, are critical. The steps required to apply for designation as a UFA include:

- At the request of the City, the submission of a letter addressed to the CBP Commissioner from the Governor, supporting the UFA designation for the Airport;
- An initial site visit, coordinated through the local CBP Area Port Director, to discuss facility requirements, workload and services;
- Through a competitive process, a general contractor would be engaged to design and obtain permit approval for the facility, based on CBP concept approval;
- Periodic visits by CBP officials to verify that the facility construction is consistent with approved plans and requirements;
- Parallel to construction, completion by the City of a Memorandum of Agreement and Agricultural Compliance Agreement with CBP, which state responsibilities, fees, hours of service, and proper handling of international refuse;
- At 85 percent completion, CBP officials verify that facilities are 85 percent complete and adequate for inspectional services to be provided;
- CBP would begin the recruitment and training of dedicated CBP staff of the Airport facility and acquire the approved information technology and other required administrative improvements; and,
- Final site visit in which CBP officials verify that facilities are 100 percent complete and adequate for inspectional services to be provided before taking possession of those new dedicated facilities.

Once the Airport receives CBP designation and a financial agreement is executed with interested Long Beach carriers or operators, RFQs will be released for environmental review, as identified in the Environmental Compliance Assessment, and selection of a contractor for a design-build project for construction of the proposed FIS facility.

Authorization to award a design-build contract will be subject to future City Council approval.

The recommended action does not constitute approval of the project itself, but is a

preliminary step to further define and refine the parameters of the project and determine if appropriate financing can be negotiated. Further engagement with CBP is also a crucial step, as this will determine the ultimate facility layout and overall square footage. If these incremental steps indicate the appropriateness of moving forward, a final project description and cost associated to develop and operate a FIS facility will be presented to the City Council for its consideration, together with appropriate environmental review and documentation.

This matter was reviewed by Deputy City Attorney Richard F. Anthony and by Budget Management Officer Rhutu Amin Gharib on January 11, 2017.

City Council action on this matter is requested on January 24, 2017, to commence the estimated two-year process for the development of a FIS facility at the Airport.

The cost to develop and operate the Customs and Border Protection Facility is to be negotiated with interested Long Beach carriers or operators and will be brought forth to the City Council at a later date.

Approve recommendation.

JESS L. ROMO, A.A.E.
DIRECTOR, LONG BEACH AIRPORT

APPROVED:

PATRICK H. WEST
CITY MANAGER