

Feasibility Study

Federal Inspection Service Facility at Long Beach Airport



13 December 2016 – Long Beach City Council

PLEASE NOTE: The information, analysis, assessments and opinions contained in this presentation are intended for general evaluation purposes only. This document is intended for use only by its specified client and is NOT intended for use, reliance or in making financial/investment decisions by outside parties.

What is an FIS Facility?



- A Federal Inspection Services (FIS) Facility is a single facility that serves as the base of operations for U.S. Customs and Border Protection (CBP), immigration, and agriculture operations
- All aircraft flying to the U.S. from foreign countries must be cleared by CBP
- The FIS Facility unifies both passenger processing and baggage processing for safe and efficient flow of passengers and goods into the U.S.

Why are we here?



- Request by JetBlue to seek creation of a US Customs Facility
- City Council authorized a Feasibility Study and RFQ issued
- Jacobs selected to perform Study
- Study released October 4th, 2016
- Present findings of the Study

Outreach



- Community Meeting #1 March 30, 2016
- Community Meeting #2 April 20, 2016
- Jacobs received comment cards, emails, and conducted an economic impact survey
- Airport Advisory Commission October 20, 2016
- Economic Development Commission October 25, 2016
- City Council presentation December 13, 2016

Scope of Study



- Market Analysis
- Environmental Compliance Assessment
- Economic Impact Analysis
- FIS Facility Siting Alternatives
- Financial Feasibility
- Security Risk Assessment

Feasibility Study Overview



- Is there demand?
- Environmental clearances?
- What is the economic impact?
- Can it fit?
- How much will it cost?
- Who will pay for it?
- Does it increase security risks?

Feasibility Study Overview



Long Beach Airport Noise Compatibility Ordinance

- One of the strictest in the world
- Long Beach Municipal Code Chapter 16.43
- 21 year old law, codified in 1995
- Consistently reaffirmed by City Council
- Limits aircraft noise, not routes
- Study considered Noise Ordinance limits as a given

FAA Legal Opinion



Letters dated 05-27-15 and 10-18-16 affirm that an FIS Facility will not negatively impact the Noise Ordinance, specifically:

- Will not affect the conclusion in the FAA letter of April 30, 2003, that the Long Beach Noise Ordinance is exempt from ANCA review;
- “...[T]he FAA does not find an issue of current noncompliance under ANCA or the City’s grant assurances. Concerns that the introduction of international service consistent with the current noise ordinance would undermine that ordinance or cause a change in the FAA’s position toward it are unwarranted.”



Findings: Market Analysis

Findings: Market Analysis



- LGB is located within a competitive Southern California Market
- Passenger traffic is up throughout the Southern California Market
- International Growth is outpacing Domestic within Southern California

Findings: Market Analysis



- Forecasted international demand is approximately 379,000 annual FIS arriving passengers, following a three year ramp up period

Year	1	2	3	4	5
Seats	246,375	333,975	336,713	446,213	446,213
Enplanements	209,419	283,879	286,206	379,281	379,281

Findings: Market Analysis



- 2006 – 2015 Slot Utilization: 32.5 per day (79%)
 - Unused allocation could provide for international activity
- Within the existing slot allocation, forecast international activity:
 - 6 out of 50 daily air carrier flights (12%) in Year One
 - 8 out of 50 daily air carrier flights (16%) in Year Four
- General Aviation forecasted impacts: improved efficiency of airspace and incremental reduction in emissions

Findings: Market Analysis



Year	DOMESTIC		INTERNATIONAL		TOTAL
2002	551,899,643	82%	118,704,850	18%	670,604,493
2003	583,293,766	83%	117,569,855	17%	700,863,621
2004	629,769,616	82%	133,940,075	18%	763,709,691
2005	657,261,487	82%	143,588,422	18%	800,849,909
2006	658,362,620	81%	149,740,591	19%	808,103,211
2007	679,185,450	81%	156,324,972	19%	835,510,422
2008	651,710,182	80%	158,111,711	20%	809,821,893
2009	618,067,255	80%	149,749,333	20%	767,816,588
2010	629,537,593	80%	157,940,463	20%	787,478,056
2011	638,247,667	80%	163,887,126	20%	802,134,793
2012	642,289,482	79%	170,838,576	21%	813,128,058
2013	645,677,554	78%	179,290,049	22%	824,967,603
2014	662,826,955	78%	188,690,254	22%	851,517,209
2015	696,016,894	78%	200,491,818	22%	896,508,712
2016	286,808,375	78%	78,858,882	22%	365,667,257
TOTAL	9,230,954,539	80%	2,267,726,977	20%	11,498,681,516

Historical Passenger Distribution

US DOT Statistics (2002 through May 2016)

- Domestic: 80%
- International: 20%

LGB will not become a 100% International Airport

Findings: Market Analysis



Current & Past Activity

LGB is served by four U.S. passenger airlines providing nonstop flights to 13 destinations (including seasonal service to Anchorage):

- American Airlines
- Delta Air Lines
- JetBlue Airways
- Southwest Airlines

Findings: Market Analysis



Probable International Destinations

- Most probable international destinations that fit within JetBlue's network
- Forecasted that 6 – 8 of these destinations would be considered by JetBlue
- Destinations based on type of aircraft and facility constraints

Findings: Market Analysis



Probable International Destinations

Country	Airport Code	City
Mexico	SJD	Los Cabos
	PVR	Puerto Vallarta
	MTY	Monterrey
	MEX	México City
	GDL	Guadalajara
	CUN	Cancún
Costa Rica	SJO	San José
	LIR	Liberia
Guatemala	GUA	Guatemala City
Panama	PTY	Panamá City
El Salvador	SAL	San Salvador

- Most probable international destinations that fit within JetBlue's network
- Forecasted that 6 – 8 of these destinations would be considered by JetBlue
- Destinations based on type of aircraft and facility constraints

Findings: Market Analysis



- International flights must operate within the constraints of the Noise Ordinance
- There is a market at LGB for international flights to/from southern destinations
- Estimated market is 6 to 8 flights per day totaling approximately 379,000 annual arriving passengers



Findings: Economic Impact Analysis

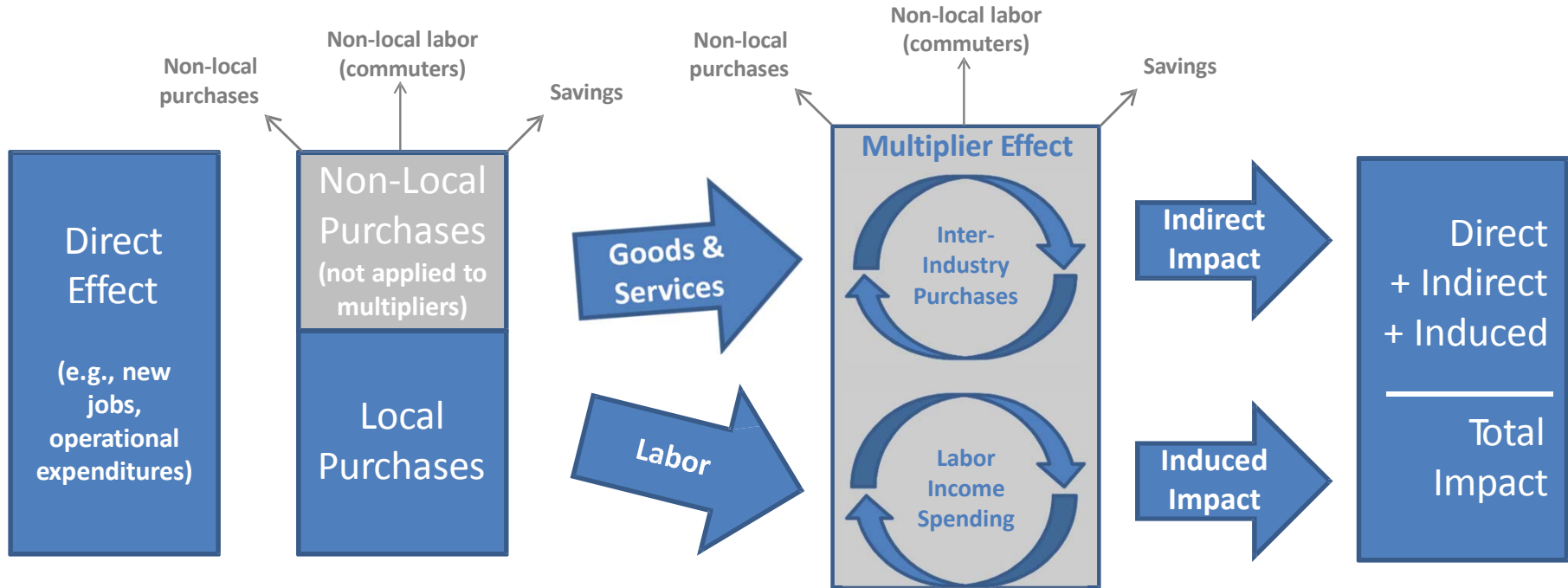
Findings: Economic Impact Analysis



- Economic Impact Analysis used results from a 2016 tenant survey
- The analysis identified the economic impacts of LGB and the potential contribution of an FIS Facility

Annual economic contribution of LGB and its tenants (pre-FIS) is approximately 45,000 jobs and \$10.3 billion in output

Findings: Economic Impact Analysis



Note: Diagram is illustrative and is intended to provide an overview of Input-Output modeling, not a full representation of model inputs and structure.

Source: AKRF, Inc. May 2013

Findings: Economic Impact Analysis



FIS Annual Long Beach Economic Impact

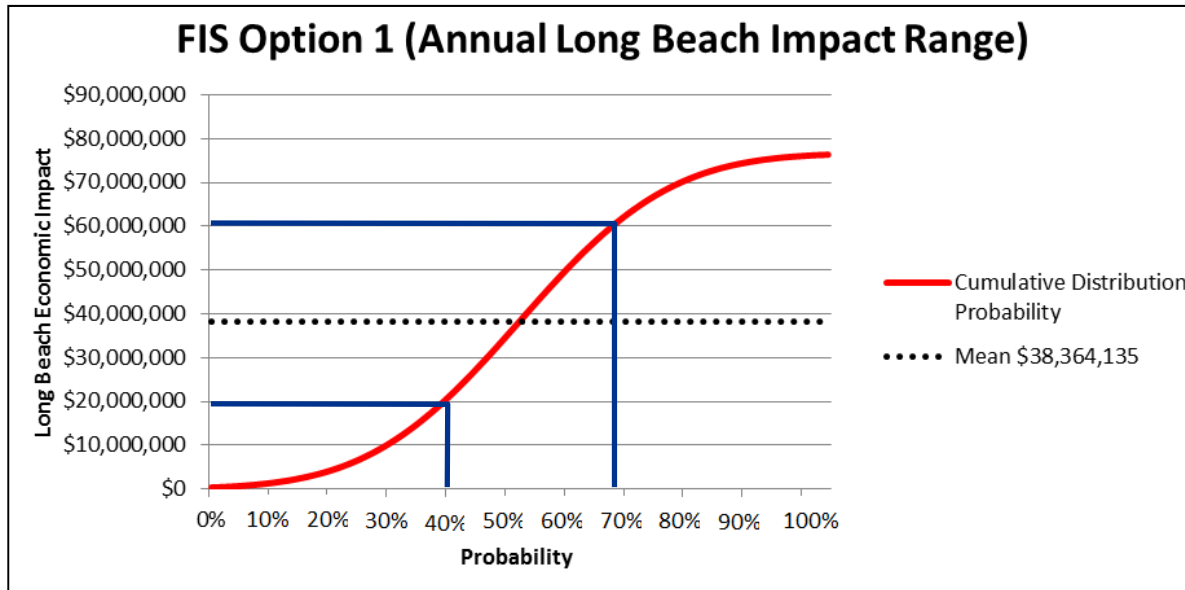
- Community request to identify specific local benefits to Long Beach
- Statistical analysis applied to estimate local benefits and supplement regional economic analysis in the Study
- Local benefits are expressed as a range
- Results in the same conclusions as more detailed study and just as accurate for purpose of making business decision

Findings: Economic Impact Analysis



FIS Annual Long Beach Economic Impact Range

- Economic impact likely greater than mean due to customer base



***Annual Impact of FIS:
\$20M to \$60M***

Findings: Economic Impact Analysis



FIS Annual Long Beach Economic Impact Estimate

Item	Regional Impact ⁽²⁾		Study Appendix C Source Table	Local Impact ⁽³⁾	
	Employment	Output		Employment	Output
Existing Annual Impact (Before FIS)					
Existing LGB 2015 (LGB Only Non-Capital Expenditures)	171	\$49,381,607	Table 2, airport only, no tenants	22	\$8,318,128
Existing LGB 2015 (LGB Only Planned Capital Expenditures)	184	\$30,894,450	Table 3, airport only, no tenants	34	\$5,296,228
Existing LGB 2015 (Airport + Tenants)	44,772	\$10,261,165,625	Table 5 LESS Tables 2 and 3	6,240	\$1,776,527,660
Total Existing LGB 2015 (Airport + Tenants)	45,127	\$10,341,441,682		6,296	\$1,790,142,016
FIS Option 1 Impact⁽¹⁾					
FIS Option 1 (One-time, Capital)	253	\$38,840,444	Table 7	47	\$6,658,408
FIS Option 1 (Ongoing Facility O&M)	5	\$867,153	Table 13	1	\$137,196
FIS Operations (Airlines, Government, and Suppliers)	353	\$35,654,059	Tables 16 and 17	80	\$6,961,621
International Visitors (Steady-State, Year 4+)	1,396	\$185,610,476	Table 20	179	\$31,265,318
Total FIS Ongoing Impact⁽⁴⁾	1,754	\$222,131,688		260	\$38,364,135

Footnotes

(1) FIS Option 1 used for analysis only. This is neither an endorsement nor recommendation of a preferred alternative.

(2) Regional impact values from IMPLAN analysis for Los Angeles and Orange Counties (total of direct, indirect and induced).

(3) Local impact values are 28% of direct regional impacts based on 2016 tenant survey in study plus 3.6% of indirect and induced impacts based on population for City of Long Beach compared to Los Angeles and Orange Counties in 2015.

(4) Ongoing Impact of FIS calculated for Year 4 and beyond following establishment of international service. Ongoing impact does not include one-time capital expenditure to construct the FIS Facility.

Findings: Economic Impact Analysis



Economic Impact Summary

- Long Beach Airport (pre-FIS)
 - *Approx. 45,000 jobs and \$10.3 billion in regional output*
 - *Estimated 6,300 jobs and \$1.8 billion in local output*
- Potential FIS Facility construction (Option 1)
 - *Approx. 250 jobs and \$38 million in one-time regional output*
 - *Estimated 47 jobs and \$6.7 million in one-time local output*
- Potential FIS Facility operations
 - *Approx. 350 jobs and \$36 million in annual regional output*
 - *Estimated 80 jobs and \$7 million in annual local output*

Findings: Economic Impact Analysis



Economic Impact Summary

- International travelers
 - ***Estimated 30% of annual international passengers are visitors to the U.S.***
 - ***Estimated visitor spending equals \$104 million per year***
- Economic impact multiplier effect of international travelers spending
 - ***Approx. 1,400 jobs and \$186 million in annual regional output***
 - ***Estimated 179 jobs and \$31 million in annual local output***
- Potential Total FIS Ongoing Impact
 - ***Approx. 1,750 jobs and \$222 million in annual regional output***
 - ***Estimated 260 jobs and \$20 – \$60 million in annual local output***



Findings: Environmental Compliance

Findings: Environmental Compliance



- Environmental Clearance Requires Compliance with State and Federal Regulations (CEQA & NEPA)
- California Environmental Quality Act (CEQA)
 - Under some scenarios the ***FIS Facility could be accommodated*** within the impact envelope contemplated in the 2006 Terminal Area Improvement Project Final Environmental Impact Report (FEIR) No. 37-03 (State Clearinghouse No. 2003091112).
- National Environmental Protection Act (NEPA)
 - ***Categorical Exclusion may be appropriate*** documentation in some scenarios pursuant to NEPA. Coordination with CBP and FAA on the type of NEPA documentation to be required as part of the project development process.

Findings: Environmental Compliance



- CEQA Environmental Impact Reports evaluate the following:
 - I. Aesthetics
 - II. Agricultural and Forestry Resources
 - III. Air Quality
 - IV. Biological Resources
 - V. Cultural Resources
 - VI. Geology and Soils
 - VII. Greenhouse Gas Emissions
 - VIII. Hazards and Hazardous Material
 - IX. Hydrology and Water Quality
 - X. Land Use and Planning
 - XI. Mineral Resources
 - XII. Noise
 - XIII. Population and Housing
 - XIV. Public Services
 - XV. Recreation
 - XVI. Transportation/Traffic
 - XVII. Utilities and Service Systems

Findings: Environmental Compliance



- Conducted review of FEIR No. 37-03
- Original FEIR consultant, Kathleen Brady from BonTerra Psomas, was retained to perform the review
- Feasibility Study does not constitute CEQA compliance.
An environmental assessment will be preformed if and when the City determines to proceed with a Project
- Feasibility Study determined that in some scenarios no additional environmental impacts would be generated
- FEIR No. 37-03: 52 air carrier + 25 commuter daily flights = 5.28 MAP
 - Forecast Activity: 50 air carrier + 3 commuter daily flights = 4.28 MAP

Findings: Environmental Compliance



- Functional Areas Evaluated Within FEIR No. 37-03:
 - Holdrooms
 - Concession Area
 - Passenger Security Screening
 - Baggage Security Screening
 - Baggage Claim Devices
 - Baggage Service Office
 - Restrooms
 - Office Space
 - Ticketing Facilities
 - Airline Gates
 - Aircraft Parking Positions
 - Vehicular Parking
 - Traffic and Pedestrian Circulation

Findings: Environmental Compliance



- FEIR 37-03 Certified June 30, 2006 by City Council
 - Evaluated *102,850 square feet* of terminal facilities
- April 24, 2007 City Council Action
 - Authorized *89,995 square feet* of terminal facilities
- Phase I Improvements
 - Completed *73,769 square feet* of terminal facilities
- Remaining Terminal Improvements (under FEIR 37-03)
 - 8,600 square feet of terminal facility removals
 - *37,681 square feet* of terminal facilities remaining



Findings: Facility Siting Alternatives

Findings: Facility Siting Alternatives



- Three (3) conceptual options prepared
- Simulated flight schedule
 - 6 to 8 daily international arrivals
 - Demand peak: 255 passengers per hour
- Sized based on CBP Airport Technical Design Standards (ATDS)
- Options evaluated for feasibility only
- Preferred Project to be determined, but all are feasible

Findings: Facility Siting Alternatives



Option 1 – 35,051 Gross Square Feet

\$21,558,000



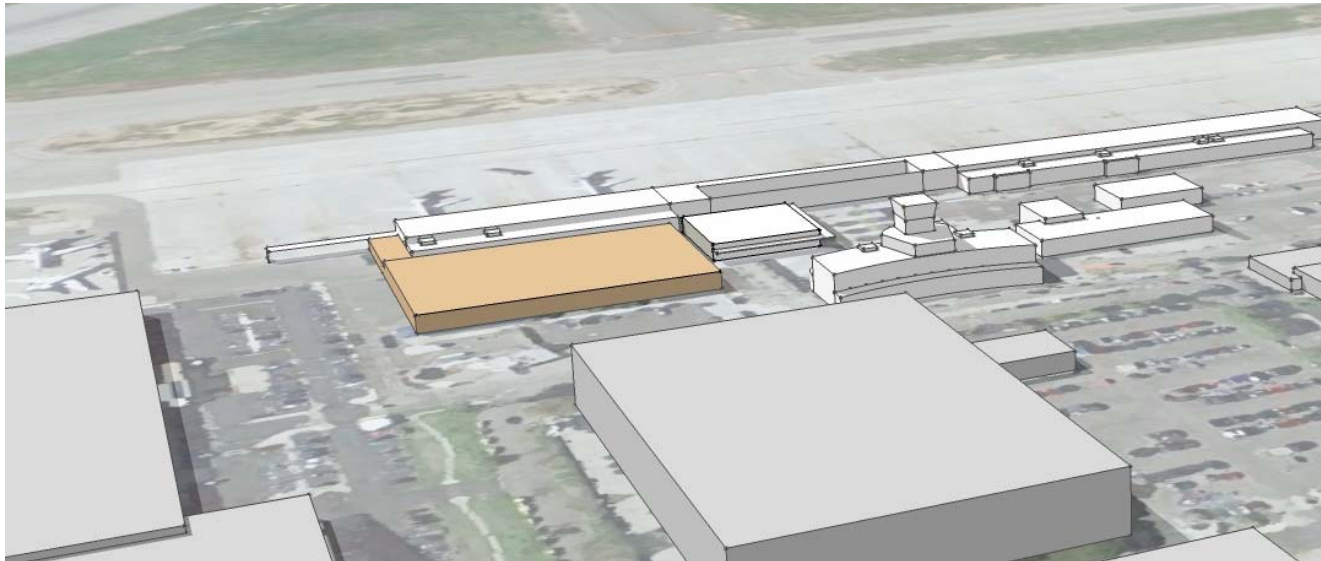
CONCEPTUAL MASSING DIAGRAM – FOR ILLUSTRATIVE PURPOSES ONLY

Findings: Facility Siting Alternatives



Option 2 – 30,672 Gross Square Feet

\$17,335,000



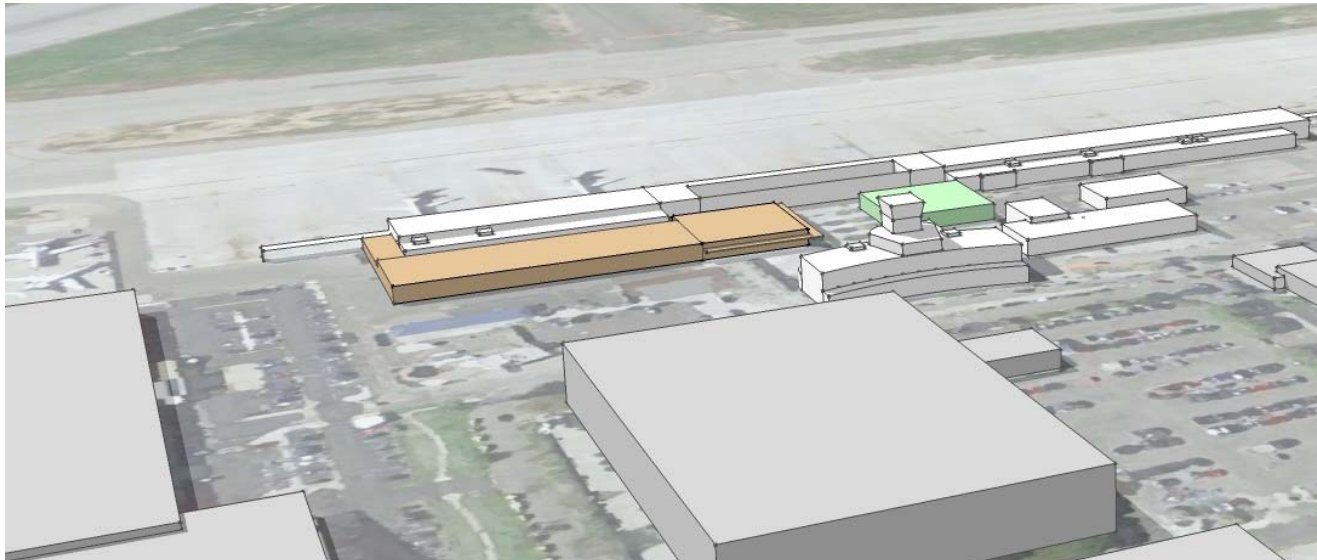
CONCEPTUAL MASSING DIAGRAM – FOR ILLUSTRATIVE PURPOSES ONLY

Findings: Facility Siting Alternatives



Option 3 – 28,406 Gross Square Feet

\$20,353,000



CONCEPTUAL MASSING DIAGRAM – FOR ILLUSTRATIVE PURPOSES ONLY



Findings: Financial Feasibility

Findings: Financial Feasibility



- No City of Long Beach General Fund Dollars support the Airport
- No General Fund Dollars or Tax Payer Dollars would be used to construct or operate an FIS Facility
- Per FAA Regulations, Airport revenues can only be used for Airport activities
- Airport revenues cannot be used to pay for City services not related to the Airport

Findings: Financial Feasibility



- LGB could commit up to \$3 million of Passenger Facility Charges (PFC)
- Balance of capital costs could be funded directly by JetBlue Airways as primary user of the FIS Facility
- FIS Facility charges would be approximately \$13 per FIS arriving passenger in Year One (reflecting start-up costs) and then approximately \$6 per FIS arriving passenger for the next ten years
- FIS Facility charges within range of comparable California airports
- Ultimate financing plan would be negotiated by all parties

The potential FIS Facility would be financially feasible

Findings: Financial Feasibility



Airport	FIS Fees
LGB	FIS Capital Charge: \$3.52 to \$4.65 per FIS arriving passenger FIS Net Operating Charge: \$9.00 per FIS arriving passenger (Year One) and approximately \$1.35 to \$2.48 per FIS arriving passenger (Years Two through Ten)
SNA	Effective fee of \$6.80 (2016) per FIS arriving passenger based upon allocated costs and FIS square footage
SAN	\$2.00 per arriving international seat
OAK	\$10.00 per arriving international passenger
FAT	\$12.00 per deplaned passenger using the FIS facility
PHX	Fee per FIS arriving passenger: \$1.30 (2016); \$2.55 (2017) & \$4.00 (2018) Per aircraft turn fee: \$430 (2016); \$562.70 (2017) & \$662 (2018)

The potential FIS Facility would be financially feasible as this fee level is in the range of FIS charges at comparable airports



Findings: Security Risk Assessment

Findings: Security Risk Assessment



- Study examined potential for additional risk
- The FIS Facility would not increase the risks to LGB and the Long Beach community
- CBP on-site presence provides additional protection
- Elimination of risk is seldom possible, and LGB currently commits significant resources to provide protection for the traveling public
- Regardless of the addition of international service, the risks to LGB will continue to be managed with a robust security operation

Next Steps



City Council decision whether or not to move forward with next steps for an FIS Facility at the Long Beach Airport

City Council Action tentatively scheduled for January 24, 2017

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