

Minutes of the
GILLESPIE COUNTY AIRPORT ADVISORY BOARD
Monday, November 21, 2016

MEMBERS PRESENT:

Mike Roberts
Gary Stehling
David Smith
Tim Lehmberg
Steve Allen
Keith Keller
Troy Ottmers

STAFF PRESENT:

Roger Hansen, Manager
Calvin Ransleben, County
Liaison

GUESTS PRESENT:

Ethan Crane
Beverly Smith

CALL TO ORDER

The meeting was called to order at 1:30 PM by Chairman Mike Roberts.

APPROVAL OF MINUTES

Minutes of the regular October 17, 2016 meeting were approved.

AIRPORT MANAGER'S REPORT

The Bonanza formation clinic took place with cooperation with the FBO and the flyers being the best that it can be.

The Military Bunch for Lunch program remains at \$195.22, no receipts have been received from the Diner or Brewery.

The Commissioners Court items included permission to advertise for the manager's position, Gary Stehling and Keith Keller were reappointed to the Board, and an updated cost of the above ground CTEC power line was approved.

The County T hangars are full.

NEW BUSINESS

No new business was brought to the Board

OLD BUSINESS

A proposal for the Hawk 1 Aircraft Assembly, Service and Sales Building Proposal was presented to the Board (Atch 1). Discussion took place regarding the cost per square foot per year, the requirement for an increase in leased space, and the need for a Pro Forma financial projection with a Profit and Loss Balance sheet. The consensus was that this proposal is good for the airport and for Gillespie County and we need to ensure the details are completed prior to going to the Commissioners Court for approval. Other discussion items were the

need for a statement in the lease that defines A&P operations and a 3% charge on gross revenue sources from the sublease of office and maintenance space. A recap of the Board's discussion items are at Attachment 2.

An environmental proposal from RPS Klotz (Atch 3) was received regarding the SWP3 with a total cost of \$4,200.00 which can be reimbursed from the RAMP. The manager will look into one other possible source for a proposal.

The bids for the CIP were opened on November 10, 2016 and the apparent low bidder is Allen Keller Construction Company.

REPORTS

The FBO detailed the first 3 quarters of the calendar year and as of the third quarter we are on par to sell approximately the same amount as we did in 2015. October was a strong month for sales and if November is strong we may be able to surpass the sales of 2015. All three sources of fuel, truck, midfield ramp self-serve and the north end self-serve were active. The rental car market continues to be strong.

The tax receipts place both the City and the County in positive positions and it appears the twelve month change from the previous year will be in the 5% range for both entities.

COMMENTS

No meeting is scheduled for December 19, 2016.

ADJOURNMENT

The meeting was adjourned at 2:50 PM.

Aircraft Assembly, Service and Sales Building Proposal Gillespie County Airport

11/16/16

Lessee: Hawk #1, LLC. (Exclusively owned by Richard & Rosemary Estenson and family).

Proposal: Land lease for construction of a metal hangar style building with dimensions of 180 foot by 80 foot with an adjoining two story, three thousand foot, first floor aircraft showroom with limited second story offices and conference area.

The hangar style space will be divided and leased to three entities – Falcon Aero, Magnus/Siemens, and Kel Ireland. Falcon Aero designs, builds, assembles, and supplies modifications to composite aircraft, and currently is in negotiations to include paint and upholstery services. These services are not available at our airport.

Magnus builds and assembles light composite, two-place, Fusion aerobatic aircraft, as well as the eFusion – all electric aircraft. Falcon Aero is participating in the design of a new six place twin turbine, carbon fiber aircraft with Magnus. This aircraft will be the testbed for the Siemens development of the electric turbine-hybrid much as the two-place Fusion is the all-electric platform.

Kel Ireland primarily contracts services to government turbine helicopters and services turbine engines utilized by Falcon Aero. Kel will also perform A&P services for Falcon and Magnus aircraft which have Rotax, Siemens electric engines and turbines.. (We do not have anyone who can service turbines or electric engines at the airport currently). Occasional general aviation services and inspections can be offered for turbines of King Air's and TBM's currently hangered at the airport.

Aircraft Assembly, Service and Sales Building Proposal – Page 2

Land Lease: The land proposed for the joins the land already under lease for the Airport Diner/Conference/Pacific Showroom. Adjoining parking provides benefits both operations. A site plan for the proposed lease and associated structure and parking is provided - see attachment "A".

Lease Term: The lease is proposed as a 30 year lease with a 20 year option for renewal.

Taxes/Insurance: Taxes and insurance on improvements will be paid by lessee.

Lease Rate: \$0.18 (2016) per square foot of land area per year, subject to annual CPI adjustments. Hawk #1,LLC. will be responsible for all lease payments due the county.

Site Improvements: All architectural services, site preparation, and utilities are the responsibility of the lessee.

Building Design: The hangar style building will be skinned similarly to the adjoining conference center. The showroom/ sales structure will have a 1940 art deco design, keeping with the styling of the Hangar Hotel and Airport Diner. See attachment "B".

Construction: Will begin upon approval.

Project Significance: The majority of new light aircraft are of composite construction. The introduction of light turbine and electric engines will begin replacing older, heavier reciprocating designs. Our airport needs the service operations that can provide support for these aircraft. These services are currently not available here but will be provided with the new facilities.

Magnus and Siemens offer a significant opportunity for our airport. Magnus will make Fredericksburg the home of their US operations, and will direct all design, manufacturing and support of their aircraft from our airport. (Their CEO, is relocating his family to Fredericksburg prior to the next school term.)

Aircraft Assembly, Service and Sales Building Proposal – Page 3

The first Magnus Fusion aircraft is currently undergoing FAA certification in Fredericksburg - a second Fusion will arrive in early December.

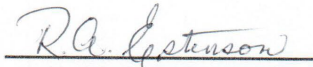
Siemens, a worldwide company employing 350,000 people, has partnered with Magnus for the development of the eFusion “electric engine” platform. The Vice President of Siemens aviation will be making a second trip to Fredericksburg, along with Siemens’s Manager of Development and Sales for electric engines, the week after Thanksgiving. Siemens will allocate an electric engine eFusion aircraft to Fredericksburg for the US operations after the first of the year, to begin FAA certification of the engine in preparation for Oshkosh 2017.

Approval of this proposal not only provides the airport with additional services and the significant capture of a new generation of engine technology, but provides Fredericksburg with the opportunity to train and employ our youth in the leading technologies of our aviation industry.

We are fortunate to have significant reputable companies such as Siemens, consider our community to develop and market their innovative products, but all the entities involved in this proposal have a proven track record of providing the highest quality products and services.

Please give this proposal your timely consideration and approval.

Submitted by:



Richard A. Estenson
Hawk #1, LLC.

Attachment 2

HAWK #1 LLC
CONSIDERATIONS FOR DEVELOPMENT OF LEASE PROPOSAL
Gillespie County Airport Advisory Board
Meeting of Oct. 17, 2016
Outcomes of AAB Meeting Nov. 21, 2016

Management Summary

- Develop a detailed Business Plan to include Pro Forma financial projections (P&L and Balance sheet) from start-up date to probable year of stable business performance (say 8 years).
- Develop an Investment Plan that shows how the business will be financed.
- Consider how the business will be organized. Partnership, Corporation, LLC?
- Who will be the investors and principals? Who will manage the business?
- Output: Detailed Lease Proposal for the review and action of the Airport Advisory Board and Commissioners Court (Airport Sponsor).

General Considerations (to be included in lease agreement)

- If the business is organized in some form of limited liability company, the Airport Sponsor will require prior approval of change of control.
- Leases are not assignable. No sub-leases without prior approval of Sponsor.
- If sub-leasing of improvements is part of the Business Plan, the Sponsor will require a 3.0% participation of the gross rent consideration.

Detail Considerations

- The Airport Sponsor's objective for lease-hold improvements are to maximize value to our Airport, the County and City, and our community at large. Typical questions to be addressed:
 - What benefits does the proposed Business Plan bring to us?
 - Does the Investment Plan adequately support the Business Plan?
 - Who are the principals in the business? Who will the Sponsor be dealing with?
 - Will the proposed business be a long-term contributor to our community?
 - Under Grant Assurances the airport must consider financial sustainability. (Proforma financials)
- Lease Proposal details (suggest model on Proposal Number 2004.14, Airport Site Lease for the FBO)
 - Sufficient land to support Business Plan. Likewise, sufficient road access and car park area. Lease more land; extend access road. See sketch. Provide revised drawing of Site Plan.
 - Sponsor must insure that lease-hold improvements continue to be used to support Aviation services. Therefore, Sponsor requires prior approval of Sub-lease Agreements.
 - Time Line for construction and development of the business.
 - How will aircraft deliveries be made to the building, is there enough space for big containers? Refer to prior note – lease more land.
- In broad terms, the sum of income streams as rent to the Sponsor should be defensible in relation to Fair Market Value of the amount of land in question and its location on the Airport. Set land rate at \$0.20 per square foot per year, with annual adjustment by CPI, plus 3.0% of gross rentals on sub-leases.

Color Code Explained

- Items in Green color have been covered in the Proposal document of 11/16/2016 and/or by explanation in the introduction of the concept.
- Items in Red color are required to complete a detailed Lease Proposal, or are changes proposed by the AAB.

Airport Advisory Board
Nov. 21, 2016



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November 18, 2016

Mr. Roger Hansen
Airport Manager
Gillespie County Airport
101 West Main Street, Unit 9
Fredericksburg, Texas 78624

Re: Proposal for Site Inspection and Review of SWP3

Dear Mr. Hansen:

RPS is pleased to present this proposal to perform a site inspection and review of your Storm Water Pollution Prevention Plan (SWP3) to comply with the new 2016 Texas Pollutant Discharge Elimination System (TPDES) Multi-Sector General Permit (MSGP-TXR050000).

As you know, TCEQ recently renewed their TPDES Multi-Sector General Permit TX0R50000 to replace the one that expired on August 14, 2016, and facilities had until November 14, 2016 to obtain coverage under the new MSGP.

The scope proposed for this project includes the following.

- Perform a site visit and inspection of the airport looking for delineation of outfalls and potential contamination zones;
- Review compliance documentation; and
- Review the existing SWP3 in accordance with the requirements of the new MSGP permit requirements and make recommendations for modification, as applicable.

The estimated cost for this project is \$4,200. Work will be conducted on a time-and-materials basis and will be billed monthly.

We appreciate the opportunity to present this proposal and look forward to working with you on this project. If you have any questions, call me directly at (512) 879-6689.

Sincerely,

RPS

Kyle Shelton, P.E.
Vice President