

Briefing Book

VT Mobile Aerospace Engineering, Inc. (VT MAE)

Development of Maintenance, Repair Overhaul (MRO) Hangar at Pensacola International Airport

I. Historical Perspective and Timeline

Action	Date
Discussions between City of Pensacola and representatives from ST Aerospace Mobile, Inc. commence	Fall, 2012
Proposal from City to ST Aerospace Mobile, Inc. to construct two (2) 73,000 square foot MRO hangars	January 7, 2013
City accepts FDOT grant in the amount of \$11,090,000 for airport infrastructure development	June 13, 2013
Negotiations re-commence between City and ST Aerospace Mobile, Inc.	August 2013
Non-binding Memorandum of Understanding signed between City of Pensacola and VT MAE to construct a 160,000 square foot MRO hangar at a construction cost not to exceed \$37,344,300.	November 12, 2013
Public Open house at Vickery Center to share conceptual development plans, begin public outreach for workforce development and respond to questions from the public.	February 18, 2014
Interlocal Agreement signed between Escambia County Board of County Commissioners and City of Pensacola related to funding of VT MAE project .	March 10, 2014
VT MAE job fair to discuss potential future employment opportunities; over 330 people show up.	March 20, 2014
Final Lease Agreement signed (approved by City Council) between City of Pensacola and VT MAE. Guaranteed Maximum Price not to exceed \$37,344,300.	September 9, 2014
Commencement of work orders for Environmental Assessment.	October – December 2014
Commencement of RFQ process for selection of Construction Manager at Risk and for A&E services. Selection of Review Committee, submission and review of proposals, determination of finalists and oral presentations.	December 2014 – May 2015

Selection of Greenhut Construction Company, Inc. as the Construction Manager at Risk (CMAR) and selection of Atkins for A&E services.	July 16, 2015
City accepts FDOT grant in the amount of \$1,531,546 for construction of taxiways and cargo apron, a major portion of which (\$1,121,242) is used to connect VT MAE to runway.	September 17, 2015
Expanded hangar configuration (from 160,000 sq. ft. to 173,452 sq. ft.) agreed to and established as the new Basis of Design. 30% design documents completed.	October 23, 2015

Value engineering process undertaken based on 30% design documents.	December 2015 – February 2016
City accepts FDOT grant in the amount of \$2,975,305 for the construction of taxiway connector at Pensacola International Airport.	March 17, 2016
City accepts FDOT grant in the amount of \$8,599,600 for the construction of a hangar at Pensacola International Airport.	April 14, 2016
60% design documents completed on June 3, 2016 and bid packages solicited. Guaranteed maximum price (GMP) based on 60% design determined to be approximately \$1.7M above maximum construction budget.	July 1, 2016
95% design documents completed on July 22, 2016 and bid packages solicited. GMP based on 95% design packages determined to be approximately \$497K above maximum construction budget. Scope reductions agreed to and GMP of \$37,576,696 finalized.	August 16, 2016
City initiates bridge financing to cover construction costs until the FDOT grant begins in FY 2018/19.	September 22, 2016
Final Amendment to Real Property Lease signed by all parties.	September 22, 2016
Notice to Proceed issued to Greenhut Construction Company, Inc.	October 15, 2016
Groundbreaking Ceremony	October 28, 2016

II. VT MAE/City of Pensacola Real Property Lease – Summary of key provisions

Approved: September 22, 2016

- Initial leased premises equal 19.84 acres and initial ground rent is \$.30 per square foot. 1ST year ground rent is approximately \$259,000. Annual increases based on CPI, limited to 2% per year. Lease term is 30 years. VT MAE to provide a letter of credit in the amount of the annual ground rent in order to secure payment of ground rent. The City owns title to all leased premises (land and building).
- VT MAE has right of first refusal to lease Additional Land that can be used for a Phase II build out (approximately +/- 17 acres). Consideration for right of first refusal is \$0 for first 5 years, 25% of ground rent for next 5 years and 50% of ground rent for next 5 years. If not exercised within 15 years, right of first refusal terminates.
- Lease is a triple net lease, meaning VT MAE has the sole and entire responsibility to provide routine and customary repairs, maintenance and replacements to the facilities and surrounding premises, to provide all insurance coverage, pay all taxes (real, personal property, sales tax, etc.) and to return the premises to the City at the end of the lease term in the same condition as of the date of beneficial occupancy, except for reasonable wear and tear. Conversely, City has no financial responsibility for the maintenance, repair and replacement of the leased premises during the lease term.
- At end of 30-year lease term, VT MAE has the option to purchase the building (not land) for FMV with proportionate credit for initial equity contribution. Purchase is contingent upon entering into a new ground lease.
- City is responsible for construction, once all baseline environmental approvals and assessments are complete. Estimated Project cost is to be \$46.0 million. Funding as follows:

Industry Recruitment, Retention and Expansion Fund	\$7,00,0000
Escambia County and City of Pensacola	\$8,000,000
Florida Department of Transportation (FDOT)	\$11,090,000
City – FDOT allocable to Airport	\$4,096,547
City - FDOT allocable to Airport	\$8,599,600
VT MAE equity contribution	\$7,244,300
TOTAL FUNDS AVAILABLE	\$46,030,447

The additional FDOT grant becomes available in FY 2018/19 and therefore the City has secured interim financing, the cost of which is part of the Project Cost. To the extent Project Costs are less than \$46,030,447, the additional FDOT grant will be reduced.

- As a material inducement for this lease, VT MAE shall maintain a minimum employment level of 300 full time employees with an average annual wage of at least \$41,000. If VT MAE does not maintain at least 300 full time employees, VT MAE will repay a calculated "claw back" amount per employee, for as long as annual employment remains below 300 employees. Further, in consideration of the additional FDOT grant, VTMAE agrees to maintain an additional 100 full time employees (total 400) in accordance with the terms of the IRREF agreement.
- VT MAE may not assign or sublease the leased premises without the express written consent of the City. The City has sole and absolute discretion in matters of assignment and sub-leasing. Further, City may charge an assignment approval fee in its sole discretion based on various factors, including the consideration furnished under the proposed sublease. Notwithstanding any sublease or assignment, VT MAE remains primarily liable for all obligations under the lease.
- Several actions by the Company could cause an act of default. In the event of default, remedies include repossession of the leased premises, termination of the lease, recovery of unpaid rent and damages associated with the termination and re-leasing of the leased premises.
- As condition of the use of Airport services and facilities, VT MAE shall implement an affirmative action program as required by FAA regulations and shall comply with the federal requirements for "Participation by Minority Business Enterprise in Department of Transportation Programs", Title 49, CFR, Part 23.
- The City will use commercially reasonable efforts to extend Runway 17-35 to a length of approximately eight thousand (8,000) feet subject to approvals and availability of ninety percent (90%) grant funding to pay the costs of planning and constructing the runway extension.
- Rights of Termination – As long as there is no event of default, VT MAE has the right to terminate the lease without cause after 10 years. City has the right to terminate the lease without cause after 20 years.
- At the end of VT MAE's use and occupancy of the leased premises VT MAE must environmentally remediate the site to its original condition.

III. The Team

The VT MAE project is a complex matter involving a global organization with a sophisticated management hierarchy, several governmental and quasi-governmental agencies and a number of subject matter experts for the City of Pensacola and VT MAE. The following individuals have played and continue to play a significant role in the ongoing development of this specific project, as well as the ongoing and hoped for expanding relationship with VT MAE. On behalf of the Mayor and City Council, the following professionals have been actively involved and have played a key role in advancing this project to fruition:

Dan Flynn – Airport Director, Pensacola International Airport
Project Oversight and direct management of all team activities

Mike Moroney – MGM Associates, Inc.
Airport financial consultant and contract negotiations

John Daniel, Esq. – Partner, Beggs & Lane
Contracts and all legal matters

David Penzone – Penzone Enterprises, LLC
City of Pensacola consultant, financial matters and strategy development

Scott Luth – FloridaWest
Economic and Workforce development, Economic Incentives

Mike Broussard – Mott McDonald
Construction Administration representing City of Pensacola

Jeff Helms and Tom Roda – Atkins Global
Engineering Services

Robert Rice – Bullock Tice
Architectural Services

Bill Greenhut, CEO – Greenhut Construction Company, Inc.
Construction Manager at Risk responsible for delivery of the project at the guaranteed maximum price

Randy Talcott – Greenhut Construction Company, Inc.
Director of Pre-Construction responsible for bid process

Kevin Spellman – Greenhut Construction Company, Inc.
Senior Project Manager responsible for construction of the MRO hangar and coordination of all subcontractors

Mayor Hayward has played an important role in maintaining and developing relationships with top executives at VT MAE and has been a strong advocate for the City of Pensacola to receive state incentives and other funding sources to support this project.

For VT MAE, a number of professionals have been involved at various stages throughout the project, but the key players who have consistently represented VT MAE's interests are as follows:

Bill Hafner, President and Chief Operating Officer of VT MAE

Stephen Lim, President, VT Aerospace and Executive Director of VT MAE

Ricky Brown, Facilities Manager

Warren Matthews, Esq. – Partner, Burr Forman LLP
Outside legal counsel to VT MAE