Tweed New Haven Airport Authority and Avports LLC Agreement

HIGHLIGHTS

⇒ New agreement between Tweed-New Haven Airport Authority and Avports LLC includes:
  o Construction of a new, modern terminal on the east side of the Airport.
  o Extending existing runway to allow for more direct flights to more destinations.
  o Renovation of Existing Terminal and other infrastructure improvements that will improve safety and mitigate local traffic concerns.

⇒ Improving the Airport will generate much-needed economic activity in the region, including the creation of up to an estimated 11,000 jobs and $47 million in state and local taxes in the long term.

⇒ The plan will eliminate the need for existing subsidies from the City of New Haven or State of Connecticut, currently totaling approximately $1.8 million each year.

⇒ Under the agreement, Avports will undertake and pay for the improvements listed above and also operate and manage the Airport on behalf of the Authority for a period of 43 years, after which the improved assets will revert to the full control and ownership of the Authority and the community it serves.

⇒ Construction for all phases of the project will be undertaken with Project Labor Agreements.

⇒ Project includes full environmental assessment and protection plan, as well as construction of a carbon-neutral passenger terminal following LEED principles.

⇒ In addition to abiding by the local noise ordinances, Avports will implement requirements from an updated noise study within 5 years of FAA approval, and will invest up to $1.75 million in additional noise mitigation programs, as part of an approximate $5 million community investment.

⇒ Avports will also fund environmental and traffic mitigation, with total community investments of approximately $5 million.

LETTER OF INTENT SUMMARY

The Authority and its long-term operating partner, Avports, have entered into a Letter of Intent to negotiate the development and operating of the Airport.

Avports has been a trusted partner of the Authority for more than 20 years and has decades of experience operating and developing airports from coast-to-coast. After thorough review and analysis, the Authority accepted Avports' unsolicited proposal to transform the Airport via a modest runway extension and a new terminal, which together will provide improved passenger service to more destinations, greater passenger convenience, enhanced airport safety, and significant economic and community benefit to the adjacent municipalities and region. The Authority and Avports will now work together to reach a final agreement based upon the detailed terms of the Letter of Intent.

The Letter of Intent grants Avports exclusive rights to negotiate a Facility Lease with the Authority. The Authority agrees to not seek other partners.
The agreement calls for Avports, under a sublease of the Airport facilities, to continue to operate and manage the Airport, renovate the Existing Terminal, finance and build a new terminal on the east side of the Airport, and extend the runway. These activities are in furtherance of the Airport’s Master Plan document, which was recently updated after a months-long process that included extensive public input.

The agreement is still subject to final documentation and approval by a number of government agencies, as detailed below.

**Key Commercial Terms**

The Airport currently relies on subsidies from the City of New Haven and the State of Connecticut to fund its operations. Annual subsidies are approximately $1.8 million, and the Authority has received more than $30 million in financial support over the last 20 years. Once a lease is finalized based on the signed Letter of Intent, Avports would be responsible for all Airport operating expenses and any ongoing deficits, eliminating any local or state subsidies.

During the period of the lease, Avports will assume significant long-term operational risk, and will invest in excess of $100 million in capital. In exchange, Avports shall serve as the independent contractor to the Authority for the operation and management of the Airport for a period of 43 years. At the conclusion of the lease, the improved assets will revert to the full control and ownership of the Authority and the community it serves.

The Authority will delegate to Avports the right and obligation to operate the Airport and will appoint Avports to act as the Authority’s agent with respect to day-to-day activities, subject to agreed-upon performance and operating standards with Authority oversight. Avports will report regularly to the Authority to ensure the Airport is operated in accordance with industry practices and FAA, DOT, and TSA requirements and regulations.

Given the current financial position of the Authority, it would be impossible for the Authority to complete the required upgrades to realize the goals of the master plan without significant additional funding from the City or State. Under the proposed lease, Avports would assume responsibility for all capital projects and operating expenses, transferring significant financial risk from the Authority, City, and State.

During operations, Avports will pay rent and will make revenue-share payments to the Authority. The Authority would use this revenue to fund its operations and oversight functions and any additional funds would be placed in a special Airport reserve fund for unforeseen needs or capital requirements. Avports would also make payments to the Authority to share the proceeds in the event of certain transfers of ownership interests in the company. As required by federal law, all money that the Authority receives from Avports will be used for Airport purposes.

**Existing and New Terminals**

It will take several years to receive approvals for and to develop the runway extension and New Terminal. During that time, Avports will upgrade, finance, operate, and maintain the Existing Terminal to better accommodate improved commercial airline service. Work on the improvements will begin immediately,
under Avports’ current operating agreement with the Authority and prior to the execution of the proposed lease.

Subject to the successful completion of an Environmental Assessment (EA), and FAA and other approvals, Avports will have an option to design, build, finance, operate, and maintain a replacement New Terminal (including usual facilities like auto parking, roadways, rental car facilities, and other support facilities). Access to the new terminal will be from Hemingway Avenue in East Haven.

The EA will include formal public consultation opportunities, and address issues including noise, road traffic, wetlands mitigation, and water and sewer.

Avports will finance the terminal facilities through a mix of debt and equity with the Authority contributing federal grants and passenger facility charges for the airfield and other facilities to the extent the projects are eligible for those funds.

Runway

The Authority and Avports will cooperate in securing the required approvals and funding to extend the Airport runway to a length of 6,635’ as recommended in the Master Plan.

New Benefits for Local Residents

The agreement will include a number of protections to ensure that Avports operates the Airport as a good neighbor. In addition to abiding by the local noise ordinances, Avports will implement requirements from an updated noise study within 5 years of FAA approval, and will invest up to $1.75 million in additional noise mitigation programs. Avports will also fund environmental and traffic mitigation, with total community investments of approximately $5 million.

FAA Role

A number of FAA reviews and approvals are necessary for many elements of the agreement. The Authority is working closely with their partners at the FAA to work through regulatory requirements, funding, environmental reviews, and approvals.

TNHAA and Avports execute Amendment No. 5 to the Operating Agreement

In addition to the Letter of Intent, the Authority and Avports have amended the agreement under which Avports currently operates the Airport on behalf of the Authority. Through this amendment, Avports will provide up to approximately $4 million to the Authority for (i) the renovation of the existing Airport terminal to accommodate improved commercial airline service and enhance the passenger experience; and (ii) to conduct the EA for the proposed runway extension and new terminal.