



STS ConRAC Phase 1 Feasibility Report Summary

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PROPRIETARY AND CONFIDENTIAL

Phase 1 Feasibility Report Summary

This Charles M. Schulz – Sonoma County Airport (STS) Consolidated Rent-a-Car Facility (ConRAC) Phase 1 Feasibility Report identifies a conceptual consolidated rent-a-car facility solution that meets the 20-year program requirements at STS, is walkable from the terminal, and can be constructed while minimizing the impact on current STS operations.

The Preliminary Project Budget is calculated to cover the projected reasonable design and construction costs to provide a full scope of Rent-A-Car (RAC) industry programming requirements, and the Preliminary Development Budget comprehensively includes financing costs along with design and construction costs. The Preliminary Plan of Finance, calculated to fund the Preliminary Development Budget, indicates the project requires a per-day Customer Facility Charge (CFC) and is financially feasible at an acceptable daily CFC rate.

Introduction

This STS ConRAC Phase 1 Feasibility Report (Feasibility Report) is provided at the request of the Airport and rent-a-car companies (RACs) operating on-airport. The RACs believe a consolidated facility with upgraded Quick Turn-Around (QTA) functions will greatly improve operations and customer service, which aligns with the Airport's goals.

In December 2019, the RACs selected Conrac Solutions Project Delivery, LLC (CS Project Delivery) to explore the feasibility of a privately financed ConRAC facility. In April 2021, the Sonoma County Board of Supervisors (Board) agreed to commence and to reimburse the RACs for or directly pay the cost of this Feasibility Report with CFCs.

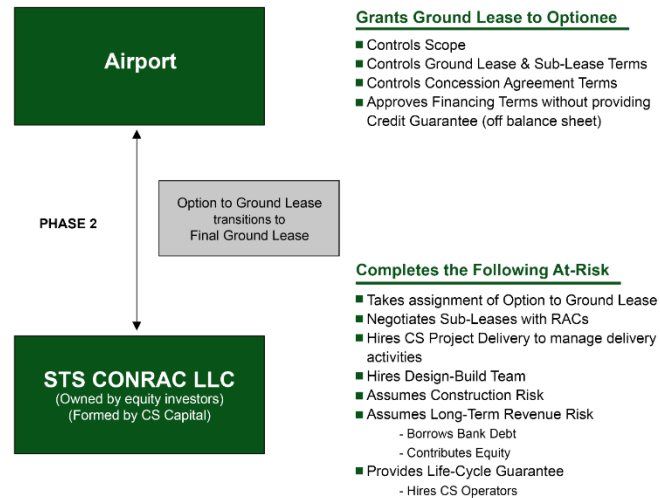
The primary objective of Phase 1: Feasibility is to confirm the potential for a viable project with the following requirements:

- A ConRAC facility with a minimum 20-year program life
- A solution that prioritizes customer service by maximizing walkability between ready/return (R/R) and the terminal
- A QTA facility with adequate components to meet the needs of all on-airport RAC brands
- Construction with minimal impact to STS operations
- A project that balances scope, cost, and available revenues at an acceptable CFC level
- A project that is independently financed by a private entity without credit support from or recourse to the Airport (fully off-balance sheet)

This Feasibility Report is not intended to propose a solution to be accepted as final but to identify the components of a potentially acceptable solution to a level that financial feasibility can be determined, and various scenarios can then be evaluated for final approval during Phase 2: Design Development and Pricing.

In order to achieve an off-balance sheet, privately financed facility, a project Special Purpose Vehicle (SPV) company will be formed by Conrac Solutions to finance and develop the ConRAC: STS Conrac, LLC.

The Airport will retain full control of project terms while transferring the risks relating to construction, long-term revenue fluctuation, and long-term operations to a ConRAC specialist. The following diagram illustrates how this risk transfer is achieved.



Preliminary Scope and Conceptual Design

Four primary goals were identified for the location and design of the ConRAC:

1. Minimize walking distances between the facility and the Airport terminal
2. Minimize roadway changes and relocation costs
3. Leverage usable land
4. Phase construction to minimize impact on STS operations

The delivery team, led by Conrac Solutions and including PGAL Architects and Q&D Construction, LLC, studied both current and future facility programming needs using the most recent transaction data available and revised growth projections based on Federal Aviation Administration (FAA) and RAC industry projections. Based on this analysis, CS Project Delivery has proposed a facility that meets the RAC and Airport industry standard of a 20-year (from Beneficial Occupancy) program. Considerations included a balance between program and cost. RACs manage program growth beyond 15 to 20 years by supplementing with offsite storage and car shuttling, making the useful life for these facilities extend well beyond the proposed lease term of 30 years.

Design has been advanced to 10% of the total design effort, and a cost estimate has been completed using ConRAC-specific construction requirements and local market factors.

More detailed planning will be completed in Phase 2: Design Development and Pricing, including 3D modeling of the construction sequencing plan.



Building Renderings

Phase 1 Environmental Report

CS Project Delivery retained Kimley-Horn and Associates in May 2021 to conduct a Phase 1 Environmental Site Assessment (ESA) for the proposed ConRAC site at Sonoma County Airport. Upon reviewing relevant government records, conducting interviews, and doing a site visit, a document was produced in accordance with the U.S. Environmental Protection Agency (EPA).

Preliminary Budgets

Total costs for the project are estimated and summarized in a preliminary Project Budget and a preliminary Development Budget, inclusive of financing costs. The Project Budget includes estimated construction costs, project soft costs and project contingencies and fees. The largest component of the Project Budget is construction cost, estimated by Q&D Construction, LLC and verified by experienced third-party estimator Connico, based on preliminary design and scope.

Plan of Finance

To fund development of a ConRAC at STS, Conrac Solutions Capital, LLC (CS Capital) proposes a Plan of Finance that uses private debt and equity to provide an efficient finance structure that meets the capital requirements of the project for the lowest possible daily CFC, at a rate acceptable to the RACs and Airport.

Multiple scenarios were modeled at various daily CFC levels, considering market analysis, transaction day growth, interest rate assumptions and total development cost, including both projected project costs and projected financing costs. This modeling process, which included concurrent design evolution, was used to balance scope with a required CFC rate.

A Preliminary Transaction Day Forecast was prepared by Unison Consulting using the STS Airport Layout Update (ALPU) Aviation Forecast Validation's Strong and Aggressive forecast scenarios. Based on this forecast and the modeling described above, we believe this project is financially feasible using a private debt and equity model, as further detailed in the Plan of Finance section of this report, but only if supported by a daily "alternate" CFC at an acceptable rate.

CFC Transition to Per Day Charge

CS Project Delivery projects that the proposed STS ConRAC could not be funded relying on the \$10.00 maximum per-contract CFC currently being collected but will be financially feasible based on an alternate CFC of \$5.80 per day for the statutory maximum first five days of each rental contract. This proposed daily-rate CFC is projected to produce revenues sufficient, but not exceeding those necessary, to support financing to pay the reasonable cost of design and construction, and all costs of financing, including servicing a reasonable and appropriate financing plan. An independent audit was conducted by professional services firm Macias Gini & O'Connell LLP (MGO) to validate the \$5.80 per day CFC. MGO also conducted the Independent Accountant's Report and Schedule of Forecasted Revenues and Costs for the Consolidated Rental Car Facility for Norman Y. Mineta San Jose International Airport.

Form of Lease and Business Terms

Foundational business terms for a ConRAC project have been agreed to by the RACs and Airport. These terms will be detailed in fully negotiated agreements during Phase 2, upon final definition of the project cost and financing plan. This substantial progress provides confidence that the parties will reach agreement on terms that allow the project to be financed and constructed. In Phase 2, the parties will document additional legal and technical terms, with a final contracting structure that satisfies legal requirements and assigns risk in a manner advantageous to the Airport.

Proposal to Complete Phase 2: Design Development and Pricing

Contingent on a vote to proceed from the Sonoma County Board of Supervisors, Phase 2 would commence immediately. This phase of the project is anticipated to take 12 to 18 months (could be extended due to NEPA/CEQA process) and includes approval by the Board to commit \$2.165M to further design, legal documentation, and financing. During this period, design will be advanced to 65%, with a fixed-price budget, delivery-date-certain schedule, and third-party cost validation. The Master Lease, Sublease, and Concession Agreements harmonized with those lease documents will be finalized, with all contracts and agreements executed upon Board of Supervisor approval to Proceed to Phase 3: Project Delivery.

Preliminary Project Schedule

The next milestone for the STS ConRAC project is a Go/No-Go Decision whether to proceed to Phase 2: Design Development and Pricing, and to adopt the daily rate CFC necessary for the project. These decisions are anticipated in March 2022. Following a Go Decision, as recommended in this report, Phase 2 will commence with further development of an approved design concept to a level of design appropriate for firm lump sum design-build pricing and conclude with another Go/No-Go Decision whether to proceed with Phase 3: Project Delivery in September 2023. Financial close would take place directly following a Go Decision to proceed to Phase 3, with final design and permitting commencing immediately and a goal of opening the facility in the spring of 2025.

Conclusion

This report tests the hypotheses that a ConRAC at STS that satisfies the requirements of both the RACs and Airport is buildable and financeable. We conclude that such a project is completely feasible and can

be financed with an acceptable daily-rate CFC. The next step is approval to adopt the necessary daily rate CFC and advance the work on these topics to refine and establish a final balance between scope, costs, financing, and business terms in Phase 2.

Preliminary Budgets

The preliminary total project budget is inclusive of projected construction costs, project soft costs, project contingencies and fees. Connico, a third-party estimator experienced in this type of asset, also estimated construction costs based on the preliminary design and scope (Appendix 2).

PRELIMINARY ESTIMATES ONLY—information presented is based on the best data currently available. All line items, amounts, forecasts, and projected CFC rates are subject to change as debt structure and terms are determined and based on updated activity forecasting and interest rates at close of financing.

Preliminary Project Budget

STS ROM Estimate - Option E
October 21, 2021

Cost Category	Phase 1 Feasibility	Phase 2 Design and Pricing	Phase 3 ¹ Construction	Grand Total ¹ Feasibility, Design/Pricing & Construction
Design-Build				
Design Build Stipulated Sum	\$150,000	\$1,485,000	\$11,570,234	\$13,205,234
Geotechnical	\$0	\$25,000	\$0	\$25,000
Construction Security Package	\$0	\$0	\$200,000	\$200,000
Construction Insurance Program	\$0	\$0	\$350,000	\$350,000
Subtotal Design-Build	\$150,000	\$1,510,000	\$12,120,234	\$13,780,234
Project Soft Costs				
Phase I Environmental	\$15,000	\$0	\$0	\$15,000
Phase II Environmental	\$0	\$85,000	\$0	\$85,000
CEQA/NEPA*	\$0	\$335,000	\$0	\$335,000
Special Inspections	\$0	\$0	\$20,000	\$20,000
Contract Negotiation and Drafting	\$5,000	\$25,000	\$5,000	\$35,000
Development Impact Fees	\$0	\$0	\$30,000	\$30,000
Land Rent During Construction	\$0	\$0	\$0	\$0
LEED Owner Commissioning	\$0	\$0	\$0	\$0
Property Taxes	\$0	\$0	\$0	\$0
3rd Party Cost Estimation Services	\$15,000	\$25,000	\$0	\$40,000
STS Conrac LLC Administration	\$5,000	\$40,000	\$5,000	\$50,000
Direct Project Management	\$0	\$50,000	\$200,000	\$250,000
Independent Transaction Day Forecast	\$25,000	\$35,000	\$0	\$60,000
CFC Transition	\$10,000	\$0	\$0	\$10,000
Reimbursables	\$5,000	\$25,000	\$19,000	\$49,000
Facility Activation	\$0	\$0	\$35,000	\$35,000
Start up Utilities	\$0	\$0	\$15,000	\$15,000
Subtotal Project Soft Costs	\$80,000	\$620,000	\$329,000	\$1,029,000
Project Contingencies				
Project Contingency (1.54%)	\$0	\$0	\$228,062	\$228,062
Soils Contingency (2.36%)	\$0	\$0	\$349,498	\$349,498
Fee - At Risk (3.0%)	\$0	\$0	\$444,277	\$444,277
Subtotal Contingencies	\$0	\$0	\$1,021,837	\$1,021,837
Project Management Fees				
Base Fee, Overhead and Indirects (6.0%)	\$0	\$35,000	\$853,554	\$888,554
Subtotal Fees	\$0	\$35,000	\$853,554	\$888,554
Total Cost	\$230,000	\$2,165,000	\$14,324,625	\$16,719,625

1 - All construction costs are estimates to be confirmed during Feasibility, Design & Pricing phase.

Preliminary Development Budget
(Inclusive of Indicative Financing Costs)

STS ROM Estimate - Option E
 October 21, 2021

Cost Category	<u>Phase 1</u> Feasibility	<u>Phase 2</u> Design and Pricing	Financial Close	<u>Phase 3</u> Construction	<u>Grand Total</u> Feasibility, Design/Pricing & Construction
Total Project Cost	\$230,000	\$2,165,000	\$0	\$14,324,625	\$16,719,625
Transaction Costs					
Feasibility Consultant	\$0	\$0	\$79,500	\$0	\$79,500
Accounting & Tax Consulting	\$0	\$0	\$20,000	\$0	\$20,000
Counsel	\$0	\$0	\$250,000	\$0	\$250,000
Insurance Advisory Fees	\$0	\$0	\$10,000	\$0	\$10,000
Direct Transaction Management	\$0	\$0	\$20,000	\$0	\$20,000
Title Research	\$0	\$0	\$5,000	\$0	\$5,000
Other	\$0	\$0	\$5,000	\$0	\$5,000
Development Fee	\$0	\$0	\$334,393	\$0	\$334,393
Subtotal Transaction Costs	\$0	\$0	\$723,893	\$0	\$723,893
Financing Costs					
SPE Formation and Administration	\$0	\$0	\$25,000	\$0	\$25,000
Bank Upfront Fees	\$0	\$0	\$150,000	\$0	\$150,000
Interest During Construction	\$0	\$0	\$376,033	\$0	\$376,033
Subtotal Financing Costs	\$0	\$0	\$551,033	\$0	\$551,033
Reserves					
Debt Service Reserve Account	\$0	\$0	\$400,000	\$0	\$400,000
Subtotal Reserves	\$0	\$0	\$400,000	\$0	\$400,000
Total Development Cost	\$230,000	\$2,165,000	\$1,674,926	\$14,324,625	\$18,394,551
Plus: Prior CFC Obligation*	\$75,000	\$0	\$0	\$0	\$75,000
Less: Development Fee**	\$0	\$0	(\$334,393)	\$0	(\$334,393)
Total Uses	\$305,000	\$2,165,000	\$1,340,533	\$14,324,625	\$18,135,159

*Prior commitment of collected CFC funds outside the scope of this project.

**Development Fee is paid directly by Equity investors, not from CFC collections.

Preliminary Plan of Finance

General Overview

An assessment and conceptual plan for financing the construction and financing of the proposed STS ConRAC has been prepared as part of this Phase 1 feasibility analysis. The conceptual financing plan uses a private debt and equity model, as favored by the rent-a-car concessionaires at STS. CS Project Delivery believes the plan to be efficient and well-suited to a project of this size and scope. The following pages lay out the general findings of this assessment and conceptual plan. For the reasons set forth on the following pages, CS Project Delivery believes financing the currently contemplated construction plan for the ConRAC as programmed and designed for the STS market will require a Customer Facility Charge (CFC) Rate of \$5.80 per transaction day under a 30-year lease with the Sonoma County, CA.

As previously described in Table 1 of this Report, the process of planning, programming, and conceptual design development of the STS ConRAC yielded a Design-Build construction budget of \$13,780,234 and a total project budget—after the addition of soft costs, project contingencies and project management costs—of \$16,719,625.

This roughly \$16.7 million cost would not be efficient to finance with municipal bond financing. Traditional debt financing by the County would require up-front cash contribution from and require the assumption of unacceptable financial risk by, the County, the car rental companies, or both. Through private debt and equity financing, up-front cash and virtually 100% risk assumption can be provided by one or more equity investors who then borrow or loan the balance of the funds required, with more efficient transactions costs than posed by the sale of municipal bonds of the County.

The private debt and equity financing structure involves establishing a project company to raise investor equity and borrow debt from banks or insurance companies—or the investor(s)—with all debt service and equity recapture and returns secured by pledge or assignment of CFC collections. The project company will enter into a development lease with the County and use those funds, along with CFCs collected during construction, to finance construction and pay all other development costs as set out in the budget. Debt service and equity recapture and returns, as well as capital up-keep costs of the facility as a required term and condition of financing, over the life of the lease will be paid from collected CFCs. Under this model, all risk for construction, the performance of the facility and the STS rent-a-car market to generate CFCs after financial closing, is borne by the private financing parties and not by Sonoma County or the RACs. This method of project financing is commonly used to finance power and energy assets, toll roads, and other major infrastructure projects. Under this form of finance, the sole recourse for debt providers and equity investors after closing are the collected CFCs, which are set at close of financing for the life of the lease.

The private debt and equity financing will be principally based on the lease negotiation with Sonoma County and the results of the third-party assessment (Unison Financial Feasibility Report) of the transaction day performance of the facility. Pending the conclusion of those two steps during Phase 2 of the CS Project Delivery project model, CS will bring on equity partners as members of a project company that will provide approximately 20% equity funding and receive committed debt financing for the remaining 80% of the project budget. Based on current market assumptions, it is reasonable to expect that an internal rate of return of approximately 14% over the life of the lease (consistent with terms of the recently completed ConRAC transaction at Newark International Airport) will be needed to attract equity investment to finance this facility on a risk assumption basis. Based on current estimates, it is also reasonable to expect the debt markets will provide funding to this project at an interest rate of about

5.5%, for an overall blended rate of approximately 7.2%. Part of the efficiency of this financing is that it is not necessary to borrow 100% of debt in advance and then carry a capitalized interest component, nor to borrow or maintain substantial debt reserves or to adjust CFCs to produce a minimum coverage ratio as security for the debt.

As detailed in Table 4 and Chart 1 of this Report, the financing as contemplated herein requires a total of approximately \$47.3 million of CFC revenue through the end of the lease term (including the accumulated balance of approximately \$300,000 collected prior to 2021). Uses of this CFC revenue are as follows: \$3.2 million contributed to construction, \$24.2 million for debt service payments, \$2.6 million for ongoing capital up-keep costs, and \$17.2 million for equity recapture and returns. The latter amount would constitute an internal rate of return of approximately 13.4%, which is somewhat below the projected market expectation, ensures that the currently proposed CFC will not result in over-collections. As detailed in Table 5, the forecast transaction volume applied to a \$10 per transaction CFC would produce approximately \$21.6mm or 46% of the required revenues.

As shown in the following pages, Conrac Solutions projects that the proposed project is financially feasible based on a CFC of \$5.80 per day for the maximum first five days of each rental contract to pay for design and construction, service this debt and equity financing plan and pay all costs of financing.

Basis for Equity Contribution and Return Assumptions

Equity investors assume the repayment and transaction day/CFC collection volume risk, eliminating the need for the RACs and the Airport to guarantee repayment to debt providers through contingent rent obligations requiring the RACs to cover CFC collection shortfalls and/or a rate covenant committing the Airport to increase the CFC to require Airport/RAC customers to pay a higher daily rate as necessary to meet collection requirements if rental and CFC volumes fall due to a pandemic, economic downturn, or other events disrupting the market or otherwise causing rental car transactions and CFC collections to under-perform the forecast. These issues would be particularly acute for an airport market of the scale of STS, which may be subject to fluctuating air carrier service levels. Without equity assuming risk, the airport would presumably also need to assume construction risk, execute individual direct leases with each RAC post-construction rather than a master lease pre-construction, and take ongoing capital asset management and administration responsibility, as there would be no third party with an economic interest in delivering the Project and managing the asset on an ongoing basis. In addition, a 100% debt financed scenario would mean the initial CFC rate would need to be materially higher for RAC customers because debt market rates are based on larger initially borrowed reserves and debt coverage ratios that require collection from 125% to more than 150% of actual debt service payments. These higher initial debt amounts and collection ratios would drive higher CFC rates.

Debt Financing of 5.5% and IRR for investors of 14% are current estimates of prevailing market rates for debt and equity investment, respectively, for this class of asset and risk profile and would result in a blended cost of capital for the project of roughly 7%. Debt financing will be market based at the lowest cost of debt capital reasonably available for this project. We have modeled 5.5% for 80% of the capital need, which we believe is a fair representation (or indicative) of the current rate market for debt for this type of project and financing structure. That rate estimate assumes that a minimum of 20% of project cost are to be paid by equity capital at risk, providing a repayment cushion and comfort to debt investors. Because the CFC rate is pre-agreed for the 30-year term under this model, with no adjustment if rentals drop below forecast levels, the equity investors will take transaction day/CFC

collection volumetric risk over that entire term, bearing reduced returns, or even lost investment, if rental volumes and CFC remittances do not meet projections. The current market for this type of equity infrastructure investment is a return modeled—but not guaranteed—in the mid-teens. If there were no equity investment to take the risk of shortfalls in forecast rental volumes and associated CFC remittances, debt financing parties would require the RACs to assume liability for those shortfalls or require the airport to raise CFC rates as high as necessary to generate sufficient proceeds to satisfy the debt obligations.

NOTE: The plan of finance contemplates the CFC transitioning from a per contract to a per day basis in April 2022. If this transition actually occurs a month earlier or later, however, the expected equity IRR impact would be roughly 15 basis points or less either way, an amount which is immaterial for the purposes of projected results for the overall plan of finance.

Financial Analysis in Support of Daily Rate CFCs¹

Pursuant to a Project Term Sheet Agreement dated March 4, 2021, Sonoma County engaged industry expert CS Project Delivery² to analyze the feasibility of financing and constructing a ConRAC at the Sonoma County Airport. CS Project Delivery, a firm deeply experienced in development of such facilities, worked in collaboration with both STS management and the on-airport rent-a-car concessionaires operating at STS (STS RACs) to produce this Feasibility Report. The Feasibility Report, and especially its Preliminary Plan of Finance section that analyzes the CFC reasonably necessary to pay the reasonable cost of financing a ConRAC at STS, is incorporated here, in full, as the basis and support for this analysis.

CS Project Delivery projects that the proposed STS ConRAC would not be financially feasible if funded by the statutory \$10.00 maximum per-contract CFC currently being collected but will be financially feasible based on an alternate CFC of \$5.80 per day for the statutory maximum first five days of each rental contract, to pay for design and construction, and pay all costs of financing, including servicing a reasonable and appropriate financing plan.

The narrative below summarizes the analysis and various conclusions required by the California Governmental Code in order for the proposed alternate daily rate CFC to be collected at the Airport, as further detailed in this Feasibility Report.

Overview

CS Project Delivery has worked closely with PGAL Architects, one of the most experienced designers of ConRACs in the United States, and the STS RACs to develop a conceptual ConRAC program and several potential designs to meet the needs of the STS RACs for the next 20 years. RACs manage program growth beyond 15 to 20 years by supplementing with offsite storage and shuttling and the useful life for these facilities is well beyond a lease term of 30 years. As described in the Preliminary Scope and Design section of this Report, one design was then selected with the support of both the STS RACs and Airport management. CS Project Delivery then had regional design-build firm Q&D Construction, LLC estimate the cost of full design and construction of the selected conceptual design. CS Project Delivery then had that price estimate cross-checked by the construction cost estimation firm Connico, Inc., to inform an Estimated Project Budget that included all the various “soft costs” of ConRAC development.

Next, CS Project Delivery worked with its financing affiliate, CS Capital, to develop a conceptual financing plan appropriate to an STS ConRAC project (Preliminary Plan of Finance section of this Report). Based on the combined experience of CS Project Delivery and CS Capital, CS Project Delivery projected a Preliminary Development Budget that added the projected costs of financing to the Preliminary Project Budget, then calculated the stream of revenues required to service a reasonable projection of the financing necessary to construct the proposed STS ConRAC.

¹ This section of the Phase 1 Feasibility Report is drafted to stand alone with the Plan of Finance as the primary narrative support for a CFC audit required under Ca. Gov. Code § 50474.3(b)(4)(B)(i) before the County may adopt and require the RACs to collect an “alternate” daily-rate CFC, with the balance of this Report serving as backup support.

² A summary of the qualifications of each firm named here as contributing to this financial analysis is provided in the Appendices of this Feasibility Report.

To complete the Preliminary Plan of Finance, CS Project Delivery engaged Unison Consulting, Inc., a firm highly experienced in analysis and forecasting of rent-a-car transactions, transaction days and the impacts of daily-rate CFCs, to forecast transaction days that can be expected in STS rent-a-car market. Because Unison Consulting's forecast is limited to a 10-year time horizon, CS Project Delivery applied a conservative growth rate (acknowledged as appropriate by Unison Consulting) to carry the forecast of transaction days out to the full term of the expected financing. CS Project Delivery then calculated the daily rate CFC necessary to produce the CFC revenue required to pay all costs under the Estimated Development Budget and to service the financing over its entire term.

As described in this Feasibility Report, the Preliminary Plan of Finance for STS ConRAC uses a private debt and equity model (see further details below concerning the basis for equity contribution and return assumptions), as favored by the rent-a-car concessionaires at STS, and that CS Project Delivery believes to be efficient and well-suited to a project of this size and scope.

Proposed Findings

- A. Based on the Preliminary Plan of Finance described in this Feasibility Report, CS Project Delivery concludes and recommends that the Sonoma Board of Supervisors ("Board") adopt the following findings statutorily required as a condition for implementing an alternate daily-rate CFC:
- B. The amount of revenue necessary to finance the reasonable costs of designing and constructing a consolidated rental vehicle facility, as must be established to comply with Ca. Gov. Code § 50474.3(b)(1)(A), is projected to be \$47.3 million.
- C. The fee authorized in Ca. Gov. Code § 50474.3(a) will not generate sufficient revenue to finance the reasonable costs of designing and constructing a consolidated rental vehicle facility, as the Board must find to comply with Ca. Gov. Code § 50474.3(b)(1)(B).
- D. The reasonable cost of the project requires the additional amount of revenue that would be generated by the proposed daily rate, as the Board must find to comply with Ca. Gov. Code § 50474.3(b)(1)(C). The proposed daily rate is \$5.80 per day for the first five days of each on-airport car rental contract during a 30-year lease with the Sonoma County, CA.
- E. In developing this plan,
 - i. The Airport has taken steps to limit costs as described below;
 - ii. The Airport has few potential alternatives for meeting the revenue needs other than the collection of the fee, and none are reasonably appropriate;
 - iii. Only the rental companies, and no other businesses or individuals, will use the facility and the rental companies will pay all costs associated with operating and maintaining these facilities. Only the fee collected from rental customers will pay the costs of designing, constructing and financing the facilities, including ongoing capital costs required as a term and condition of financing.

A. through C. Necessary Revenue and Required CFC

This Feasibility Report sets out the process by which CS Project Delivery has projected the cost of designing and constructing a ConRAC suited to the STS rent-a-car market. This Feasibility Report's Preliminary Plan of Finance section pulls together the costs of construction and financing and analyzes

whether the statutory \$10.00 maximum per-contract CFC currently being collected would be sufficient to fund the project. Applying the transaction and transaction day forecasts of Unison Consulting, CS Project Delivery concludes that the statutory \$10.00 maximum per-contract CFC currently being collected would produce less than half the \$47.3 million revenue required over a 30-year period to finance the project.

The proposed project will be financially feasible, however, if the County collects an alternate CFC of \$5.80 per day for the maximum first five days of each rental contract, which is projected to be sufficient to pay for, but not exceed, the reasonable cost to design, construct, and service the debt and equity financing plan and pay all costs of financing the proposed STS ConRAC.

D. Other Considerations

- i. To limit the costs of the proposed STS ConRAC, the Airport engaged CS Project Delivery and its design team to program a facility that will meet but not exceed the needs of the rent-a-car operators at STS over the reasonable life of the project. Despite growth projections of 12% to 14% in rent-a-car transaction days over the next 10 years, CS Project Delivery has projected only 1% growth thereafter to avoid over-programming and constructing a facility much larger than may prove necessary over time. Specific cost-saving considerations include leaving the rent-a-car customer service counters in the Airport's main terminal and avoiding any need to accommodate RAC customer service booths or exit plazas in the ready/return lot. Another cost-limiting decision was to propose installation of only one automated car wash initially, rather than the multiple car washes that may be needed over time but are not needed now. Providing space to install a second car wash if needed in the future is a cost-effective way to accommodate future growth without over-building in the near term. Additionally, a scaled-back fuel system with an above-ground storage tank was substituted to reduce both capital and ongoing maintenance costs. Most significant from a construction cost perspective, site selection and layout were modified specifically to reduce costs associated with site work and dirt disposal as vetted by our design/build partners and their in-depth knowledge of the overall Airport and the proposed project development site.
- ii. The Airport has few potential alternatives for meeting the revenue needs other than the collection of the CFC. Pursuant to FAA Grant Assurances, the Airport is required to seek to maintain self-sufficient rates and fees. The County may not, however, charge airlines fees for non-aeronautical needs without express written agreement which the airlines will not give for rent-a-car facilities. All other revenue sources available to the County for use at STS, *e.g.*, FAA-regulated Passenger Facility Charges, land rent, parking charges, and concession revenues—including rent-a-car concession fees—are already fully committed to support the Airport's other operational and facility costs and none would be reasonably appropriate in any event to fund operational facilities for rent-a-cars.
- iii. The STS RACs will be the only users of the ConRAC facilities to be constructed as part of the project, and there will be no other businesses or individuals that could be required to pay charges to use the facilities. Paying for 100% of ConRAC facility design, construction and financing costs with CFC proceeds is the standard model for ConRAC financing across the United States. The RACs will, however, pay land rent for the ConRAC site as well as all costs of operation and maintenance of the facilities—costs not eligible to be paid with CFCs in California.

Phase 2: Design Development and Pricing

Contingent on a vote to proceed from the Sonoma County Board of Supervisors, a Kick-off Meeting at the Airport will commence Phase 2: Design Development and Pricing. This Phase of the project is anticipated to take 12 to 18 months (could be extended if necessary to conclude the NEPA/CEQA process) and includes approval by the Board to commit \$2.165M to further design, documents, and financing.

During this Phase, design will be advanced to 65% with a third-party cost validated lump sum price and date-certain delivery schedule provided by the design-builder. Unison Consulting will produce a Financial Feasibility Report, and the Master Lease, Sublease and Concession agreements will be finalized, with all contracts and agreements executed upon a vote to proceed to Phase 3: Project Delivery.

Phase 2 Budget

STS Phase 2 Project Budget
October 21, 2021

Cost Category	<u>Phase 2</u> Design and Pricing
Design-Build	
Design Build Stipulated Sum	\$1,485,000
Geotechnical	\$25,000
Construction Security Package	\$0
Construction Insurance Program	\$0
Subtotal Design-Build	\$1,510,000
Project Soft Costs	
Phase I Environmental	\$0
Phase II Environmental	\$85,000
CEQA/NEPA*	\$335,000
Special Inspections	\$0
Contract Negotiation and Drafting	\$25,000
Development Impact Fees	\$0
Land Rent During Construction	\$0
LEED Owner Commissioning	\$0
Property Taxes	\$0
3rd Party Cost Estimation Services	\$25,000
STS Conrac LLC Administration	\$40,000
Direct Project Management	\$50,000
Independent Transaction Day Forecast	\$35,000
CFC Transition	\$0
Reimbursables	\$25,000
Facility Activation	\$0
Start up Utilities	\$0
Subtotal Project Soft Costs	\$620,000
Project Contingencies	
Project Contingency (1.54%)	\$0
Soils Contingency (2.36%)	\$0
Fee - At Risk (3.0%)	\$0
Subtotal Contingencies	\$0
Project Management Fees	
Base Fee, Overhead and Indirects (6.0%)	\$35,000
Subtotal Fees	\$35,000
Total Cost	\$2,165,000

Phase 2 Schedule

Sonoma County Board of Supervisors Approval for Phase 2	March 2022
Public Hearing and Adoption of Daily CFC Rate	
Submit Audit Report to CA legislative committees and post to STS website	TBD
CFC Transition to Daily Rate	April 2022
30% Pricing Documents Published	August 2022
Master Lease Substantially Negotiated	October 2022
30% Design Review	October 2022
60% Pricing Documents Published	November 2022
Core Contract Documents Substantially Negotiated	December 2022
Targeted NEPA/CEQA Submittal	TBD
60% Design Review	January 2023
Final Drafts of Legal Documents	February 2023
Ground/Master Lease	
Project Delivery Agreement	
Design-Build Agreement	
Subleases	
Concession Leases	
Facility Operator Agreement	
95% Pricing Documents Published	March 2023
D-B Drawing and Scope Review with A/E and Independent Estimator	March 2023
Final Design and Pricing	April 2023
Design Review Complete Airport & RACs	
Final Construction Pricing	
Price Proposal and Independent Estimates Complete	
Updated Total Development Budget	
FAA NEPA and California CEQA Comments Received	TBD
Sonoma County Board of Supervisors Approval for Phase 3	September 2023

Phase 2: Design Development and Pricing Deliverables*(Key Documents. Additional documents to be identified for Financial Close.)*

	<u>Draft Document</u>	<u>Function</u>	<u>Parties³</u>
	Pricing Documents (design to level capable of fixed lump-sum pricing)	Project design & construction	Design-Builder/AE (Conrac Solutions Project Delivery, LLC ("CSPD") project management)
	Lump Sum Cost Proposal (Post-Cost Reconciliation)	Firm price for design & construction (reconciled to independent estimate)	Design-Builder, CSPD, Independent expert
	Draft Phase 3 Project Fund Budget	Establish budget line-item amounts	CSPD/Special Purpose Entity ("SPE")
	Phase 3 Project Delivery Schedule (component of Lump Sum Cost Proposal)	Establish construction schedule	CSPD, Design-Builder, SPE
	Phase 3 Design-Build Contract (adapted DBIA 525 & 535)	Project delivery - completion of design and construction	CSPD, SPE, Design-Builder
	Form of Phase 3 Project Delivery Agreement Addendum ("PDA")	Add Phase 3 Deliverables to PDA	CSPD, SPE
	Operation & Maintenance Contract Concept and Scope	Establish operating cost estimate	CSPD, SPE, CS Operators
	Life-Cycle Cost Analysis	Establish Renewal & Replacement Fund requirement	CSPD, SPE
	Financing Plan	Debt/Equity plan of finance based on fixed/scheduled CFC rate	CSPD, SPE, Financial Advisor
	Financial Feasibility and Transaction Day Study	Independent transaction day, CFC debt service capacity & sensitivity analysis for private financing	Feasibility Consultant (CSPD, SPE input)
	New Concession Agreement (or Amendment Provisions)	Obligation to collect and remit CFC; requirement to occupy facility	Airport, RACs, CSPD, SPE
	Master Lease & Development Agreement	Lease of land, right to receive CFCs, obligation to deliver, operate, manage, and maintain facility	Airport, SPE, CSPD
	Sublease Form	Terms for RAC occupancy	RACs, CSPD, SPE
	<u>Draft Document</u>	<u>Function</u>	<u>Parties¹</u>
	Non-Disturbance Agreement	Terms for continued RAC occupancy in ConRAC as direct Airport lessees if Master Lease is terminated early	RACs, Airport

³ Primary parties tasked with producing, negotiating or to execute respective documents.

ALL DOCUMENTS SUBJECT TO RAC AND AIRPORT APPROVAL

	<p>Financing Documents (<i>key documents; not a comprehensive list</i>)</p> <p>Equity Contribution Agreement Loan Agreement Leasehold Mortgage Collateral Agency Agreement Indicative Rating Report (if deemed necessary) Finance Closing Documents (legal opinions, certifications, etc.)</p>		<p>(CSPD input throughout)</p> <p>SPE, Equity Investor(s) SPE, Lender SPE, Lender SPE, Lender, Collateral Agent Rating Agencies Various parties and counsel</p>
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STS Project Schedule

Sonoma County Board of Supervisors Approval for Phase 2	March 2022
Public Hearing and Adoption of Daily CFC Rate	
Submit Audit Report to CA legislative committees and post to STS website	TBD
CFC Transition to Daily Rate	April 2022
30% Pricing Documents Published	August 2022
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Final Construction Pricing	
Price Proposal and Independent Estimates Complete	
Updated Total Development Budget	
FAA NEPA and California CEQA Comments Received	TBD
Sonoma County Board of Supervisors Approval for Phase 3	September 2023
CS Delivers Written Notice it will Exercise Option	
Execute Legal Documents*:	
Ground/Master Lease	
Project Delivery Agreement	
Design-Build Agreement	

Subleases	
Concession Agreements	
Facility Operator Agreement	
Targeted NEPA/CEQA Submittal	TBD
NEPA/CEQA Process Complete	TBD
Close on Financing – Begin Phase 3	TBD**
Complete Design and Obtain Building Permits	
Start Enabling Work/Site Considerations List	
Construction	
Tenant Improvements & Burn in	
Complete Construction	February 2025
ConRAC Open to Public – Operations	Spring 2025

**All conditioned on—or lapsing without—timely financial close*

*** Financial close date as soon as completion of NEPA/CEQA*