CASE STUDY

Taking a Partnership to New Heights

Alternative financing option provides Tucson Fuel Facilities LLC with a way to keep its new fueling facility project on track.

Challenge

Tucson Fuel Facilities LLC (TFF) — a consortium of airlines that lease and operate the jet fuel systems for commercial carriers at Tucson International Airport (TUS) — was looking to update a 45-year-old facility recently leased from the Tucson Airport Authority (TAA). The extensive repairs and upgrades would inevitably raise the organization's annual operating budget.

Our team was retained as the at-risk engineer to develop a facility improvement plan to identify all the capital improvement projects needed over the next five years. Through the course of this study, we identified numerous upgrades necessary to maintain the existing facility; however, when the cost and benefits of these projects were weighed against the cost and benefits of a new facility, it was determined a new facility would be a better option.

The decision to build a brand-new fueling facility created some potential issues. Details on the exact scope of the project could not be determined until the design process was further along; TFF's annual budget could not cover the overall cost of the initial design and planning stages of the project; and, most significantly, a lease amendment for the new facility would need to be finalized between the TFF and TUS before TFF would be able to secure the financing needed to support the project.

Project Stats

Client
Tucson Fuel Facilities LLC

Location
Tucson, Arizona

project accelerated by

12

months

Finally, the environmental impact of the project would need to be taken into consideration as part of the project. Excavation and remediation of the underground jet fuel storage tanks would be necessary to take the steps toward environmental closure of the 45-year-old facility with the State of Arizona.

Solution

Because TFF did not wish to tax itself on its fuel throughput to pay for the design and permitting of the renovation of a new facility, the organization looked to our team to finance the preliminary engineering and budgetary planning work while concurrently negotiating a new long-term lease with the TAA. This stage would serve to define the entire scope and total budget for the project.

To keep the project on track, we agreed to cover the upfront cost of this stage. After a contract was finalized, our team went through the process of developing a capital budget for the new facility through internal concept design work and cost estimating. Additionally, our knowledge of the environmental factors for the project meant we could establish a cost for the excavation and remediation portions of the project, establishing an appropriate budget for the project.

The lease between the consortium and the airport is the key to the success of the project because the long-term lease serves as the security instrument for the project bond financing. Our team worked closely with TFF attorneys to consult on the development of the lease agreement, and we prepared the concept design and capital budget, which served to inform the lease and bond financing process.

Results

In this delivery model, our team took on the role of an at-risk engineering partner, providing a single source of responsibility for identifying the capital requirements for the job in advance of the detailed engineering phase. This allows TFF and TUS to get a completed facility faster compared with other delivery methods, shortening the project timeline by at least 12 months.

Additionally, this model allowed TFF to avoid increasing its annual budget normally used to cover ongoing operational costs at its facilities. Instead, our funding of the first part of the project meant TFF could establish a capital budget while at the same time work to obtain the lease and financing for the entire cost of the project.

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