



COUNCIL AGENDA: 08-29-06

ITEM: 6.2

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: William F. Sherry, A.A.E.

SUBJECT: SEE BELOW

DATE: August 9, 2006

Approved

Date

8/14/06

Council District: All

SUBJECT: ADOPTION OF A RESOLUTION AUTHORIZING THE DIRECTOR OF AVIATION TO EXECUTE AMENDMENTS TO AIRLINE AGREEMENTS DOCUMENTING CHANGES TO LEASED SPACE

RECOMMENDATION

Adoption of a resolution authorizing the Director of Aviation to:

(a) Negotiate and execute amendments to all current and holdover Airline Operating Agreement and Terminal Building Leases or Licenses to relocate airlines in the Terminals as necessary to accommodate the Airport Terminal Area Improvement Program and with no other changes to the terms and conditions for the period from the date of execution through the earlier of City Council approval of new Airline Lease and Operating Agreements or November 30, 2007.

(b) Relocate airlines currently operating without an Operating Agreement and Terminal Building Leases or License in the Terminals as necessary to accommodate the Airport Terminal Area Improvement Program through the earlier of City Council approval of new Airline Lease and Operating Agreements or November 30, 2007.

CEQA: Resolution Nos. 67380 and 71451; PP 06-125.

OUTCOME

Approval of the proposed resolution will allow the City to implement changes to the airlines' leased space that are required for implementation of the Terminal Area Improvement Program in an efficient and expeditious manner.

BACKGROUND

On November 15, 2005, Council approved recommendations to proceed with a Terminal Area Improvement Program (TAIP) using a design-build contractor. The TAIP includes modifications to Terminal A and the construction of a temporary passenger processing facility for existing Terminal C to accommodate the future demolition of Terminal C. On May 23, 2006, Council authorized the City Manager to negotiate a design-build contract with Bechtel Infrastructure Group and approved an aggressive schedule that contemplates Council award of the contract on August 29, 2006.

In order to proceed with the TAIP, it will be necessary to relocate many of the airlines currently operating at the Airport, including their leased holdrooms, ticket counters and operations offices. It is expected that some airlines will be relocated more than one time before the TAIP is complete.

The passenger airlines currently operating at the Airport occupy space in the terms pursuant to one of the following: (a) Operating Agreements and Terminal Building Leases or Licenses ("Airline Leases") that expire on November 30, 2007; (b) Airline Leases that have expired and continue on a month-to-month holdover; or (c) letters of understanding that have been issued by the Director of Aviation pending negotiation and execution of an Airline Lease

Municipal Code Section 25.08.310 specifically authorizes the Director of Aviation to execute a lease if the term of such lease is for three years or less. The Director may not execute a subsequent lease involving the same property to the same lessee absent the express authorization of Council.

ANALYSIS

The TAIP will require multiple airline moves that must be done quickly and efficiently, including appropriate documentation of all changes to the airlines' leased space. In order to respond in a timely manner, staff recommends approval of the proposed resolution authorizing the Director to execute amendments to the Airline Leases that document changes to the leased space. For airlines that are currently in a month-to-month holdover under an expired Airline Lease, the amendments would continue and extend the term of the Airline Lease through the earlier of City Council approval of new Airline Lease and Operating Agreements or November 30, 2007. As required by Municipal Code Section 25.08.310, any such amendment will be approved as to form by the City Attorney's Office. The proposed resolution authorizes the Director to only execute amendments to document changes to leased space; no other changes would be permitted without Council approval. The authority granted by the proposed resolution would expire no later than the earlier of City Council approval of new Airline Lease and Operating Agreements or November 30, 2007, the date upon which the airline terminal building leases expire.

For airlines that currently operate at the Airport pursuant to a letter of understanding, the proposed resolution authorizes the Director to relocate the airlines as necessary to accommodate the TAIP.

The proposed resolution is consistent with the Airport's operational objective of moving to a shared use environment in the very near future. Though the airlines currently lease terminal space, the Airport will be responsible for assigning terminal facilities to the airlines in such an environment. The need to expand, contract or relocate airline space could occur on even a daily basis. The proposed resolution authorizing the Director to relocate the airlines to accommodate the TAIP is an evolutionary step toward implementation of the full shared use environment.

Staff is currently reviewing the Municipal Code with respect to the Director's present authority to execute Airport related agreements. In an effort to improve the efficiency of processing the various types of Airport agreements, it is anticipated a request to amend the Municipal Code to permit the Director additional authority to execute agreements and amendments will be forthcoming in the near future.

POLICY ALTERNATIVES

As an alternative to adoption of the proposed resolution, staff can continue to process amendments documenting changes to the airlines leased space by requesting Council approval. This process, however, increases the time to complete an amendment by a minimum of four weeks. In addition, it takes valuable staff time to process each amendment and Council time to consider space changes that may not even result in a change to the rent being paid by an airline.

PUBLIC OUTREACH

Not applicable

COORDINATION

This item has been coordinated with the City Attorney's Office and the Planning, Building and Code Enforcement Department.

COST IMPLICATIONS

None

HONORABLE MAYOR AND CITY COUNCIL

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CEQA

Resolution Nos. 67380 and 71451, PP 06-125.



WILLIAM F. SHERRY, A.A.E.
Director of Aviation

For questions please contact William Sherry, Director of Aviation, at (408) 501-7670.