



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

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

**SUBJECT:** SEE BELOW

**DATE:** July 25, 2011

Approved

Date

8/1/11

**COUNCIL DISTRICT:** City-Wide

**SUBJECT: AUTHORIZATION TO NEGOTIATE AND EXECUTE AIRLINE LEASE AND OPERATING AGREEMENTS AND AMENDMENTS**

## RECOMMENDATION

Adopt a resolution authorizing the Director of Aviation to:

- (a) Negotiate and execute amendments to Signatory Airline-Airport Lease and Operating Agreements and Airline-Airport Cargo Operating Agreements to extend the term for five years, from July 1, 2012 through June 30, 2017.
- (b) Negotiate and execute amendments to Non-Signatory Airline-Airport Operating Agreements to extend the term for five years, from July 1, 2012 through June 30, 2017.
- (c) Negotiate and execute new Signatory Airline-Airport Lease and Operating Agreements, Airline-Airport Cargo Operating Agreements and Non-Signatory Airline-Airport Operating Agreements through June 30, 2017.
- (d) Negotiate and execute agreements and amendments with airlines for leases of premises through June 30, 2017 that adhere to standard rates and charges.

## OUTCOME

Adoption of this resolution will authorize the negotiation and execution of amendments to extend existing agreements with signatory and non-signatory airlines through June 30, 2017, which will provide for airlines to continue to conduct operations and occupy leased space through the extended term. Adoption of this resolution will also authorize the negotiation and execution of new Signatory Airline-Airport Lease and Operating Agreements, Non-Signatory Airline-Airport Operating Agreements and leases of premises through June 30, 2017.

## **BACKGROUND**

On March 27, 2007, the Council adopted Resolution 73708 authorizing the City Manager to negotiate and execute Signatory and Non-Signatory Airline-Airport Lease and Operating Agreements ("Agreements") with current and future passenger and cargo airlines operating at the Airport. The initial term of these Agreements expires on June 30, 2012. The agreements include provisions to extend the term for a five-year period, through June 30, 2017, upon mutual written agreement between the City and airline.

Lease agreements for airline support space ("Leases") have various expiration dates with most expiring on June 30, 2012. Some of the Leases, if extended through June 30, 2017, will exceed the Director's authority under Municipal Code 25.08.310.

## **ANALYSIS**

The airlines have expressed interest in exercising the five-year extension. The existing rates and charges structure, as well as all other terms and conditions, will remain unchanged during the extension term.

Leases include hangar space, air freight space, and ramp space in support of airline operations. Non-signatory airlines also lease terminal space. These leases have various expiration dates, with most expiring on June 30, 2012. When the Agreements are extended through June 30, 2017, amendments to extend the term of the Leases through June 30, 2017, are necessary to continue to provide the airlines with the support space needed to operate at the Airport.

New airlines may commence service at the Airport over the next six years and others that are currently non-signatory may want to become signatory. These airlines may also need to enter into Leases for support space.

Adoption of the resolution will permit the Director to negotiate and execute new Signatory Airline-Airport Lease and Operating Agreements, Airline-Airport Cargo Operating Agreements, Non-Signatory Airline-Airport Operating Agreements, and for leases of premises through June 30, 2017. Adoption of the resolution will also permit the Director to negotiate and execute amendments to extend the term of these agreements through June 30, 2017.

## **EVALUATION AND FOLLOW-UP**

The Director of Aviation shall be responsible for monitoring and reporting to Council on rates and charges, airline activity, and Airport activity over the term of these Agreements and Leases.

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**PUBLIC OUTREACH/INTEREST**

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
  
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
  
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach). **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This item does not meet the above criteria requiring additional notification; however, it will be posted on the City's Council Agenda Website for the August 16, 2011 Council Meeting.

**COORDINATION**

This item has been coordinated with the City Attorney's Office and the City Manager's Budget Office.

**COST IMPLICATIONS**

None.

**CEQA**

Resolution Nos. 67380 and 71451, File No. PP11-052.

/s/  
WILLIAM F. SHERRY, A.A.E.  
Director of Aviation  
Airport Department

For questions please contact William F. Sherry, Director of Aviation at (408) 392-3611.