



COUNCIL AGENDA: 5-1-12
ITEM: 2.3(a)

Ad Hoc Committee on Airport Competitiveness
Meeting Report
February 23, 2012

PRESENT: Mayor Reed, Councilmembers Liccardo, Pyle, and Herrera

ABSENT: None

STAFF: City Manager Debra Figone, City Attorney Rick Doyle, Airport Director Bill Sherry, Chief Strategist Kim Welsh, Sr. Deputy Attorney Kevin Fisher, Director of Governmental Relations Jim Webb, Airport Chief Operating Officer Kim Aguirre, Economic Development Policy Advisor, Ru Weerakoon, and Deputy City Clerk Tamara Davis.

- A. Presentation on West Side Development Options** – Staff presentation on the background of West Side general aviation and options for proceeding on West Side planning and development.

Documents filed: PowerPoint presentation – Airport West Side Development

The presentation is scheduled to be on the City Council agenda of March 13, 2012. The Airport staff has worked for the past 18 months to reduce the debt service on the airport. The West Side Development is a viable revenue-generating option to help reduce the debt service.

Airport Director of Aviation Sherry presented the presentation on the West Side Development. Mr. Sherry informed the Committee that Airport staff will be seeking direction from Council in mid-March for a course of action with the West Side development. The West Side development has two options: (1) Proceed with planning first, or (2) proceed with development first.

The planning-first option will first update to the Airport Master Plan, followed by the construction and operation of a new FBO by Spring 2017. The environmental clearance processes and the updating of the Master Plan could add time to that timeline. The development-first option would first permit the issuance of a RFP and the construction and operation of a new FBO by Fall 2014. Under the development option, staff would continue with the environmental studies related to airfield configuration once development FBO is underway.

Currently, there are forty-four acres of land for development available as a result of the relocation of the long-term parking facility to the east side of the Airport. However, there are FAA conformance standards that need to be met and could mean the re-configuration of the West Side airfield.

Director Sherry mentioned four classes of aviation: commercial, cargo, general, military; and the issue for the San Jose Airport is general aviation. General aviation is 4% of revenue, which is approximately \$4.5 million. Half of that revenue is made up from FBO Atlantic Aviation and other FBOs make up the rest. The City also benefits in sales tax and property tax by approximately \$2 million a year.

Director Sherry recommended at the very minimum that Council approve the minimum standards because they are needed for existing tenants and to move forward successfully with the development. The development could include Fixed-Based Operators (FBOs), Specialized Aeronautical Service Operators (SASOs), and Non Commercial/Private aviation leases. The development of the 44 acres could bring in approximately \$5.4 million to the Airport, \$2.6 million to the general fund for the City of San José, and potentially create 225-280 jobs.

The Airport Administration is looking to put out an RFP for a new FBO open to general public. It is estimated that a new FBO will generate \$2 million to the Airport, which equates to about \$.45 to the CPE, and \$1 million in property and sales taxes to the City's General Fund and create 80-100 jobs. Currently, the airport has all the necessary approvals to move forward with the RFP. Those approvals include approvals from the FAA, the City Council as well as the CEQA and NEPA environmental clearance processes.

The challenge is that the West Side was originally developed for small planes and is now being used by larger jet aircraft. The airport will need to develop the taxiway to meet FAA standards. The Airport is currently in compliance only because runway 11-29 is closed. The City will need to make a decision to re-open or permanently close 11-29. That decision will impact the configuration of the West side airfield for long-term usage.

The City Council has two options to reconfigure the airfield: (1) Move Taxiway V further west or (2) move Taxiway V to the east. The challenge with #1 is that it will require the taking of land from existing tenants and they will need to be compensated. It would also require replacement land and facilities to be constructed a City cost. Moving Taxiway V further west would allow for the re-opening of Runway 11-29. The moving Taxiway V to the east requires the permanent closure of Runway 11-29. But it also provides a dual taxiway system and frees up an additional 54-80 acres for development. Both options would require an amendment to the Airport Master Plan.

The City Council will need to decide if it wants to do the planning first or move forward with development first. Airport staff is recommending the development-first option and the issuance of an RFP. This would allow staff to be responsive to the market interest and opportunity for job creation. The new FBO could proceed without compromising FAA standards and the City's General Fund could benefit sooner from the additional revenue.

Public Comments: Eric Hietala of Signature Flights, which supports the world's largest network of FBOs, stated that Signature Flights has eight locations in California, one of which is at SFO airport. The Company has always been interested in San Jose, and SJC Airport is in the top three desired locations of their customers worldwide. The company

is disappointed that the RFP has not been issued. Signature is looking to invest \$30 million to build a facility, will bring in NETJets and be a LEED-certified facility. Signature operates in 113 worldwide locations and believes it can bring the customers to SJC Airport.

Kelly Lin (of AvBase) believes that AvBase would be the most impacted with the changes moving Taxiway V further west, which will put them out of business. He suggested that the City Council make a decision on the runway prior to the issue of the RFP.

Joan Gallo believes that the future of Runway 11-29 is a critical issue that will directly affect AvBase. AvBase has invested \$30 million in its current building and relocation will not be comparable compensation. The relocation will affect AvBase's lease and permits. Ms. Gallo also believes that the minimum standards builds in inflexibility and places limitations on the tenants. Ms. Gallo does not support proceeding with the West Side Development without first completing the planning processes.

Tom Poulter mentioned that CEOs in the area would like to have corporate jets at SJC.

Steve Frost of Corporate Air Technology cautioned the Committee that fuel prices could become an issue and SJC airport already has some of the highest fuel costs of airports in the area, and fuel costs should be weighed heavily in the West Side development-first scenario. In addition, Mr. Frost does not support the elimination of Runway 11-29.

Robert Harmsen (Citizen Against Airport Pollution – CAPP) mentioned that thousands of people are impacted by the operations at the Airport and development will increase nighttime operations at the Airport with negative impacts to the community. Mr. Harmsen believes the plan is missing a balance with regards to the public. He stated the Airport Master Plan is a failed document and yet staff is still relying on it.

David Wall cited numerous violations of Airport curfew hours. Mr. Wall also cited concerns over the fuel cost, the impact it could have on the West Side development, and how these costs could drive police and fire services out of the airport.

Action: The Committee approved staff recommendations and forwarded the West Side development PowerPoint presentation to the City Council for March 13 for further discussion.

**B. Next Meeting Date and Time (if desired/needed)
Friday, April 13, 2012 at 3 pm CM Conference Room – T1734**

L. Adjournment
The meeting was adjourned at 3: 05p.m.



Mayor Chuck Reed
Ad Hoc Committee on Airport Competitiveness