COUNCIL AGENDA: 04-09-13
ITEM: 6.1

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: CITY COUNCIL

FROM: Mayor Chuck Reed
Councilmember Rose Herrera
Councilmember Sam Liccardo

SUBJECT: **AIRPORT WEST SIDE DEVELOPMENT RFP**

DATE: April 5, 2013

APPROVED: Chuck Reed **DATE:**

Sam Liccardo FB Rose Herrera (AQ) 4/5/13

RECOMMENDATIONS:

Approve recommendations outlined in the March 18, 2013 staff report and the additional direction provided below:

a. Consider and deny the appeal by Atlantic Aviation for the reasons provided in the April 4, 2013 memo from the City Attorney;

b. Accept the Report on the Request for Proposals (RFP) for General Aviation Aeronautical Services Facilities, and authorize the City Manager to negotiate and execute agreements as described in the staff report;

c. Ensure that the terms and conditions relating to the Airport Curfew Ordinance in the lease with Signature Flight Support are consistent with conditions imposed on existing airline tenants;

d. Prepare an information memo to Council that outlines a plan to expedite the City development permit process to work at the speed of business, meet the reasonable timelines of the developer, and ensure that Blue City Holdings San Jose, LLC is able to park aircraft on the site as soon as possible; and

e. Maintain the current status and use of Runway 11/29 until an appropriate study has been completed and necessary steps are taken if changes are warranted. Initiate planning for resolution of Runway 11/29 issues after negotiation and execution of the agreements recommended in the staff report are completed, and after meetings with major airport tenants and subtenants and other stakeholders have been held to discuss and identify issues that should be considered, such as the advantages and disadvantages of opening or permanently closing Runway 11/29 given its limited use for smaller general aviation aircraft, and the potential impacts on existing and future operators.

BACKGROUND:

We congratulate staff on completing the RFP process as directed by City Council in April 2012. The development proposal from Signature Flight Support will help achieve the goals of the Airport Master Plan, the Airport Competitiveness Plan, and the City's Economic Development Strategy, and should be approved.

Several actions have been taken in the last 3 years to maintain the Airport's competitiveness and the cost per enplaned passenger at required levels. Some challenges still remain. Our annual debt service payments are growing from $65 million in 2012 to $98 million in 2016. The 2012 annual status report from the Airport Director dated March 15, 2013 points out declines in number of passengers, number of airline flights, and air cargo activity. Pursuing opportunities to gain additional revenues must continue to be a high priority, and leasing the west side land assets will generate significant revenues for the Airport and the General Fund.

We asked Airport staff to test the market. That has been done. And a highly qualified operator that will build world class general aviation facilities has been selected. The proposed high quality development will be a major private sector investment in our airport and it will generate jobs and revenues. We fully support entering into a ground lease and operating agreement with Signature Flight Support in partnership with Blue City Holdings San Jose, LLC.

The Airport's west side is currently home to Atlantic Aviation, ACM Aviation, AvBase, and HP Aviation. The presence of Signature Flight Support and Blue City Holdings San Jose, LLC will continue to keep SJC well-positioned in the general aviation industry.