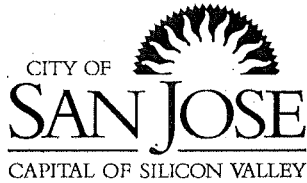


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Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

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

SUBJECT: Southwest Airlines Provisioning
Facility Update

DATE: March 12, 2009

Approved

Date

3/13/09

INFORMATION ONLY

BACKGROUND

On September 18, 2007, City Council adopted Resolution 73996 authorizing the City Manager to negotiate and execute a ground lease with Southwest Airlines Co. ("Southwest") for the development of a provisioning facility at Mineta San Jose International Airport ("Airport"). The Provisioning Facility Ground Lease was fully executed on October 3, 2008. This Ground Lease, for 2.4 acres of undeveloped land on the southeast corner of the Airport, is for a twenty (20) year term, effective on October 3, 2008. Southwest is currently paying a reduced rent under the Ground Lease of \$7,040 per month; this amount increases to full rent of \$14,080 on October 3, 2009. The rent increases by the CPI every July 1 and by appraisal every five (5) years.

UPDATE

Southwest has nearly completed its design drawings for the new facility and has met with Airport staff and City Planning to review procedural requirements and discuss exterior design elements. City Planning provided comments on November 3, 2008 in response to Southwest's last design submittal.

As a result of the current state of the economy, Southwest has advised the Airport that they do not wish to proceed with construction of the provisioning facility at this time. Recognizing the current economic climate and the impact it has had on the airlines, the Airport anticipates working with Southwest to negotiate an acceptable solution and development schedule that is in the best interest of both the City and Southwest.

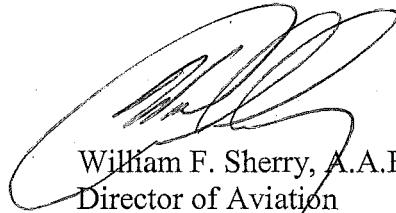
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Updates on the status of the provisioning facility project will continue to be communicated as they become available.



William F. Sherry, A.A.E.
Director of Aviation

For questions please contact William F. Sherry, Director of Aviation, at (408) 501-7600.