

SENT TO COUNCIL:

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City Manager's Office

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

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

SUBJECT: Airport West Side
Development Status

DATE: August 24, 2011

Approved

Date

8/24/11

INFORMATION

In May and June of 2011 the Airport opened several new parking lots on the east side of the Airport which marks the completion of the Terminal Area Improvement Program (TAIP). Besides offering enhanced levels of customer service due to their proximity to the terminals, the opening of these lots allowed the Airport to close the former long-term parking lot on the west side of the Airport. The closure of this lot opens many new opportunities for development that will likely increase lease and fuel flowage revenue to the Airport and tax revenue for the General Fund. Since the TAIP is now finished, staff will shift its full attention away from the TAIP to the Non-Terminal Area Improvement Program (NTAIP). Accordingly, the purpose of this memo is to keep the Council informed on the steps that are now being made to move west side development forward.

The adopted Airport Master Plan, as amended over time, serves as the City's guide to development of the Airport. The current Master Plan designates the west side of the Airport for development of facilities accommodating projected general aviation demand, including conversion of the recently-closed long-term parking lot north of the Federal Aviation Administration (FAA) Air Traffic Control Tower, reconfiguration of existing facilities and the former San José State University leasehold south of the Control Tower, and several taxiway improvements to expedite aircraft access to and from the runways. General aviation is characterized as all flights other than military and scheduled airline and cargo flights, ranging from small propeller-driven aircraft to large corporate jets. A map depicting the various elements of the Airport referred to in this report is attached.

Extension of Taxiway W

Since late 2009, the Airport has been proceeding with the multi-year, phased construction of a full-length parallel Taxiway W to the west of Runway 12R-30L. This taxiway will provide access to the future development area for large aircraft. Two phases of construction have been completed to date, and in late July the City received a grant from the federal government in the amount of \$7.5 million for the construction of the next phase of the taxiway. The start of

construction for this project was put on hold on July 25, 2011, as a result of the expiration of funding for the Federal Aviation Administration (FAA), the oversight agency for the grant. On Friday, August 5, 2011, the President signed the 21st extension of the FAA's authority into law; however, this latest extension expires on September 16, 2011. Staff will proceed with the start of construction of the project so that the first phase can be completed before the winter rains begin. It is possible that failure of the federal government to fund the FAA beyond September 16, 2011, could require a shut down of the project.

Runway 11/29 Study

Runway 11/29 was constructed in 1987 for use by small, propeller driven general aviation aircraft operating in visual weather conditions. FAA standards for separation between runways, taxiways, and aircraft parking areas, as well as lack of instrumentation, constrain use of Runway 11/29 for larger aircraft. Furthermore, the City's Noise Control Program precludes the use of this runway by jet aircraft. Prior to its temporary closure in late 2009, to facilitate the construction of Taxiway W, the number of aircraft operations on Runway 11/29 had been decreasing commensurate with the reduction in overall general aviation traffic at the Airport. With projected growth in general aviation expected to come from use of larger, corporate jet aircraft that would use the longer commercial runways, staff is studying the necessity of keeping Runway 11/29 in service. A technical analysis is currently underway to determine if the capacity of the two commercial runways is adequate to accommodate the Airport's forecast traffic including the operations that would otherwise occur on Runway 11/29. Staff is also studying options for taxiways on the west side to ensure that adequate movement of aircraft to the commercial runways can be accommodated. Preliminary results of these analyses are anticipated in September. There will be significant stakeholder interest in the decision regarding Runway 11/29, and staff intends to hold a public stakeholder meeting in mid September, followed by a discussion at the October 17 Airport Commission meeting.

New Fixed Base Operator Request for Proposal

Fixed Based Operators (FBO) are commercial businesses granted the right by the Airport to operate on Airport property to provide various aeronautical services such as fueling, hangaring of aircraft, tie-down and parking of aircraft, aircraft rental, aircraft maintenance, flight instruction, and other aviation related services. There is currently one full-service FBO at San José (Atlantic Aviation) operating on approximately 22 acres, and three limited-service FBOs. As a general rule, healthy competition drives better services and prices on an airport. In order to ensure the highest quality of services at market rates, staff is moving forward with the development of an RFP for a second full-service FBO of comparable size to the existing Atlantic Aviation leasehold to provide for reasonable competition for these services.

Over the past two years potential developers for full-service FBOs, specialized aeronautical services providers, and corporate aviation have expressed significant interest in developing

facilities on the west side while favorable prices for construction are available. For example, Signature Aviation, one of the world's largest FBOs, made mention at a recent Ad Hoc Committee meeting that they are prepared to immediately invest \$30 million into the City and the Airport. On the other hand, we are also hearing from some (Atlantic Aviation) that with the recession there will not be interest in the property. Moving forward with an RFP now will definitively determine whether or not there is true interest in development of new FBOs.

A key component of the RFP is the minimum standards that will be incorporated into the FBO lease, as well as other leases that will be granted in the future. Minimum standards are requirements intended to ensure a safe, efficient, and adequate level of operation and services is offered to the public for all services offered by commercial operators. The adopted minimum standards are applied objectively and uniformly to all commercial operators on the Airport, including existing and future operators. Staff is in the process of updating the minimum standards for the Airport, including a public stakeholder process that will occur in September and October 2011. It is anticipated that the draft minimum standards will be brought to Council for approval in early November 2011.

With the adoption of new minimum standards the RFP process for a new FBO will take place from November through the spring of 2012, with Council approval of a lease anticipated by the end of the fiscal year.

Evaluation of Non Aviation Development

In response to the Council action on August 16, 2011, approving a set of development principles and adding a principle focused on consideration of non-aviation development on new land that would potentially be made available under scenarios where Runway 11/29 is closed, the following is offered. The City's adopted Airport Master Plan, last amended in 2010, currently designates all development on west side of the Airport to be for general aviation uses in order to adequately accommodate the general aviation demand projected through 2027. If the Runway 11/29 analysis now underway determines that additional land can be made available, then an amendment to the Airport Master Plan and the FAA-required Airport Layout Plan can be proposed for respective City and FAA approval. The options for any new land are: assess the current market conditions to see if there is interest in immediately developing the land for aviation related uses; if there is no current demand for aviation development, hold the land in reserve until there is demand for aviation uses; designate a portion of the land for cargo development; or utilize the additional land for possible non-aviation purposes. It is important to note that converting a portion or all of the land from aviation to non-aviation land-use will require FAA approval. Before the FAA would approve such a request, they would need to be convinced that all aviation demand can be accommodated elsewhere on the Airport. Additionally, in consideration as to whether any land should be made available for non-aviation uses, particularly if long-term rather than interim, the City would likely want to assess what types of non-aviation uses might be appropriate given the constraints of the available land (e.g., height limits, aircraft noise levels, access issues from City of Santa Clara roadways), market

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conditions, and the projected economic benefit to the Airport and City. The preparation and approvals of an amended Airport Master Plan (with CEQA analysis) and Airport Layout Plan (with NEPA analysis), would likely take in the range of two to three years, at an estimated cost range of \$150,000 to \$300,000.

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

FORMER SAN JOSE STATE UNIVERSITY LEASE

FAA AIR TRAFFIC CONTROL TOWER

FORMER PUBLIC LONG TERM PARKING POTENTIAL DEVELOPMENT AREA 44.5 ACRES

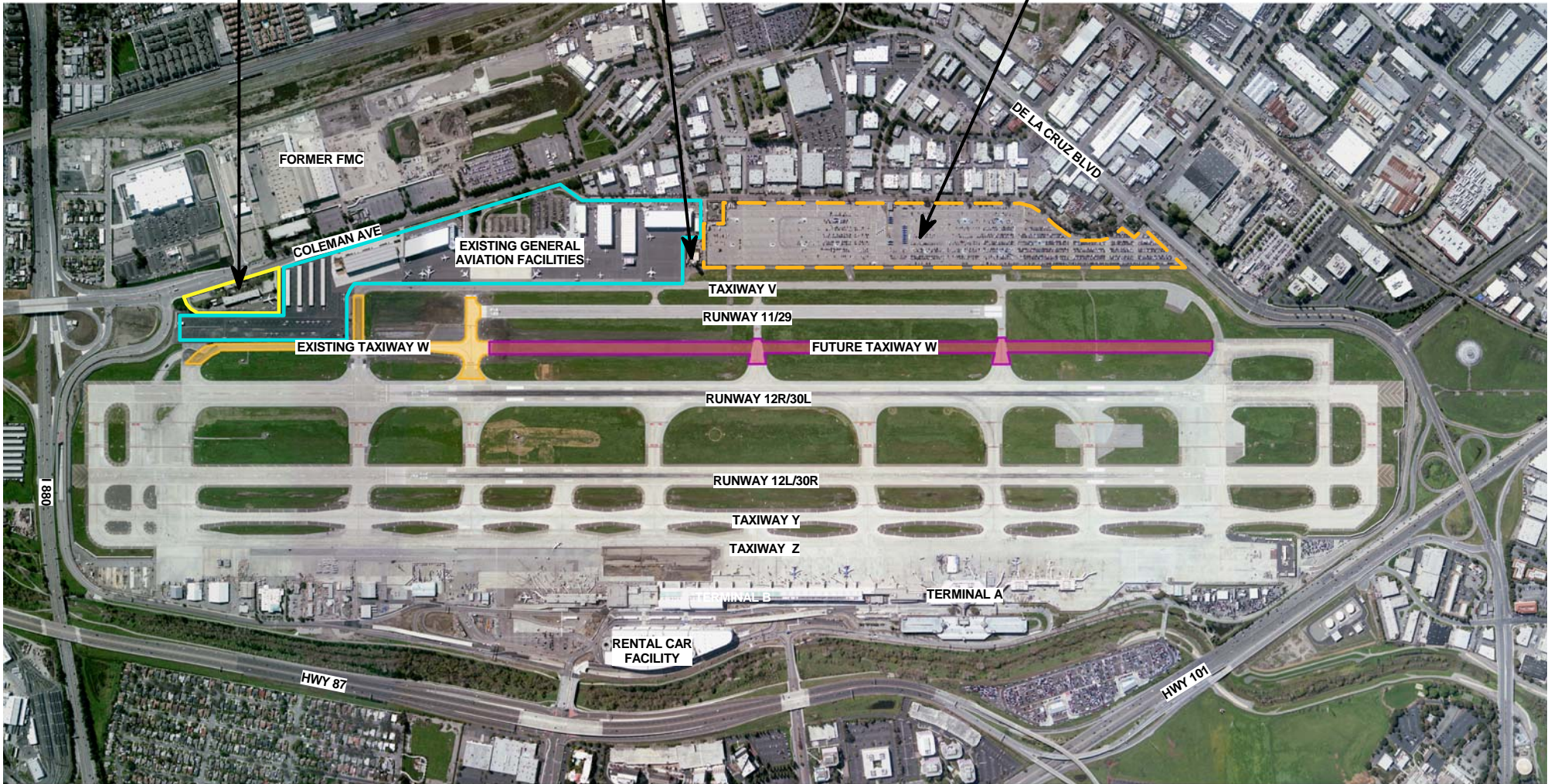


EXHIBIT A