

Santa Clara County Airport Business Plan Updates



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Section 1

INCREASING AIRPORT REVENUES

INTRODUCTION

The Reid-Hillview and San Martin Airports are strategic assets to Santa Clara County and need to be recognized as such. The County, as the sponsor of the County airports, has accepted Federal Aviation Administration (FAA) Airport Improvement Program grant funds and accepted conditions and obligations associated with FAA grant assurances. The grant assurances include obligations to operate and maintain the airports in a safe and serviceable condition, not grant exclusive rights, mitigate hazards to airspace and use airport revenue property. The County has a commitment to assure that the public's interest in civil aviation will be served. The FAA, through its Airport Compliance Program, ensures that the availability of a national system of safe, properly-maintained, public-use airports operate in a manner consistent with the airports sponsor's federal obligations and the public's investment in civil aviation.

The runways at both airports are approximately 3,100 feet in length and therefore primarily accommodate small propeller-engine aircraft with limited use by larger turboprop or corporate business jet aircraft. The runways at Reid-Hillview are unlikely to be extended because of surrounding development and physical constraints. It is also unlikely, at this time, that the San Martin Airport runway will be extended.

FEDERAL AVIATION ADMINISTRATION AIRPORT IMPROVEMENT PROGRAM

Historically, the major source of funding for capital improvement projects for the County airports has been from FAA Airport Improvement Program grants for eligible project costs. The FAA Airport Improvement Program was established by the Airport and Airway Improvement Act of 1982 and provides funding for airport planning and development. The Airport and Airway Trust Fund, which was established by the Airport and Airway Revenue Act of 1970, provides the revenues used to fund Airport Improvement Program projects. Taxes or user fees are collected from the various segments of the aviation community and placed in the Trust Fund. No taxpayer funds go into the Airport and Airway Trust Fund.

The 1982 Act, as amended, authorizes the use of monies from the Airport and Airway Trust Fund to make grants under the FAA Airport Improvement Program. The FAA Airport Improvement Program assists the development of a nationwide system of airports by providing funding for airport planning and development projects at eligible airports.

Airports eligible for FAA Airport Improvement Program grants must be included in the *National Plan of Integrated Airport Systems* (NPIAS). The Reid-Hillview and San Martin Airports are classified as general aviation reliever airports in the NPIAS. Reliever airports are airports designated by the FAA to relieve congestion at Commercial Service Airports, e.g., San Jose International Airport, and to provide improved general aviation access to the overall community.

General aviation airports, such as the Reid-Hillview and San Martin Airports, are eligible to receive up to \$150,000 annually in entitlements each year that Congress budgets \$3.2 billion or higher for the Airport Improvement Program. The general aviation entitlement is available to use in the fiscal year it becomes available and for the following three fiscal years. Sponsors may choose to delay using their entitlement the first, second or third year and use all of the money in the fourth year for a specific project. Unused funds, e.g., the first year the entitlement became available, expire in the fifth year unless the sponsor obligates the funds under a grant or transfers the funds to another NPIAS airport. At present, the FAA Airport Improvement Program grants fund 90 percent of the costs of an eligible project.

Each fiscal year, the FAA apportions Airport Improvement Program funds into major entitlement categories including passenger enplanements, cargo entitlements, general aviation entitlements and state apportionment funds. The remaining funds are discretionary funds and may be used for any eligible project at any airport. The FAA distributes discretionary funds to projects that best carry out the purpose of the Airport Improvement Program with highest priority given to safety, security, reconstruction, capacity and standards projects.

The 2018 proposed legislation for continuing FAA Airport Improvement Program grants is the omnibus spending bill that provides \$1 billion for funding improvement projects at small and rural airports. The omnibus spending bill is part of the 2018 *Forward Looking Investment in General Aviation, Hangars and Tarmacs* (FLIGHT Act) that will provide nonprimary airports, e.g., Reid-Hillview and San Martin, with the flexibility to accumulate their entitlement grants up to five years, or \$750,000, that will help raise sufficient funds for some capital improvement projects.

Another provision of the FLIGHT Act establishes Disaster Relief Airports as a new category of funding and could include the Reid-Hillview and San Martin Airports. Those airports would receive funds for emergency planning, equipment, or facilities in case of natural or humanitarian disasters in the aftermath of earthquakes, floods and other crises.

STATE OF CALIFORNIA, DEPARTMENT OF TRANSPORTATION, DIVISION OF AERONAUTICS

The State of California, Department of Transportation, Division of Aeronautics, California Transportation Commission (CTC) allocates funds to match FAA Airport Improvement Program grants for airport and aviation purposes. The sole funding source for these grants is excise fuel tax revenues on the sale of general aviation gasoline and jet fuel.

State funds can be allocated by the CTC to match an FAA Airport Improvement Program grant once an airport sponsor has accepted the grant from the FAA. The State match is available to airports that have been designated as a general aviation or reliever airport by the FAA. Only those projects that are included in the State's Capital Improvement Program are eligible to receive matching grants. At present, the State match is 5 percent of the FAA Airport Improvement Program grant.

SANTA CLARA COUNTY HISTORY OF FAA AIRPORT IMPROVEMENT PROGRAM GRANTS

The County accepted close to \$4.5 million in FAA Airport Improvement Program grants for the Reid-Hillview Airport and an additional \$1.8 million for the San Martin Airport between 2000 and 2011 for a total of \$6.3 million for airport development projects. Together, the federal and State grant programs provided for \$7 million in development projects after recognition of an average annual local match by the County of \$35,000. The average annual \$35,000 requirement by the County for the local match leveraged \$6.6 million in federal and State grants (FAA \$6.3 million and Caltrans \$315,000 or 5 percent of FAA grants) for airport development projects in the County.

The County applied for FAA Airport Improvement Program grants from 2012 through 2015 but was denied grant funding by the FAA until an FAA Federal Aviation Regulations (FAR) Part 16, *Rules of Practice for Federally-Assisted Airport Enforcement Proceedings*, issue was resolved. The County and the FAA entered into a compliance issue regarding skydiving activities at the San Martin Airport, and the County was not eligible to receive FAA grants until the issue was resolved.

Although the County was eligible to receive FAA Airport Improvement Program grants again in 2016, the County did not apply for FAA grants in 2016 and 2017 in part because the FAA Grant Assurances that accompany FAA grants represent a long-term obligation on the part of the County. The requirement for County matching funds from the Airport Enterprise Fund would also place more pressure on the operating budget due to the local match requirements. In addition, some deferred maintenance projects at the airports were ineligible for FAA Airport

Improvement Program funding, and the County was reluctant to take on any new obligations without a reasonable certainty that the operating budget would be sustainable and sufficient to meet these obligations over the long term.

It is estimated that the County lost use of an estimated \$1.4 million in federal and State grants in 2012, 2013 and 2014 as general aviation airport entitlement grants expire after four years. At the time the County operated three airports that included the Palo Alto Airport up until 2015. The County will continue to lose use of an estimated minimum of \$315,000 annually in federal and State grants beginning in 2018, if FAA Airport Improvement Program grants are not applied for and accepted.

The County is eligible to apply for FAA Airport Improvement Program grants for both the Reid-Hillview and San Martin Airports. FAA requires that Airport Capital Improvement Program (ACIP) grant requests be prepared for a minimum of four years in anticipation of receiving grants. The County has prepared a preliminary FAA ACIP for each airport from 2017 through 2022 that will need to be updated.

County Airports have initiated \$3 million in paving projects at the Reid-Hillview and San Martin Airports with construction scheduled in May 2018. Funding for these projects is currently provided through a \$3 million loan from the County General Fund. According to the County, FAA has stated that accumulated general aviation entitlement funding (approximately \$1.2 million for the two airports for the four years of eligibility) for the pavement projects can be retroactively funded under FAA Airport Improvement Program grants if the County applies for and accepts the grants.

REID-HILLVIEW AIRPORT

The Reid-Hillview Airport is a designated reliever airport for the San Jose International Airport and is intended to provide additional capacity, or relief, for San Jose International Airport and to accommodate general aviation activity in the area. The Airport primarily serves small, single-engine and twin-engine aircraft with limited use by turboprop and business jet aircraft.

The Reid-Hillview Airport is strategically located to compete with other Bay Area airports for increased general aviation businesses and tenants. However, the Airport will have to compete with other airports to attract the volume and type of general aviation activity it desires. The County will have to balance the need to enhance its revenue generation with the overall environmental and land use concerns of the surrounding community.

Existing Fixed Base Operators 18-acre Site

The existing 18-acre fixed base operator site is divided into 13 parcels but leased as nine long-term leaseholds by seven operators as presented in the 2018 *Reid-Hillview Airport FBO Land Appraisal* (2018 Appraisal), prepared by Valbridge Property Advisors for the County. The 2018 Appraisal assumed the site was vacant and ready for development. The site is currently improved with hangar and other buildings, aircraft parking aprons and underground fuel storage tanks. According to the existing leases, the buildings revert to the County at the end of the leases. In addition, the site contains taxiways, roads and utilities that were included in the appraisal analysis.

The 2018 Appraisal identified the highest and best use as being for fixed base operator and aviation use and development. The 2018 Appraisal appraised the market value rent of the land at \$0.35 per square foot per year based on the entire parcel and assuming the entire parcel was vacant with no building or structures on it. Potentially this site could generate \$274,428 in annual revenues to the Airport Enterprise Fund.

The site is zoned Industrial Park (IP) by the City of San Jose with a General Plan designation of Public/Quasi-Public which reflects the actual airport use of the property. The northern portion of the site is in the Inner Safety Zone of the Reid-Hillview Airport *2007 Comprehensive Land Use Plan* prepared by the Santa Clara County Airport Land Use Commission and the remainder of the site is within the Sideline Safety Zone. These Airport Land Use Plan Safety Zones restrict the uses and number of people permitted on the site but would not affect use of the site for fixed base operators. The potential uses of the site are also restricted by the FAA as the site is inside the Airport fenced area and restricted to airport-related uses as shown on the FAA-approved Airport Layout Plan.

As discussed in the *Re-Lease Strategy for the Airports Fixed Base Operators Leaseholds*, presented in Section 3, the existing fixed base operator/specialized aviation service operator (FBO/SASO) tenants are one of the most important assets of the Airport. The County should initiate discussions with the existing FBO/SASOs to convey the County's intentions of reducing the number of FBO/SASOs on the Airport and the implementation of minimum standards for any aviation commercial activities on the Airport. The County should consider issuing a Request for Proposals (RFPs) for FBO and SASO activities to provide the opportunity for the market to respond to the County. Early discussions with the existing tenants will provide the opportunity for the tenants to consider what their optimum participation will be in the future of the Airport. Since financially-sound and successful FBOs/SASOs are critical to the operation of the Airport, the County should support its existing tenants by considering their requirements to enhance their revenue-generating capabilities consistent with the County's public service and financial objectives.

The issue of the number and types of FBOs/SASOs needs to be resolved sooner rather than later as all of the leases for these sites will expire on December 31, 2021. If there is no resolution, the County will have to assume the aircraft fueling responsibilities for about 477 based aircraft and any transient aircraft as well as aircraft storage issues for about 200 based aircraft currently stored on the FBO leaseholds. This could cause a loss of based aircraft and fueling revenue to other Bay Area Airports.

Nonaviation Commercial Revenues

The *2006 Reid-Hillview Airport Master Plan* identified several areas on the Airport that could be developed for nonaviation commercial activities that would generate additional revenues to the Airport Enterprise Fund. The Airport Master Plan placed a cap on the number of aircraft at the Airport totaling 750 based aircraft. There are currently 477 based aircraft at the Airport and the County has stated that no additional undeveloped land is required in order to stay within the 750 based aircraft capacity.

Since 2006, the County has identified other properties that could be utilized for nonaviation commercial activities that would generate additional revenues to the Airport Enterprise Fund. Prior to developing these properties for nonaviation commercial development, the FAA must approve a property release, releasing the properties from aviation uses in the future. To date, the FAA has not officially released any of these properties for nonaviation development but, according to the County, FAA has informally told the County that certain properties would be released when the County accepts an FAA Airport Improvement Program grant.

The County recently had appraisals (2018 Appraisals) prepared for the potential nonaviation commercial revenue-generating properties including identifying the recommended highest and best uses for the different areas. The 2018 Appraisals were prepared by Valbridge Property Advisors for the following properties and assumed the City of San Jose zoning would be changed from Light Industrial (LI) to Commercial General (CG) in order to lease the properties for nonaviation commercial uses. The highest and best use of the following four properties was identified in the 2018 Appraisals as commercial development.

- 8.6 acres of vacant land at the Northwest Corner of Tully Road and Capitol Expressway
- 2.4 acres currently used as County Roads and Airports Laydown Yard
- 4.65 acres currently used as Little League Baseball Fields on Cunningham Avenue
- 3.75 acres of (partially) vacant land along Swift Avenue

Any changes to the City of San Jose's General Plan, Specific Plan, zoning codes and building regulations that may affect land use within the Reid-Hillview Airport Influence Area must also be reviewed by the Santa Clara County Airport Land Use Commission for consistency with its

adopted *2007 Comprehensive Land Use Plan*. The 8.6 acres at the Northwest Corner of Tully Road and Capitol Expressway and the 2.4 acres currently being used by County Roads and Airports as a Laydown Yard have been reviewed by the Airport Land Use Commission and have been found consistent contingent upon the placement of buildings and using a portion of the properties for landscaping and vehicular parking.

It should be noted that formal FAA approval for nonaviation commercial use for these properties has not been obtained. According to the County, FAA will approve use of certain Airport properties for nonaviation commercial use after the County has applied for and accepted FAA Airport Improvement Program grants.

The following describes the potential uses for the different areas of the Airport that could provide additional nonaviation revenue-generating activities for the Airport Enterprise Fund.

Northwest Corner of Tully Road and Capitol Expressway. The estimated 8.6 acre site at the northwest corner of Tully Road and Capitol Expressway is already zoned Commercial General (CG) by the City of San Jose with a General Plan designation of Neighborhood/Community Commercial. The County has considered leasing the approximately 8.6 acre site for several years but has never actually pursued nonaviation commercial activities for this portion of the Airport. Based on the *2018 NWC of Tully Road and Capitol Expressway Appraisal* (2018 Appraisal) for this 8.6-acre site, not all of the 8.6 acres would be developable as there are several rights-of-way easements (e.g., Capitol Expressway, Tully Road, Swift Lane, Pacific Gas & Electric and Santa Clara Valley Transportation Authority).

A portion of the property is located within a Turning Safety Zone of the Reid-Hillview Airport *2007 Comprehensive Land Use Plan* which will reduce the acreage available for development by about 20 to 25 percent. The 2018 Appraisal notes that the 20 to 25 percent could be used for landscaping and vehicular parking. The Turning Safety Zone allows a nonresidential maximum of 100 people per acre which includes open area and parking area for building occupants. The 2018 Appraisal indicates that the Turning Safety Zone would have negligible impact on the development potential or utility of the site as the Turning Safety Zone is on the west side of the property closest to the airfield.

The property has good visibility and access from Capitol Expressway and Tully Road and is considered a desirable location for future commercial use. The 2018 Appraisal considered the property zoned as Commercial General (CG) and designated Neighborhood/Community Commercial. According to the 2018 Appraisal the highest and best use of the property is considered to be commercial development. This area is shown on the current FAA-approved Airport Layout Plan as reserved for future nonaviation commercial development.

Leasing this corner parcel for nonaviation commercial uses, based on the current appraised value of fair market rent of \$99,867 per month, would add \$1.2 million in annual revenues to the Airport Enterprise Fund.

County Roads and Airports Laydown Yard. The 2.4 acre site is located along Swift Avenue with some visibility from Capitol Expressway. The property is currently zoned Industrial Park (IP) by the City of San Jose and the General Plan designation is Public/Quasi-Public. The County plans to request a change to the City of San Jose General Plan to allow commercial uses on the site. The 2018 *Roads and Airports Laydown Yard Appraisal* (2018 Appraisal) assumed the zoning change would be made to Commercial General (CG) and a General Plan Amendment to Neighborhood/Community Commercial would be made.

According to the 2018 Appraisal, the County filed an application for the rezoning on February 14, 2014. The proposed rezoning was also reviewed and found to be consistent with the Reid-Hillview Airport 2007 *Comprehensive Land Use Plan* by the Santa Clara County Airport Land Use Commission.

A portion of the property is located within a Turning Safety Zone of the Reid-Hillview Airport 2007 *Comprehensive Land Use Plan* which will reduce the acreage available for development by about 10 percent. The 2018 Appraisal notes that the 10 percent could be used for vehicular parking and landscaping. The 2018 Appraisal indicates that the Turning Safety Zone would have negligible impact on the development potential or utility of the site.

The County is currently using the site for nonaviation uses as a laydown yard for County Roads and Airports materials and supplies. The highest and best use of the property is considered to be related commercial or commercial/industrial type development according to the 2018 Appraisal. This area is shown on the current FAA-approved Airport Layout Plan as reserved for future aircraft hangar development.

Leasing this 2.4-acre site for nonaviation commercial or commercial/industrial type uses, based on the current fair market rent of \$17,090 per month would generate an estimated \$205,100 in annual revenues to the Airport Enterprise Fund.

Little League Baseball Fields on Cunningham Avenue. The 4.65 acre site is located along Cunningham Avenue across from the administration/terminal building. The property is currently zoned Industrial Park (IP) by the City of San Jose and the General Plan designation is Public-Quasi-Public. The County plans to request a change to the City of San Jose General Plan allow commercial uses on the site. The 2018 *Little League Baseball Fields on Cunningham Avenue Appraisal* (2018 Appraisal) assumed the zoning change would be made to Commercial General (CG) and a General Plan designation to Neighborhood Community Commercial.

According to the 2018 Appraisal, the County filed an application for the rezoning on February 14, 2014. The proposed rezoning was also reviewed and found to be consistent with the Reid-Hillview Airport 2007 Comprehensive Land Use Plan by the Santa Clara County Airport Land Use Commission.

The 2018 Appraisal identified the highest and best use of the 4.65 acres as commercial development such as mixed-use development, including a hotel/motel, restaurants, supporting retail and other service commercial uses. This area is shown on the current FAA-approved Airport Layout Plan as reserved for future nonaviation leasehold use.

The fair market rental rate for this site is estimated to be \$53,188 monthly. Leasing this parcel for nonaviation commercial development would add an estimated \$638,250 annually to the Airport Enterprise Fund.

It should be noted that the deferred maintenance of the administrative/terminal building and surrounding areas, including the entrance to the Airport, should be completed in order to attract the types of long-term commercial tenants the County desires for this 4.65-acre site.

The County needs to determine where the Little League Baseball Fields would be relocated to as the proposed relocation site on the west side of the Airport is now occupied by solar panels.

Vacant Commercial Land on Swift Avenue. The 3.75-acre site is located along Swift Avenue with some visibility from Capitol Expressway. The property is zoned Industrial Park (IP) by the City of San Jose and the General Plan designation is Public/Quasi-Public. The County plans to request a change to the City of San Jose General Plan to allow commercial uses on the site. The 2018 *Vacant Commercial Land on Swift Avenue Appraisal* (2018 Appraisal) assumed the zoning change would be made to Commercial General (CG) and a General Plan amendment to Neighborhood/Community Commercial.

According to the 2018 Appraisal the County filed an application for the rezoning on February 14, 2014. The proposed rezoning was also reviewed and found to be consistent with the Reid-Hillview Airport 2007 Comprehensive Land Use Plan by the Santa Clara County Airport Land Use Commission.

The highest and best use of this property is for destination-related commercial development according to the 2018 Appraisal. This area is shown on the current FAA-approved Airport Layout Plan as reserved for future aviation/nonaviation commercial development.

The fair market rental rate for this site is estimated to be \$23,800 monthly. Leasing this parcel for nonaviation commercial development would add an estimated \$285,600 annually to the Airport Enterprise Fund.

SAN MARTIN AIRPORT

The San Martin Airport is a designated reliever airport for the San Jose International Airport and is intended to provide additional capacity or relief for San Jose International Airport and to accommodate general aviation activity in the area. The San Martin Airport serves local users in Santa Clara County and adjacent areas. The Airport currently primarily serves small, single- and twin-engine propeller aircraft, with limited use by turboprop and business jet aircraft.

Fixed Base Operator Lease Parcel

The existing FBO at the San Martin Airport occupies approximately 10.3 acres and includes an FBO office/hangar building, hangars, fuel tanks and other site improvements. The existing lease agreement with the FBO will terminate on December 11, 2020 at which time the site and all of the improvements will revert to the County. As noted earlier, the County should communicate their intentions for the future operation of the Airport as it concerns the current FBO.

The 2018 *San Martin Airport FBO Appraisal* (2018 Appraisal) assumes the entire 10.3-acre FBO lease site, including the right to sell fuel, could generate \$50,000 monthly and \$600,000 annually to the Airport Enterprise Fund.

The 2018 Appraisal also appraised a 2.5-acre portion of the 10.3-acre FBO lease site, including the FBO office/hangar building with a portion of the adjacent land, including an aircraft parking apron area, vehicular parking area and fuel farm area, but excluding the 56 storage hangars on the FBO lease site. The 2018 Appraisal assumes this smaller parcel could generate \$18,333 monthly and \$220,000 annually to the Airport Enterprise Fund.

The area is zoned A-20 AC-sr, Agricultural, 20-acre minimum lot size Scenic Roads Combining District, by Santa Clara County and the General Plan designation is Transportation. The only legally-permissible uses for the subjected improvements are those that are airport-related. According to the 2018 Appraisal, the highest and best use as improved property would be for the existing fixed base operator use.

According to the 2018 Appraisal, the 56 storage hangars on the FBO lease parcel were sold to individual users who now have a sub-leasehold interest at the Airport which will also expire on December 11, 2020.

Lions Club

The current 4.64-acre lease parcel will be reduced in the near future by 1.87 acres that are being acquired by the Santa Clara Valley Water District for \$180,000. The 2018 *Lions Club Appraisal* (2018 Appraisal) assumes the Santa Clara Valley Water District has acquired the 1.87 acres and only 2.77 acres are available for lease. The remaining 2.77 acres is improved with a 6,000-square foot meeting hall and related buildings. The area is zoned for Rural Residential—Minimum 5-acre lot size (RR-5Ac) by Santa Clara County and the General Plan designation is Rural Residential. The permitted uses are for residential and agricultural uses, as well as some public/quasi-public uses.

The highest and best use of the property as if vacant would be for residential or quasi-public uses. The highest and best use of the property as improved is for continuing the existing use as a meeting facility for public or nonprofit users. The current fair market rent for the property is estimated to be \$4,800 per month.

The County may want to consider making a request to the County Board of Supervisors that the annual fair market rent for the Lions Club property be paid to the Airport Enterprise Fund by the County as the property and meeting hall are valuable assets to the residents of San Martin and South County. It should be noted that the County currently pays the Airport Enterprise Fund for the nonaviation use of the St. Francis of Assisi Spay and Neuter Clinic, which is considered a valued community asset that provides County services that do not exist elsewhere, and is located on Airport property. This suggestion would avoid any noncompliance issues with the FAA in leasing Airport land for less than fair market value.

OTHER POTENTIAL SOURCES OF REVENUES

Solar Panels

The County has recently installed solar panels at both the Reid-Hillview and San Martin Airports. Based on information provided by the County, the net revenues expected to be paid to the Airport Enterprise Fund will total close to \$12 million over the twenty-five year timeframe. Lease revenue will be lower in the early years beginning with \$2,600 in the initial year and escalating to over \$995,000 annually in the later years.

The area where the solar panels are installed at the Reid-Hillview Airport is shown on the current FAA-approved Airport Layout Plan as reserved for the relocation of the baseball fields. The area where the solar panels are installed at the San Martin Airport is shown on the current FAA-approved Airport Layout Plan as reserved for a future runway and taxiway extension.

Santa Clara County Fees and Charges

A *Fees and Charges Analysis*, presented in Section 2, was prepared to assist the County in determining the appropriateness of the Fees and Charges for the County Airports in terms of market rates as well as in comparison to other comparable and competitive Bay Area Airports. Based on the analysis, several recommendations were made for consideration by the County, including raising rates for fuel flowage fees and FAR Part 135 charter/air taxi flight operations for both the Reid-Hillview and San Martin Airports.

The *Fees and Charges Analysis* also recommended retaining the existing County tiedown rates or consider lowering the tiedown rates by 25 percent at the Reid-Hillview Airport and by 35 percent at the San Martin Airport in order to gain a more competitive position in the near-term. Recommendations included maintaining the existing aircraft hangar rates at the Reid-Hillview Airport and consider lowering the aircraft hangar rates at the San Martin Airport. The recommendation was made to maintain the transient aircraft hangar fees but consider lowering the transient aircraft parking tiedown fees at both airports. The hangar waiting list fees should also be reduced. Several fees and charges were recommended for other aviation and nonaviation uses of the Airports that are not currently collected.

The recommendations of the *Fees and Charges Analysis* were made to make the County Airports Fees and Charges more competitive with other Bay Area airports. The implementation of the recommended changes to the Fees and Charges will position the County Airports to gain a more competitive position in the near-term. While it is unknown what the effects of the recommended changes to the County's Fees and Charges will be in the long-term, the effects should be positive in the long-term as the recommendations of the Santa Clara County Airports Business Plan Updates are implemented.

Other items of note to the County include that several Bay Area airports will increase their rates and charges for airport uses while other airports feel that rates are too high and should be lowered to be competitive with other airports in the Bay Area as some based aircraft have been lost to other airports. One airport with a significant hangar waiting list has borrowed money from the general fund to build new hangars. Another airport that provides fueling service would prefer to get out of the fueling business because of the management and liability that goes with providing fueling services.

Nonhub Primary Airports

The FAA category of primary nonhub airports includes those airports that have at least 10,000 annual passenger enplanements. A primary nonhub airport is entitled to a minimum of \$1

million annually in FAA Airport Improvement Program passenger entitlement grants based on enplanements.

Based on discussions with Airport Management at the San Carlos Airport, the Airport has initiated a new FAR Part 135 landing fee of \$75 for both the San Carlos and the Half Moon Bay Airports and, based on FAR Part 135 operators providing service to the San Carlos Airport, the airport may be close to qualifying as a primary nonhub airport.

For example, Surf Air, a California-based commuter airline using Pilatus PC-12 nine-passenger aircraft, offers service to certain smaller airports in California including San Carlos, Truckee Tahoe, Carlsbad and Napa County. The airline offers unlimited flight service for a fixed monthly fee and is exploring service into new destinations around California. The airline has approached the County in the past about potentially adding service to the Reid-Hillview Airport. The County was unable to accommodate the airline at the time of inquiry for several reasons. With the changes expected at the Airport over the next couple of years, the County should reconsider FAR Part 135 service as both a potential revenue source and source of additional FAA funding.

Additional Sources of Nonaviation Revenues

Based on discussions with airport management at other Bay Area Airports, it is becoming increasingly difficult to depend on traditional aviation-related revenue sources, typically from tiedowns and hangars, FBO leases, property rentals, transient parking fees and fuel flowage fees. Several airports have requested and received FAA approval for nonaviation uses of airport properties. Nonaviation commercial uses of airport properties include hotels/motels, restaurants, office buildings, golf courses, office space in administrative/terminal buildings for nonaviation tenants, museums, car dealership, nonaviation use of vacant hangars and storage units, agriculture and grazing, conservation, cell towers, and big box stores such as Home Depot, Sam's Club and Smart and Final. Airport operators have stated that their airport enterprise funds could not be self sustaining without the nonaviation commercial revenue sources. One airport noted that 64 percent of total revenues come from nonaviation uses and another airport noted that a recent ground lease for nonaviation uses would provide \$1.2 million annually to the airport enterprise fund.

Based on these discussions and experience with general aviation airports, the airport revenue model is becoming increasingly diversified, as airports continue to look beyond being an infrastructure provider to providing for nonaviation commercial enterprises and their revenues for properties that are not required for aviation purposes in the future. The County can no longer depend on aviation activity only to support the Airport Enterprise Fund. Other airports in the

Bay Area have already acknowledged this and are ensuring their airports will continue to be self-supporting in the future.

ESTIMATED POTENTIAL REVENUES TO THE AIRPORT ENTERPRISE FUND

Estimated revenues to the Airport Enterprise Fund from aviation and nonaviation sources have been identified in the 2018 Appraisals totaling \$2.7 million to \$3.1 million annually as presented in Table 1-1.

Table 1-1 – ESTIMATED POTENTIAL REVENUES TO THE AIRPORT ENTERPRISE FUND

INCREASED SOURCES OF REVENUE	TOTAL ANNUAL REVENUES(\$)
Aviation Revenues	
Reid-Hillview Airport Existing FBO Operators 18-acre Site	75,000
San Martin Airport FBO Lease Parcel	220,000-600,000
Nonaviation Commercial Revenues	
Reid-Hillview Airport Northwest Corner of Tully Road and Capitol Expressway	1,200,000
Reid-Hillview Airport Existing County Roads and Airports Laydown Yard	205,100
Reid-Hillview Airport Little League Baseball Fields on Cunningham Avenue	638,250
Reid-Hillview Airport Vacant Commercial Land on Swift Avenue	285,600
San Martin Airport Lions Club Property and Clubhouse	57,000
TOTAL	2,681,550-3,061,550

SOURCE: Valbridge Property Advisors

In addition to the estimated potential increases in airport revenues, the FAA has stated that funding for the \$3 million pavement projects at the County airports can be retroactively funded under FAA Airport Improvement Program grants if the County applies for the grants. Funding for these projects is currently through a loan from the County General Fund.

AIRPORTS CAPITAL IMPROVEMENT PROJECTS

There are other issues the County should consider in developing and managing the Airports consistent with its long-range public service and financial objectives. The following should be addressed to attract both aviation and nonaviation financially-responsible tenants to the Airports.

Reid-Hillview Airport

Based on comments provided by on-Airport users and discussions with other Airport sponsors and users at Bay Area airports, the Reid-Hillview Airport is one of the least attractive properties in the area. An operator at another Bay Area airport described the Airport as being in a “dilapidated” condition when they once considered providing aviation services at the Airport.

The 2018 Assessment did not address the general appearance of the Reid-Hillview Airport. The Airport has been described as one of the least attractive properties in the area. Several suggestions by airport tenants and users have been made regarding the general appearance of the Airport, including rehabilitating the administration/terminal building and landscaping, to make the Airport an attractive and user-friendly facility. The County should consider these suggestions.

Reid-Hillview Airport Administration/Terminal Building. The Kitchell Corporation recently completed the 2018 *Facility Condition Assessment Report* (2018 Assessment) for the Santa Clara County Airports. The 2018 Assessment described the existing condition of the administration/terminal building as critical. The cost summary to rehabilitate the existing administration/terminal building totaled an estimated \$6.5 million in 2018 dollars. The 2018 Assessment Report prioritized correction of these deficiencies over a 10-year period and identified estimated cumulative escalation costs totaling \$9.1 million by the tenth year. The first major priority items, to be completed within the next two years, include stairs, flooring, domestic water distribution, plumbing systems, ventilation, electrical service distribution and power, lighting, and pedestrian plazas and walkways. The costs include the rehabilitation of the second floor of the administration/terminal building. The 2018 Assessment Report did not include any costs for landscaping. These rehabilitation costs would not be eligible for FAA Airport Improvement Program funding.

The 2018 Assessment Report did not include the redevelopment of the existing administration/terminal building so it could provide a pilots lounge, pilot supplies, small coffee/sandwich shop, vending machines and accommodate the County administration offices. The County could consider making the vacant office areas in the existing administration/terminal building available to both aviation-related tenants and nonaviation businesses.

The attraction of a restaurant to occupy the second floor of the administrative/terminal building could be an asset to attract aviation and nonaviation users to the Airport. However, currently, there does not appear to be any demand for a restaurant to locate at the Reid-Hillview Airport. The development of the surrounding properties to nonaviation commercial uses may augment the demand for a restaurant at the Airport.

Reid-Hillview Airport Office/Hangar Building at Swift Avenue. The 2018 Assessment described the existing condition of the office/hangar building at Swift Avenue as poor. The cost summary to rehabilitate the existing office/hangar building totaled an estimated \$2.1 million in 2018 dollars. The 2018 Assessment Report prioritized correction of these deficiencies over a 10-year period and identified estimated cumulative escalation costs totaling \$2.6 million by the tenth year. The first major priority items, to be completed within the next two years, include roof, flooring, cooling systems, electrical service distribution and power, detection and alarm systems, special facility components, and parking lots. The 2018 Assessment Report did not include any costs for landscaping. These rehabilitation costs would not be eligible for FAA Airport Improvement Program funding.

About two-thirds of the existing Swift Avenue office/hangar building is currently leased by San Jose State University (SJSU). Based on information provided by the County, it is expected that the entire office/hangar building will be leased to SJSU in the near future.

San Martin Airport

The San Martin Airport is an attractive and valued asset that serves the San Martin and South County community and those users in the surrounding area for which it is the most convenient airport facility. The 2018 *Facility Condition Assessment Report* (2018 Assessment) for the Santa Clara County Airports identified deficiencies in the County-owned metal hangar buildings as noted below.

San Martin Airport Metal Hangar Buildings. The hangars are currently occupied by small private and commercial aircraft. The cost summary to correct deficiencies in the metal hangar buildings totaled an estimated \$336,000 in 2018 dollars. The 2018 Assessment Report prioritized correction of these deficiencies over a 10-year period and identified estimated cumulative escalation costs totaling \$474,000 by the tenth year. The first major priority items, to be completed within the next two years, include ventilation, electrical service and distribution, lighting detection and alarm systems. The cost of correction of these deficiencies would not be eligible for FAA Airport Improvement Program funding.

OTHER CONSIDERATIONS

There are other considerations that should be addressed for the County Airports to attract the type of general aviation activity the County desires and effectively compete with other Bay Area airports.

Airports Capital Improvement Program

The County should consider preparing an updated prioritized Capital Improvement Program for proposed development and maintenance projects for the Airports. A Capital Improvement Program would identify all of the FAA-eligible development projects, including those projects needed to meet current FAA design criteria, *National Environmental Policy Act* (NEPA) and *California Environmental Quality Act* (CEQA) requirements and the deferred maintenance projects identified in the 2018 Assessment Report. The Program needs to be realistic in terms of potential available funding, e.g., FAA and Caltrans funding and the Airport Enterprise Fund. The sources and uses of funds should be included, and the Program should be made available to the public so any potential users of the Airport can be assured of a safe, well-maintained and secured facility on which to base their aircraft and/or make future investments.

Tax Generation

An economic impact analysis of the two airports has not been prepared as part of the updates to the Santa Clara County Airports Business Plans. It should be noted, however, that the County airports generate significant tax revenues from personal property taxes, possessory interest taxes and business property taxes from the airport tenants and users that go into the County's general fund that are appropriated to school districts and transit districts, among others. In addition, the sale of aviation fuel generates fuel taxes on both the State and federal levels. An analysis of the total personal property and possessory interest taxes tax generated by the tenants and users of the Airports that go directly to the County and the distribution of these taxes should be prepared and published.

The County should recognize that the Reid-Hillview and San Martin Airports are valued transportation facilities for the County and as general aviation reliever airports for the San Jose International Airport. Increasing the numbers of based aircraft at the Airports would increase the personal property taxes, and leasing additional Airport properties would generate additional possessory interest taxes to the County.

Section 2

FEES AND CHARGES ANALYSIS

INTRODUCTION

The objective of the fees and charges analysis is to collect and analyze data on various fees and charges for use of an airport and compare them with those at comparable, or competing, airports. This analysis assessed the existing fees and charges at the Reid-Hillview and San Martin Airports compared to fees and charges at other publicly-owned airports in the Greater Bay Area. The airports analyzed were identified as potentially competing with, or comparable to, the County Airports based on their location within the Greater Bay Area and/or are airports of similar size and/or role in terms of based aircraft and annual aircraft operations and included the following airports:

- Reid-Hillview Airport
- San Martin Airport
- Palo Alto Airport
- San Jose International Airport

- Buchanan Field
- Bryon Field
- Gness Field (Novato)
- Half Moon Bay Airport
- Hayward Executive Airport
- Hollister Municipal Airport
- Livermore Municipal Airport
- Napa County Airport
- Nut Tree Airport (Vacaville)
- San Carlos Airport
- Salinas Municipal Airport
- Watsonville Municipal Airport

All of the general aviation airports surveyed are designated by the Federal Aviation Administration (FAA) in the *National Plan of Integrated Airport Systems (NPIAS) 2017-2021* as general aviation reliever airports except for the Hollister Municipal, Nut Tree (Vacaville), Salinas Municipal and Watsonville Municipal Airports that are considered to be competing airports because of their location in relation to the County Airports. The San Jose International Airport is designated as a primary air carrier-medium hub airport.

It should be noted that no two airports are identical in terms of what can be considered reasonable rates and charges. There are always a number of variables that apply to rates and charges at individual airports including services available, runway and taxiway system, navigational aids, towered or nontowered airports, age and condition of facilities rented, the economic characteristics of the area in which an airport is located, market demand, and in some instances, the location of hangars, etc., in relation to airfield access, and numerous other considerations. Fees and charges for use of an airport are established based on all of these considerations and therefore should not be considered directly comparable to fees and charges for use of the County Airports.

FEES AND CHARGES SURVEY

The fees and charges considered are presented in Table 2-1 and discussed below. Many of the airports have a web page that provides a schedule of fees and charges. Telephone calls to airport sponsors and/or airport personnel were made for several airports to obtain fees and charges for other airports. Specific data comparing the same factors were not available or provided for all airports. These telephone calls were also made to confirm that the posted fees were still current and/or obtain information on fees that have been updated or were about to be updated.

Aircraft Tiedowns

Tiedowns are airport areas designated for aircraft parking that are typically equipped with anchors to secure parked aircraft. Airports may charge different fees for based aircraft and transient aircraft. Tiedown fees may also vary for single-engine and multiengine aircraft. This section discusses public aircraft tiedowns and not those on private leaseholds. Tiedown rates are established according to the size of aircraft at many of the airports based on the assumption that, the larger the aircraft, the more wear and tear they cause to the pavement, as well as the space required.

The tiedown rates at the airports with standard tiedown rates ranged from \$40 per month at the Napa County Airport to \$137 per month at the San Carlos Airport. Other airports establish tiedown rates according to the size of aircraft and by tail-in open tiedowns versus taxi-in tiedowns. Some airports further distinguish tiedown rates based on the tiedowns being on improved versus unimproved pavement. Tiedown rates for the 0 to 3,500-pound aircraft range from \$40 per month at the Napa County Airport; to \$60 per month at Buchanan Field; to \$106 at the San Martin Airport; to \$148.50 at the Reid-Hillview Airport; and to \$154 per month at the Palo Alto Airport. The tiedown rates are presented in Table 2-1.

Table 2-1
FEES AND CHARGES ANALYSIS
 Santa Clara County Airport Business Plans Update

AIRPORT	TIEDOWN RATES		SHELTERS	HANGARS	TRANSIENT AIRCRAFT	FUEL FLOWAGE FEES	OTHER
	Tail-In Open Tiedowns	Taxi-In Tiedowns					
REID-HILLVIEW AIRPORT	Improved/Unimproved Pavement 0 to 3,500 lbs \$148.50/\$112.00 Month 3,501 to 5,200 lbs \$172.50/\$127.00 Month 5,201 to 10,200 lbs \$194.50/\$143.00 Month 10,201 to 17,000 lbs \$216.50/\$159.00 Month	Improved/Unimproved Pavement 0 to 3,500 lbs \$186.50/\$148.50 Month 3,501 to 5,200 lbs \$231.00/\$187.50 Month 5,201 to 10,200 lbs \$321.00/\$269.00 Month 10,201 to 17,000 lbs \$339.00/\$323.00 Month Large Aircraft Designated Tiedowns \$339.00 Month Helicopter Tiedowns \$339.00 Month	0 to 3,500 lbs \$299 Month 3,501 to 5,200 lbs \$336 Month 5,201 to 10,200 lbs \$374 Month	Old County Hangars (\$0.649 s.f.) \$606 and \$707 Month Small T-hangars (\$0.538 s.f.) \$411 and \$577 Month Large Box Hangars (\$0.582 s.f.) \$1,746 Month Regular Box and Tall T-hangars (\$0.567 s.f.) \$555 to \$1,066 Month	Tiedowns 0 to 3,500 lbs 0-4 hrs no charge to \$11 per 24-hrs 3,501 to 5,200 lbs 0-4 hrs no charge to \$12.50 per 24-hrs 5,200 lbs and above 0-4 hrs \$11 to \$22.50 per 24-hrs Helicopter Parking 0-4 hrs \$11 to \$22.50 per 24-hrs Blimp Storage and Operations Daily Use Fee \$213.50 Monthly Use Fee \$1,607.00 Hangar 0-4 hrs \$11 to \$45 per 24-hrs	100LL and Jet A \$0.10 Gallon Self-fueling Permit Flowage Fees Individual Aircraft Owner/Operator \$75 Annually Aircraft Owned or Operated by a Flying Club \$650 Annually Commercial Operations \$120 Annually Commercial Agreement Transmittal Fee \$1,000 Per Agreement	Banner Towing (Daily Use Fee) 0 to 3,500 lbs 94.00 3,501 to 5,200 lbs 125.00 5,201 to 10,200 lbs 156.50 10,201 to 17,000 lbs 187.50 Charter or Air Taxi Flight Operations Per Landing/Daily/Month 0 to 3,500 lbs 18.50/46.50/120.00 3,501 to 5,200 lbs 30.50/75.00/195.50 5,201 to 10,200 lbs \$37.50/\$94.50/\$245 10,201 to 17,000 lbs 74.00/187.00/485.50 Skydiving Operations Permits Daily Fee 185.50 Monthly Fee 1233.50 Annual Fee 12,335.50 Insurance Review-Fee Deposit 1,552.50 Automobile Parking Permit Daily 7.50 Monthly (autos) 71.00 Month (RV, trailers) 222.00 Glider or Aircraft Trailer Parking 148.50 Month Rental Car Operations 10 percent of gross rental receipts Aircraft Storage Waiting List Hangar \$711.50 per entry Shelter \$299 per entry Tiedown \$148.50 per entry Maintenance Fee \$61 per list entry per year
SAN MARTIN AIRPORT	Improved/Unimproved Pavement 0 to 3,500 lbs \$106.00/\$81.00 Month 3,501 to 5,200 lbs \$123.50/\$91.00 Month 5,201 to 10,200 lbs \$139.00/\$102.50 Month 10,201 to 17,000 lbs \$155.50/\$113.50 Month	Improved/Unimproved Pavement 0 to 3,500 lbs \$134.00/\$106.50 Month 3,501 to 5,200 lbs \$165.50/\$134.00 Month 5,201 to 10,200 lbs \$229.50/\$191.50 Month 10,201 to 17,000 lbs \$272.00/\$230.50 Month Large Aircraft Designated Tiedowns \$272.00 Month Helicopter Tiedowns \$272.00 Month		T-hangars (based on \$0.649 s.f.) \$440.50 up to \$1,185 Month Large Box Hangars (based on \$0.706 s.f. and \$0.761 s.f.) \$1,432.50 to \$2,262.60 Month			
PALO ALTO AIRPORT	Improved/Unimproved Pavement 0 to 3,500 lbs \$154/\$116 3,501 to 5,200 lbs \$179/\$131 5,201 to 10,200 lbs \$201/\$148 10,201 to 17,000 lbs \$225/\$165	0 to 3,500 lbs \$192/\$154 Month 3,501 to 5,200 lbs \$239/\$194 Month 5,201 to 10,200 lbs \$332/\$280 Month 10,201 to 17,000 lbs \$352/\$335 Month Large Aircraft Designated Tiedowns \$352 Month Helicopter Tiedowns \$352 Month			Non-Based Aircraft 0 to 3,500 lbs 0-4 hrs no charge to \$10 per 24 hrs 3,501 to 5,200 lbs 0-4 hrs no charge to \$12 per 24 hrs 5,201 lbs to 17,000 lbs 0-4 hrs \$10 to \$22 per 24 hrs Taxi-through Parking 0-4 hrs \$10 to \$22 per 24-hrs Helicopter parking 0-4 hrs \$10 to 22 per 24-hrs	100LL and Jet A \$0.20 Gallon Self-fueling Permit Flowage Fees Individual Aircraft Owner/Operator \$75 Annually Aircraft Owned or Operated by a Flying Club \$650 Annually Commercial Operations \$120 Annually Commercial Agreement Transmittal Fee \$1,000 Per Agreement	Charter and Air Taxi Flight Operations 0 to 3,500 lbs \$18 Landing 3,501 to 5,200 lbs \$29 Landing 5,201 to 10,200 lbs \$36 Landing 10,201 to 17,000 lbs \$71 Landing Glider and Aircraft Trailer Parking \$143 Month Automobile Parking Permit \$7 Day/\$68 Month Mobile Catering Truck Operations Permit \$22 Day/\$212 Month Rental Car Operations 10 percent of gross rental receipts
SAN JOSE INTERNATIONAL AIRPORT	\$189 Month	Small Taxi-in Tiedowns \$323 Month Large Taxi-in Tiedowns \$409 Month		T-hangars \$555 Month			NOTE: The Airport does not manage any conventional hangars and has no shelter storage facilities. General Aviation Aircraft do not pay any landing fees.
BUCHANAN FIELD	Hangar/Tiedown Space East Ramp 40 ft or less \$60 Month Northwest Ramp 40 ft or less \$55 Month Southwest Ramp 40 ft or less \$55 Month Gravel Area 40 ft or less \$39 Month	East Ramp 40 to 50 ft \$94 Month	Shade Hangars East Ramp \$177.07 Month	Small T-hangars (East Ramp) \$394.10 Month Medium T-hangars (East Ramp) \$548.33 Month Executive Hangars (East Ramp) \$548.33 Month Large T-Hangars \$748.23 Month	40 ft or less \$7 Day 40 to 50 ft \$11 Day 50 ft to 60 ft \$13 Day 60 to 75 ft \$26 Day 75 ft and up \$0.50 per foot Day	100LL Jet A FBO \$0.09 Gallon Non FBO \$0.13 Gallon	Charter or Air Taxi Flight Operations Per Aircraft 0 to 3,500 lbs \$18 Landing 3,501 to 5,200 lbs \$29 Landing
BYRON AIRPORT	Hangar/Tiedown Space Between Hangars \$50 Month On ramp \$40 Month			T-hangars \$265.03 Month Ground Rent for Portable T-hangar \$101.18 Month Ground Rent for Portable Square Hangar \$126.49 Month	40 ft or less \$7 Day 40 to 50 ft \$11 Day 50 ft to 60 ft \$13 Day 60 to 75 ft \$26 Day 75 ft and up \$0.50 per foot Day	100LL Jet A (by truck) \$0.10 Gallon	
GNOSS FIELD (NOVATO)				Existing (\$0.13 s.f.) \$144 Month Proposed \$0.148 s.f.) \$163 Month Corporate Existing \$189 to \$661 Proposed \$236 to \$722 Month			Hangar Waiting List \$300 nonrefundable deposit
HALF MOON BAY AIRPORT	\$63 Month			Standard Hangar (1,008 s.f.) \$458 Month Port-a-Port Standard (700 s.f.) \$266 Month Port-a-Port Executive (931 s.f.) \$354 Month	Small Aircraft \$10 Night Large Aircraft \$20 Night	100LL \$0.15 Jet A \$0.15	FAR Part 135 Charter Flights \$75 Landing
HAYWARD EXECUTIVE AIRPORT	Single Engine \$60 Month Twin Engine \$75 Month 12,501 to 25,000 lbs (50 ft +) \$108 Month 25,001 to 75,000 lbs \$161 Month Excess of 75,000 lbs \$216 Month			Small T-hangars \$266 Month Standard T-hangar \$374 Month Large T-hangars \$513 Month Small Executive Hangar \$890 Month Standard Executive Hangar \$890 Month Large Executive Hangar \$1,343 Month	0 - 4 hrs Free Single Engine 3,500 lbs (less than 40 ft) \$6 Day Twin Engine 12,500 lbs (less than 50 ft) \$8 Day 12,501 to 25,000 lbs (+ 50 ft) \$12 Day 25,001 to 75,000 lbs \$23 Day Excess of 75,000 lbs \$29 Day Lighter-Than Air Airships \$20 Day Helicopters \$8 Day	100LL Jet A \$0.05 Gallon of Petroleum Products delivered or an amount equal to 3 percent of gross receipts sold	Landing Fees Per Landing/Daily/Monthly 0 to 3,500 lbs \$2/\$5/\$13 3,501 to 6,250 lbs \$4/\$10/\$26 6,251 to 12,500 lbs \$8/\$20/\$52 12,501 to 25,000 lbs \$16/\$40/\$104 25,001 to 50,000 lbs \$32/\$80/\$208 50,001 lbs and above \$64/\$160/\$416 Hangar Waiting List Application \$100 Deposit Storage Room \$71 to \$244 Month Office Spaces (450 s.f.) \$650 Month Airport Annual Business Permit \$120 Taxiway Access Permit \$786 Vacated Hangar Cleanup (2 hours) \$150 Additional Hours \$70 Hour

Table 2-1
FEES AND CHARGES ANALYSIS -- continued

AIRPORT	TIEDOWN RATES		SHELTERS	HANGARS	TRANSIENT AIRCRAFT	FUEL FLOWAGE FEES	OTHER
	Tail-In Open Tiedowns	Taxi-In Tiedowns					
HOLLISTER MUNICIPAL AIRPORT				Old City T-hangars (1,000 s.f.) \$357.23 Month T-hangar (1,000 s.f.) \$370.76 Month Hangar (10,000 s.f.) \$4,529.92 Month			
LIVERMORE MUNICIPAL AIRPORT	0 to 3,500 lbs \$76 Month 3,501 to 6,250 lbs \$87 Month 6,251 to 12,500 lbs \$105 Month 12,501 to 25,000 lbs 126 Month 25,001 to 50,000 lbs \$157 Month 50,001 lbs and above \$205 Month		\$212 Month	Small T-hangars \$356 Month Medium T-hangars \$384 Month Large T-Hangars \$473 Month Rectangular Hangar \$625/\$672 Month Executive Hangars \$1,522/\$1,655 Month T-combos \$568 to \$717 Month		100LL \$0.11 per gallon Jet A \$0.11 per gallon (fff goes to \$0.15 as volume sold goes up) ¹	
NAPA COUNTY AIRPORT	0 - 5,000 lbs \$40 Month	0 to 5,000 lbs \$60 Month 5,001 to 12,500 lbs \$100 Month Above 12,500 lbs \$225 plus \$15 per each additional 1,000 lbs Month	Shade Hangars \$90 to \$101 Month	County-owned Hangars \$186 to \$458 Month Executive County-owned Hangars \$1,021 to \$1,237 Month Privately-owned Portable Hangars \$49 to \$80 Month	0 to 5,000 lbs \$10 Day 5,001 to 12,500 lbs \$15 Day Above 12,500 lbs \$15 + \$1 each additional 1,000 lbs Day	100LL and Jet A \$0.08 per gallon Other flowage fees established by lease agreement	Landing Fees for Air Taxi/Commercial Operations 0-5,000 lbs \$16 per landing 5,001 to 12,500 lbs \$30 per landing Above 12,500 lbs \$3 per each 1,000 lbs Napa County FBO Charter Operations Excluded Airport Storage Room Fees \$77 to \$363 Month Conference Room Rentals (Non-profits \$10 per hour after first two hours) For profits 4 hours \$100 then \$20 for each additional hour Waiting List Fee \$35 Special Events Fee \$1,000 Day Vehicular Parking Aviation Use \$5 Day, \$75 Month Vehicle Nonaviation Use \$10 Day and \$150 Month
NUT TREE AIRPORT (VACAVILLE)	Standard \$55 Month Small Power-in \$88 Month Medium Power-In \$100 Month Large Power-in \$112 Month			Standard T-hangar (1,035 s.f.- 1,092 s.f.) \$317/\$332 Month End Hangar (1,412 s.f.-1,676 s.f.) \$337/\$454 Month Hangars (40 by 50 feet) \$607 Month	Standard \$8 Day Power-In \$12 Day Large Aircraft/Jets \$17 Day		Storage (end-hangar area) \$112 Month Waiting List Fee \$150 Hangar Waiting List \$500 nonrefundable deposit
SAN CARLOS AIRPORT	Standard Aircraft Tiedown \$137 Month	Taxi-in Aircraft Tiedown \$197 Month	T-shade Aircraft Parking \$290 Month	Half-hangar (554 s.f.) \$277 Month (706 s.f.) \$353 Month Standard Hangar (909 and 1,108 s.f.) \$468 and \$741 Month Executive Hangar (1,412 s.f.) \$786 and \$944 Month Executive Hangar \$1,576 s.f., 1,615 s.f., 1,070 s.f.) \$811, \$1,233 and \$1,070 Month	Small Aircraft \$10 Night Large Aircraft \$20 Night	100LL \$0.15 Jet A \$0.15	FAR Part 135 Charter Flights \$75 Landing Vehicle Parking Fees \$10 per day per overnight vehicle Through-the-Fence Hangar \$7,300 Month
SALINAS MUNICIPAL AIRPORT	Single-engine \$55 Month Twin-engine \$110 Month Jets \$600 Month Helicopters \$61 Month Airships \$1,100 Month			\$150	Single-engine \$5 Day Twin Engine \$10 Day Jets \$50 Day Helicopters \$10 Day Airship \$100 Day	100LL \$0.10 Jet A \$0.13 Quart Oil \$0.10	T-shelter/storage (not for aircraft) \$98 to \$682 Long-term Vehicular Parking \$100 Month Waiting List for Hangars \$50 Nonaeronautical Use 40 Percent Surcharge Hangars/T-Shelters/Storage Special Use Permit \$150
WATSONVILLE MUNICIPAL AIRPORT	\$77 Month	Single \$101 Month Twins under 12,500 lbs \$112 Month Aircraft over 12,500 lbs \$676 Month		Hangars \$251/\$277/\$359/\$349/\$819 Month Corporate Hangars \$1,568 Month	Single-engine \$10 Night/\$40 Week Twin-engine \$15 Night/\$55 Week Turboprop/Turbofan \$30 Night/\$120 Week Aircraft over 12,500 lbs \$100 Night/\$400 Week		Hangar Wait List Initial \$50 Annual Fee \$100 End Room Rates \$70/\$84 Nonaeronautical Storage \$160/\$200 Nonoperational Aircraft Storage Rate 1.25 times the operational rate UnAirworthy Aircraft Fee \$500 Annual Special Events-Slot Reservation Fee \$100 Aircraft handling Fee \$50/\$100 After-Hours Fueling Fee \$150 Commercial Operator Permit Fee \$150/Event Long-term Parking Fee \$5/Day \$30/Week \$75/Month Activities Permit Fee \$15/Month Adverts \$300 Annually

SOURCES: Airport Sponsor Websites and telephone conversations with several Airport Sponsors

Reid-Hillview Airport; and to \$201 per month at the Palo Alto Airport for aircraft up to 10,200 pounds.

Generally, the aircraft tiedown rates at the Reid-Hillview and San Martin Airports are some of the higher tiedown rates at the airports considered.

Hangars

Table 2-1 also presents the range of hangar rental rates as published in fees and charges for various aircraft users of the airports considered. Hangar rental rates are based on a number of variables including the type and size of hangar, the condition of the hangar, construction materials and age of the hangar, amenities available, e.g., power doors, location on the airport, and other variables similar to the residential real estate market. Rental rates for hangars are sometimes stated on a per square foot basis while in other instances a flat rate for similar hangars (e.g., of the same age, size and construction) on an airport are established. The hangar rates presented in Table 2-1 are for hangars owned by the airport and rented to airport tenants.

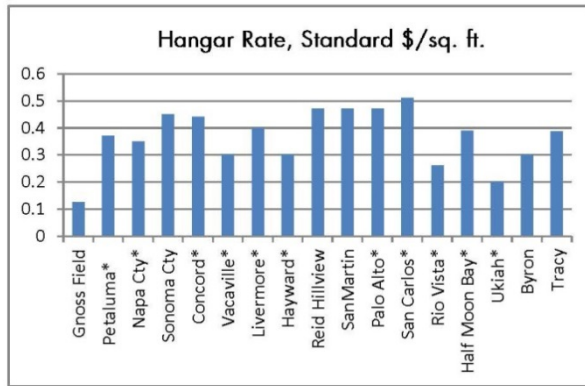
Some airports make ground rental leases available for privately-constructed and operated hangars ranging from small port-a-port hangars up to large corporate executive hangars. The ground lease rates are generally not included in the Airport's fees and charges schedules.

Hangar rental rates at the County Airports are generally set according to a rate per square foot and take into account the age and condition of the hangars being rented. Hangar rental rates at the Reid-Hillview Airport range from \$422 up to \$577.50 (\$0.538 per square foot) for a small T-hangar; \$555 up to \$1,066 per month (\$0.567 per square foot) for regular box and tall T-hangars; \$606 up to \$707 (\$0.649 per square foot) for older County hangars; and \$1,746 per month (\$0.582 per square foot) for a 3,000 square-foot large box hangar.

The new T-hangars at the San Martin Airport rent for a rate of \$0.649 per square foot. Hangar sizes range from 679 square feet up to 1,826 square feet and rent from \$440.50 per month up to \$1,185 per month. Large box hangars rent from \$1,432.50 per month for a 2,029 square foot hangar (\$0.706 per square foot) up to \$2,262.50 per month for a 2,973 square foot hangar (\$0.761 per square foot).

A number of airport sponsors require that a survey of rates and charges at other airports be conducted at specific intervals to ascertain the applicability and competitiveness of rates and charges at their airport(s). For example, a survey of ground lease and rental fees was recently conducted for Gness Field (Novato), owned by the County of Marin, and was published under Airport Information for the Airport. The following graph is representative of standard hangar rates per square foot at 17 Northern California Airports. The rates for Gness Field in the graph

represent standard rates for privately-built hangars on ground leases and do not include corporate or County-owned hangars.



While the Airports surveyed and the information presented are not identical, the chart provides information showing that the San Carlos, Reid-Hillview, San Martin and Palo Alto Airports have higher hangar rates than other Bay Area airports based on a price per square foot. Ground lease rates at Gness Field have not changed since 2011, and County of Marin staff are proposing that the hangar ground lease rates increase, in part to help finance the

SOURCE: County of Marin,
Gness Field Airport Information

proposed runway rehabilitation project and to continue funding airport operations, maintenance and capital projects by revenues it receives through leases, rents and other revenue streams.

An Airport Rate and Fee Comparison of aircraft hangar rates was also provided by the Hollister Municipal Airport, based on the cost per square foot and monthly rental fees, for similar sized hangars at airports in the southern Bay Area. Rental rates for T-hangars ranged from the lowest at \$0.26 per square foot (1,071 s.f.) for \$278 per month at the Salinas Municipal Airport to \$0.649 per square foot (1,074 s.f.) for \$697.50 per month at the San Martin Airport. Rental rates for executive hangars ranged from \$0.337 per square foot (4,320 s.f.) for \$1,455 per month at the Salinas Municipal Airport to \$0.761 per square foot (2,973 s.f.) for \$2,262.50 per month at the San Martin Airport.

Not all of the airports surveyed have shelter/shade hangars. Of the airports surveyed, the monthly rate for shelter/shade hangars ranged from \$90/\$101 per month at the Napa County Airport; \$177.07 per month at Buchanan Field; \$212 per month at the Livermore Municipal Airport; \$290 per month at the San Carlos Airport; and \$299/\$336/\$374 at the Reid-Hillview Airport depending on the size of aircraft up to 10,200 pounds.

Transient Aircraft

Transient aircraft tiedown fees are generally stated by daily or overnight rates and in some instances by aircraft weight. Daily or overnight rates for the up to 12,500-pound aircraft are generally between \$6 to \$8 per day at the Hayward Executive Airport; \$10 to \$15 per day at the Napa County Airport; and up to \$22.50 per day at the Reid-Hillview and San Martin Airports.

The County Fees and Charges Schedule has hangar fees for transient aircraft of \$11 for 0-4 hours and \$45 for each 24-hour period.

Fuel Flowage Fees

Fuel flowage fees are generally consistent at the airports considered at \$0.10 per gallon of 100 low lead (LL) including the Reid-Hillview and San Martin Airports. 100LL is slightly higher at \$0.11 per gallon at the Livermore Municipal Airport and slightly lower at \$0.08 per gallon at the Napa County Airport. The fuel flowage fees at the San Carlos and Half Moon Bay Airports for 100LL have recently been increased to \$0.15 per gallon. The Palo Alto Airport has the highest 100LL fuel flowage fee at \$0.20 per gallon.

Jet A is slightly higher at \$0.13 per gallon at the Salinas Municipal Airport compared to \$0.10 per gallon at the Reid-Hillview and San Martin Airports. The fuel flowage fees at the San Carlos and Half Moon Bay Airports for Jet A have recently been increased to \$0.15 per gallon. The Palo Alto Airport has the highest Jet A fuel flowage fees at \$0.20 per gallon.

Fuel prices are very competitive and change constantly. Lower fuel prices often attract aircraft owners and pilots to a particular airport for refueling. Fuel dispensers have the ability to maintain constant surveillance of competing fuel prices at other airports in the area on a day-to-day basis, and fuel per gallon prices often change frequently to maintain competitiveness.

Generally, the preferred method of assessing a fuel flowage fee is based on the number of gallons delivered to an airport by a fuel supplier(s). Several of the airports surveyed do not have fuel flowage fees because the airport sponsor provides the fuel service.

Waiting Lists

Several airports have fees for being put on a waiting list for aircraft storage hangars. The practice of having a fee for being placed on a waiting list for aircraft storage eliminated the need for individual airports to maintain long waiting lists at multiple airports. The County airports have a refundable fee for a position on the waiting list of \$148.50 for tiedowns, \$299 for shelters and \$711.50 for hangars at the Reid-Hillview and San Martin Airports. In addition, the San Martin and Reid-Hillview Airports have an annual \$61 fee for continuing to be on the waiting list.

Waiting list fees range from \$35 at the Napa County Airport to \$50 at the Salinas and Watsonville Municipal Airports. The Nut Tree Airport has a \$500 nonrefundable deposit to be placed on the hangar waiting list and the Hayward Executive Airport has a hangar waiting list

application fee of \$100. The Watsonville Municipal Airport has a \$100 annual fee per aircraft for continuing to be on the waiting list. In San Mateo County, the San Carlos Airport has a \$500 waiting list fee and the Half Moon Bay Airport has a \$300 waiting list fee. The San Carlos, Half Moon Bay, Hayward Executive, Salinas Municipal, Hollister Municipal and Nut Tree Airports (Vacaville) all stated they have waiting lists for hangars. The San Jose International Airport has waiting lists for T-hangars and small taxi-in tiedowns. This information was not readily available for other airports.

Other Aviation and Nonaviation Fees

Airport sponsors establish fees for other aviation uses typically corresponding to those uses that may be expected to occur at the individual airports. Landing fees for charter/air taxi/commercial aircraft operations range from \$16 per landing at the Napa County Airport to \$18.50 per landing at the Reid-Hillview and San Martin Airports.

The County of San Mateo recently adopted a resolution assessing a new \$75 fee for Federal Aviation Regulations (FAR) Part 135 charter aircraft landing at the San Carlos and Half Moon Bay Airports and a \$10 overnight vehicle parking fee at the San Carlos Airport. These landing and parking fees are estimated to generate approximately \$150,000 in annual revenues.

The following are the most common published fees for other uses of the Bay Area Airports:

Published Fees	Range of Fees	Reid-Hillview and San Martin Airports
Vehicular Parking	\$5 Day to \$100 Month	\$7.50 Day to \$71 Month
Rental Car Operations	10 percent of gross receipts	10 percent of gross receipts
Airport Storage Fees	\$71 to \$363 Month	n.a.
Tiedown and Hangar Waiting Lists	\$35/\$50/\$100/\$150/\$500	Tiedown \$148.50/Shelter \$199/Hangar \$711.50 plus annual Maintenance Fee of \$61

Other fees include office space, conference room rentals, special event fees, mobile catering truck operations fees, unworthy aircraft fees, and aircraft handling fees. As noted earlier, fees are established based on those uses that may be expected to occur at individual airports.

Miscellaneous fees are also established at some airports and include gate access cards, hangar padlocks, ramp sweeping services, vacated hangar cleanup, late payment and penalty fees, returned check fees, access control remote openers, replacement fees (e.g., keys, padlocks, etc.).

There are a number of airports that have nonaeronautical uses of airport facilities that are not being used for aviation uses that have been approved by the FAA. These include use of T-hangars, storage areas and shelters. A 35 percent surcharge is applied for nonaeronautical uses at

the Salinas Municipal Airport. Santa Clara County does not currently have fees and charges at either the Reid-Hillview or San Martin Airports for nonaeronautical uses.

FEES AND CHARGES RECOMMENDATIONS

The FAA policy for general aviation airports supports rates and charges structures to ensure that airports are as financially self-sufficient as possible without discriminating against any particular user or user group. This policy is supported by four guiding principles:

- Rates, fees, rentals, landing fees and other service charges imposed on users of airport facilities must be fair and reasonable;
- Fees must not unjustly discriminate against aeronautical users or user groups;
- Fee and rental structures should be structured so as to make the airport as financially self-sustaining as possible; and
- Revenues generated by the airport must be used for airport purposes.

Based on the analysis of the fees and charges at the Reid-Hillview and San Martin Airports and those of comparable and competitive Bay Area Airports, the following changes are suggested for the County Airports.

Aircraft Tiedowns

The tiedown rates at the Reid-Hillview and San Martin Airports are among the highest of the comparable airports in the Bay Area. The tiedown occupancy rate at the Reid-Hillview Airport is 55 percent while the occupancy rate at the San Martin Airport is only 35 percent. It is recommended that the County either retain the existing tiedown rates, as it is likely that other Bay Area Airports will be increasing their tiedown fees in the future or, based on the existing occupancy rates, the County could consider lowering the existing tiedown rates by 25 percent at the Reid-Hillview Airport and by 35 percent at the San Martin Airport in order to gain a more competitive position in the near-term.

Hangars

The existing hangar rental rates should be retained at the Reid-Hillview Airport where the occupancy rate for County-owned hangars is close to 100 percent. The County should consider lowering the County-owned hangar rates at the San Martin Airport as the rates are not competitive with nearby airports and, based on a hangar capacity of 108 aircraft with only 57 hangars occupied (several hangars have more than one aircraft), this represents only a 53 percent occupancy rate. Nearby airports have 100 occupancy of and have waiting lists for hangars. By lowering the hangar rental rates, the Airport would be more competitive and the occupancy rate

should increase accordingly. In addition, the County could consider requesting approval from FAA to make the unoccupied hangars available for nonaviation uses on an interim basis.

Transient Aircraft

Transient aircraft tiedown fees are \$22.50 for 5,200 pound and above aircraft for a 24-hour period at the County airports compared to \$6 to \$8 for single- and twin-engine aircraft up to 12,500 pounds at the Hayward Executive Airport and \$10 and \$20 per night at the San Carlos Airport. The County should consider retaining or reducing the existing rates to \$20 to gain a more competitive position.

The County hangar rates for transient aircraft of \$11 for 0-4 hours and \$45 for 24 hours should be retained.

Fuel Flowage Fees

The County should consider increasing the fuel flowage fees for 100LL and Jet A to \$0.15 per gallon.

Waiting Lists

The waiting list fees should be reduced to \$500 at the Reid-Hillview and \$300 at the San Martin Airports to be more competitive with other Bay Area Airports. The annual \$60 fee for remaining on the waiting list should be retained.

Other Aviation and Nonaviation Fees

The County should consider the following:

- Increase the FAR Part 135 charter/air taxi flight operations fees from the present \$18.50 to \$75 per landing.
- Change the vehicular parking rates to \$10 per day/\$70 per month and parking rates for RVs, boats and other trailers to \$30 per day/\$200 per month
- Retain the shelter hangar waiting list at \$300 per entry
- Establish a \$25 per day/\$50 per month/\$500 per year Commercial Use Permit fee including an Insurance Certificate naming the County of Santa Clara as additional insured with minimum liability coverage (as determined by the County). A Hold Harmless and Indemnification Agreement should also be included.
- Establish a short-term property rental rate based on ground rental rates in the 2018 Appraisals plus 25 percent

- Establish a rate for semi-truck vehicle parking at \$25 per day
- Establish a minimum rate of \$150 for two hours of cleanup services, e.g., hangar cleanup, grounds sweeping and maintenance
- Establish an avgas disposal fee for airport tenants and users
- Establish rates for nonaeronautical use of airport facilities based on either the fair market value of the facilities being used or up to a 35 percent surcharge for nonaeronautical use
- Round all fees to the nearest \$5 or \$10

Section 3

RE-LEASE STRATEGY FOR THE AIRPORTS FIXED BASE OPERATORS LEASEHOLDS

INTRODUCTION

This section discusses the existing numbers and types of fixed base operators (FBOs) and specialized aviation service operators (SASOs) at the Reid-Hillview and San Martin Airports and other airports considered in this analysis. This section also presents considerations for the County in developing a re-lease strategy for the FBOs/SASOs at both airports.

An FBO is defined by the FAA as a commercial business granted the right by the airport sponsor to operate on an airport and provide aeronautical services such as fueling, hangaring, tiedown and parking, aircraft rental, aircraft maintenance, flight instruction, etc. SASOs are defined by the FAA as single-service providers or special FBOs performing less than full services. SASOs differ from a full-service FBO in that they typically offer only a specialized aeronautical service such as aircraft sales, flight training, aircraft maintenance, or avionics services.

REID-HILLVIEW AIRPORT

The area currently leased to FBOs and SASOs at the Reid-Hillview Airport is shown on Figure 1. A general review of the lease agreements for use of the Reid-Hillview Airport by the existing seven operators was made. There are no full-service FBOs at the Airport as defined by the

FIGURE 1 – FBO LEASE SITES AT REID-HILLVIEW AIRPORT



SOURCE: Valbridge Property Advisors

facilities and services they provide. The nine existing leaseholds are under lease agreements with seven FBO/SASO operators as some operators have more than one parcel. The leaseholds include about 18 acres and vary in size from one acre to 2.3 acres.

FBOs and SASOs are typically defined by the privileges granted for use of an airport under their lease agreements. The original lease agreements were dated in the late 1960s and early 1970s. Since then, the leases have been amended over time as several of the leaseholds have merged or are now controlled by related entities. The most recent amendments to the leases were made by the County and the lessees in 2016-2017 to terminate all of the long-term leases as of December 31, 2021. It should be noted that a lease evaluation was not made as part of this study to ascertain the consistency of terms and conditions of the leases. The information presented is general in nature and was obtained to address the County's question on the future number and types of commercial aeronautical operators there should be at the Airport.

The original lease agreements granted the lessees the privilege of using the Airport and its facilities. The leases were not specific as to the privileges granted, however, in some leases, the privileges granted included fixed base operations, flight schools, aircraft dealership, aircraft and aircraft component sales, maintenance and repairs and related services. None of the leases were specific about what services were to be provided.

Based on the general review of the existing lease agreements, upon termination of the leases, all buildings, structures, facilities, improvements or alterations will become a part of the land upon which they are erected, and title will automatically vest in the County. Although the lease agreements provided for maintenance of the premises and buildings, the specific requirements were for keeping the premises in good, safe and sanitary order, condition and repair and the leased premises clean and free of weeds and other debris. The leases were silent on specific maintenance and upkeep of buildings and structures that are now approaching 50 years old. These buildings and structures will become the property of the County when the leases terminate in 2021.

The most recent 2018 *Appraisal Report, Reid-Hillview Airport FBO Land* (2018 Appraisal), prepared for the County of Santa Clara, on the 18 acres of FBO land, including the existing leasehold areas as well as the taxiways and interior streets, assumes the area is level and at grade and utilities are available and in place. The appraisal assumes that the site will be vacant and available for development when the existing leases expire and no improvements currently located on the site are included.

The 2018 Appraisal notes that typically, fixed base operators (FBOs) provide a wide variety of aviation services with one of the most important services being the selling of fuel. The 2018 Appraisal surveyed several general aviation airports in the Bay Area, and also included Gillespie

Field in San Diego, with over 100,000 annual aircraft operations, to determine the most common number of FBOs at each airport based on the number of annual aircraft operations and the number of based aircraft. The 2018 Appraisal states that, based on the 149,874 annual aircraft operations and 264 based aircraft at the Airport, up to two fixed base operators providing fueling services would be needed to serve the existing aircraft. Currently, there are four fuel providers at the Reid-Hillview Airport. (Note that, according to the FAA, there were 162,648 aircraft operations in 2017 and according to the County there are 477 based aircraft at the Airport.)

It will be a challenge for the County to ascertain what will happen when the lease agreements with all of the service providers at the Reid-Hillview Airport terminate on December 31, 2021. Several of the existing FBOs have expressed an interest in extending and/or expanding their facilities, however, the County has not communicated their intentions on the future use of the lease sites in the 18 acres of the existing fixed base operator area of the Airport. The County should take action sooner rather than later to avoid any disruption in services, e.g., aircraft basing, fueling and flight instruction at the Airport. This is discussed later in the recommendations section.

It should be emphasized that the County needs to determine a course of action well before the termination of the FBO leases at the Airport on December 31, 2021. The 2018 Appraisal assumes the 18-acre site is vacant and ready for development on January 1, 2022. As the leases will be in full force and effect until December 31, 2021, the County will not assume ownership of any of the buildings or site improvements, including the fuel tanks, until January 1, 2022. If a re-lease of the 18-acre site, or a portion thereof including the services to be provided, has not been negotiated prior to the termination of the existing leases the County will have to assume the responsibilities of providing fueling services at a minimum. In addition, other aviation users, e.g., San Jose State University and based aircraft owners in County hangars or on County tiedowns will be without aviation services such as fueling, aircraft maintenance and flight instruction. Without a clear statement on the part of the County prior to the termination of the existing leases, e.g., what services will be available on January 1, 2022, the County risks the loss of a number of based aircraft and aviation activity to other Bay Area airports.

SAN MARTIN AIRPORT

A general review of the lease and agreement for fixed base operations at the San Martin Airport was made. The original lease agreement with 2 Genes Aviation originated in 1995 and was assigned to Magnum Aviation in 2005 with a termination date of December 11, 2020. The area currently leased by the fixed base operator at the San Martin Airport is shown on Figure 2.

FIGURE 2 – FBO LEASE SITE AT SAN MARTIN AIRPORT



SOURCE: Valbridge Property Advisors

The most recent 2018 *Appraisal Report, San Martin Airport FBO*, (2018 Appraisal), prepared for the County of Santa Clara on the 10.27 acres of the existing FBO lease, including the leasehold area and improvements, a main office and maintenance hangar, about 56 storage hangars, 35 tiedowns, a fuel island and associated apron area.

Based on the general review of the existing lease agreement, upon termination of the lease, all buildings, structures, facilities, improvements or alterations will become a part of the land upon which they are erected, and title will automatically vest in the County. (The future ownership of the fuel tanks may be an issue.)

The 2018 Appraisal notes that typically, fixed base operators (FBOs) provide a wide variety of aviation services with one of the most important services being the selling of fuel. The 2018 Appraisal surveyed several general aviation airports in the Bay Area and beyond and concluded that, based on the level of operations and the number of based aircraft, the Airport can support one fixed base operator that sells fuel.

In any future lease agreement, the County may want to consider excluding the portion of Taxiway W that crosses the current leasehold property. This taxiway serves taxiing landing and take off aircraft and not just aircraft using the FBO. The long-term maintenance of this section of Taxiway W, as well as the rest of Taxiway W, would be eligible for FAA Airport Improvement Program funding. This section of Taxiway W was also excluded from the potential FBO lease area in part of the 2018 Appraisal.

It should be emphasized that the County needs to determine a course of action well before the termination of the FBO lease at the Airport on December 11, 2020. The 2018 Appraisal assumes the existing FBO lease area including the land and improvements will remain and become the property of the County. As the lease will be in full force and effect until December 11, 2020, the County will not assume ownership of any of the buildings or site improvements, including the fuel tanks, until December 12, 2020. In addition, there is a question of ownership of the fuel tanks and the port-a-port hangars that are on the site that needs to be resolved. If a lease of the existing FBO site, or a portion thereof including the services to be provided, has not been negotiated prior to the termination of the existing lease the County will have to assume the responsibilities of providing fueling services at a minimum. In addition, other aviation users such as aircraft owners in County hangars or on County tiedowns will be without aviation services such as fueling, aircraft maintenance and flight instruction. Without a clear statement on the part of the County prior to the termination of the existing lease, e.g., what services will be available on December 12, 2020, the County risks the loss of a number of based aircraft and other aviation activity to other Bay Area airports.

FBO AND SASO SURVEY

A survey was conducted of the number of FBOs and SASOs at the comparable airports listed in Table 3-1. The survey included telephone conversations with airport sponsors, when possible, and a review of aviation services literature. It should be noted that the answers on whether or not a particular aviation service provider was considered an FBO or a SASO was open to interpretation by individual airport sponsors. Therefore, the information presented in Table 3-1 is not completely consistent but gives an indication of the number and type of service providers at different airports.

It should be noted that several of the airports no longer had FBO/SASO services, for a variety of reasons, e.g., FBO/SASO not renewing their leases or the airport sponsors not renewing the leases. At several of the airports, the airport sponsor now provides the fueling services as noted in Table 3-1.

The areas leased to the FBOs also varied significantly depending upon the range of services provided, e.g., if they provided aircraft storage hangar or tiedown spaces and the type of aircraft served, e.g., small propeller aircraft or large corporate business jet aircraft. FBO leased space varied from three to over 11 acres. For those airports where the FBO did not provide significant hangar or tiedown storage spaces, the range was generally from 3 to 5 acres. Similarly, for SASOs, the space they lease may vary from a small office or hangar up to several acres depending upon the limited services provided.

TABLE 3-1 – FBO AND SASO SERVICES

AIRPORT	FBO	SASO	FUEL PROVIDERS	BASED AIRCRAFT	ANNUAL AIRCRAFT OPERATIONS
Reid-Hillview	0	7	4	477	162,648
San Martin	1	0	1	150	33,166
Palo Alto	2	6	2	190	148,769
San Jose International	2	0	2	66	34,514
Buchanan Field	3	9	3	407	120,044
Byron	0	0	1 ^a	102	83,075
Gross Field	1	2	1	202	97,800
Half Moon Bay	0	0	1 ^a	56	50,150
Hayward Executive	2	33	2	360	102,059
Hollister Municipal	0	1	1	108	56,920
Livermore Municipal	1	2	1	462	130,656
Napa County	1	0	1	185	49,842
Nut Tree	0	3	1 ^a	175	101,500
San Carlos	0	6	1	352	104,106
Salinas Municipal	0	1	1	179	58,228
Watsonville Municipal	0	6	2	382	60,000

a. Airport sponsor provides fueling

There was also no direct correlation between the number of based aircraft and number of aircraft operations, and the number of FBOs/SASOs on a general aviation airport as noted in Table 3-1. Based on the available information, the number of based aircraft per FBO ranged from 95 to 462 aircraft and the number per aircraft operation ranged from 33,166 to 130,656 aircraft operations. The number and type of FBO/SASO services provided depended upon such factors as the type of aircraft accommodated (e.g., business jets versus propeller aircraft), type of airport activity (e.g., flight training or transient) and the provision of aircraft storage facilities (tiedowns and hangars).

Historically, between 2000 and 2016, local aircraft operations, primarily touch and go training flights, accounted for 60 to 65 percent of the annual aircraft operations at the Reid-Hillview Airport. However in 2017, local aircraft operations decreased to 55 percent of the total aircraft operations. For the first three months of 2018, local aircraft operations accounted for 58 percent of the total aircraft operations.

RECOMMENDATIONS

Based on telephone conversations with several Bay Area airport sponsors and experience with general aviation airports elsewhere, the number and types of FBOs and SASOs required to meet the aviation activity needs cannot be measured in terms of only the numbers of based aircraft and annual aircraft operations at an individual airport. The numbers and types of aviation services

provided at an airport is a function of the types of aircraft owners/pilots and aircraft that use the airport and the services and facilities they require.

Based on the analysis of available FBO/SASO information, one to two full service FBOs could be needed to provide for the number of aircraft and range of services required to support the current and expected general aviation activity at the Reid-Hillview Airport. Additional services could also be provided by SASOs to supplement any FBO facilities and services. One or two fueling services could be required at the Reid-Hillview Airport that could be provided by an FBO/SASO or the County.

Based on the analysis of available FBO/SASO information, zero to one full-service FBO could be needed to provide for the number of aircraft and range of services required to support the current and expected general aviation activity at the San Martin Airport. Additional services could also be provided by SASOs to supplement any FBO facilities and services. Only one fuel service could be required at the San Martin Airport and that service could be provided by an FBO/SASO or the County.

Of interest to any potential FBO at both the Reid-Hillview and San Martin Airports would be the recent volume of fuel sales. In 2017, 247,162 gallons of 100 low lead fuel and 44,389 gallons of Jet A fuel were sold at the Reid-Hillview Airport for a total of 291,551 gallons of fuel. In 2017, 59,869 gallons of 100 low lead fuel and 17,411 gallons of Jet A fuel were sold at the San Martin Airport for a total of 77,280 gallons of fuel.

Prior to negotiating any new lease agreements for providing aeronautical services and facilities at both airports, the County should consider the preparation and publication of minimum standards for conducting commercial aeronautical activities on the Airports. Minimum standards establish criteria for the minimum requirements that must be met by businesses in order to engage in providing on-airport aeronautical activities or services. The County is required to operate the airports for the use and benefit of the public and to make them available for all types and classes of aeronautical activity. The County also has the responsibility for ensuring that there is open and fair competition to provide these aeronautical facilities and services and impose reasonable terms and conditions that are applied to all lessees with a similar classification without unjust discrimination. The preparation and publication of minimum standards will provide the basis from which the County can evaluate proposed commercial aeronautical activities, ensure customer service and maximum revenue generation to the Airport Enterprise Fund.

The optimum way of accomplishing this would be to issue a Request for Proposals (RFPs) to seek those firm(s) who may see the airports as a possible growth opportunity for their businesses. With all of the existing lease agreements at the Reid-Hillview Airport terminating on December 31, 2021, any existing and/or potential FBOs or SASOs could view the airport environment as an

open opportunity. Prior to issuing an RFP, the County should initiate discussions with the existing tenants at both Airports. The existing tenants are currently one of the most important assets the County has. The existing tenants are knowledgeable of the Airports and their operations and activities, and several FBO leaseholders at the Reid-Hillview Airport and the FBO at the San Martin Airport have expressed their interest in retaining and/or expanding their facilities and services. To date, the County has not responded to the tenants with the County's intention on what types of FBOs and/or SASOs will be expected to operate at the two County airports beyond the next two to three years. Therefore, these businesses are unable to plan for the future of their businesses beyond the next two to three year timeframe. Early discussions with the existing tenants will provide them the opportunity to consider what will be expected of them, based on the County's minimum standards, in responding to a County RFP. The issuing of an RFP will ensure adequate competition among potential leaseholders, which in turn will maximize individual FBO/SASO profitability.

The County should consider preparing and including the following, at a minimum prior to issuing an RFP.

- An Airport Profile (runways, taxiways, navigational aids, an FAA-approved Airport Layout Plan, including an Exhibit A Property Map)
- Local and regional market and economic factors and trends
- The areas or acres that will be available for lease or a portion thereof (see graphics presented earlier in the 2018 Appraisals).
- A description of the area(s) available to lease including existing structures, pavement, utilities, etc. (Assuming some or all of existing structures remain after expiration of current leases.) The appraisals assume the Reid-Hillview lease sites will be vacant.)
- Primary Guiding Documents of the County in leasing airport property (e.g., Lease Rates and Charges Policy, Minimum Standards, Rules and Regulations, Lease Policy Guidelines and Development Guidelines)
- Regulatory Guides (Federal, State and County)
- History of fuel volumes sales (100LL and Jet A)
- Historical General Aviation Activity (annual aircraft operations, numbers and types of based aircraft)
- Capital Improvement Program
- Business and Financial Plan

A Phase I Environmental Site Assessment should be prepared by the County prior to issuing an RFP for potential FBOs/SASOs. The Phase I Environmental Site Assessment should include the following:

- Review of historical records of the property, including historical aerial photographs, fire insurance mapping, what properties contained in the past, e.g., buildings, fuel tanks, etc. and historical topographic mapping.
- Review of readily available government environmental records of the property, such as fuel spills, releases to the environment, fuel tank registrations, hazardous material manifests, environmental records, etc.
- Interviews with current and past property occupants as might be obtainable as well as others who might be able to shed light onto past or present uses of the property.
- A thorough site inspection, including all building interiors as well as all exterior property and grounds. The site inspection would include a visual inspection of the presence of features such as fuel or chemical storage tanks, the presence of stained soils, site activities, etc.

The environmental investigator(s) will consider the findings of the Phase I Environmental Site Assessment and determine either any findings to be insignificant, or alternatively, will recommend continuing to a Phase II Site Investigation.