

County of Santa Clara

Roads & Airports Department

Airports Division
Reid-Hillview & San Martin Airports
2500 Cunningham Avenue
San Jose, California 95148
(408) 918-7700 FAX (408) 929-8617
www.countyairports.org

Appendix B

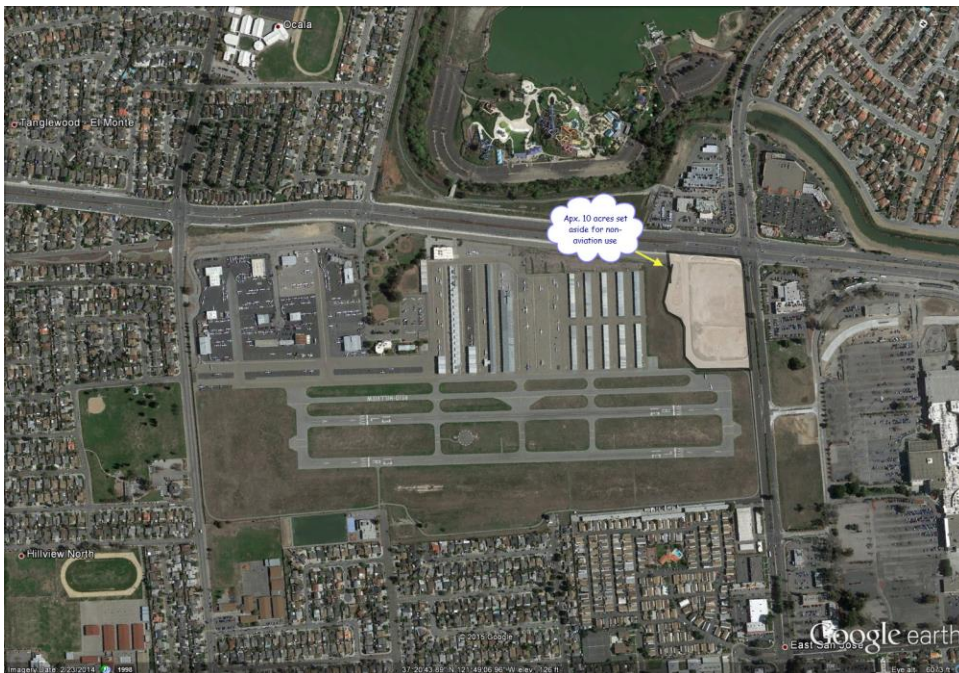


February 26, 2015

Robert Lee
FAA ADO Office
1000 Marina Blvd., Suite 220
Brisbane, CA 94005-1853
Sent via e-mail

Dear Mr. Lee:

The County of Santa Clara is the owner and sponsor for Reid-Hillview (RHV) and San Martin (E16) airports in the San Jose area. As such we are tasked with the responsibility to operate these airports in a manner to best maximize revenue while providing all the necessary aviation services required of our constituents. For many years now, a parcel of property at the south east corner of RHV (see image below) has been depicted on our ALP as non-aviation commercial use. It is to that end that I write you today.



During our Master Plan update of 2007 it was determined that given the aviation forecast, all anticipated demand for aviation services at RHV could be provided on the existing footprint without the need to expand current aircraft parking or FBO property. Any additional growth demand beyond that anticipated in the Master Plan would be funneled to San Martin airport. Since 2007, aviation use at the airport has dropped dramatically, resulting in lower than anticipated revenue, all while costs continue to increase.

J:\Projects\RHV\Tully and Capitol RFP\FAA Land Release\FAA Release Request 2015 02-26.docx

Board of Supervisors: Mike Wasserman, Cindy Chavez, Dave Cortese, Ken Yeager, S. Joseph Simitian
County Executive: Jeffrey V. Smith

Without any foreseeable change in the near future for small GA, the County finds itself in the untenable position of running two airports that very soon will not be able to support themselves. Fortunately, the parcel of property we would like to develop is on a very busy intersection in San Jose, and represents a fairly large revenue source for the airports division that will not only help us maintain fiscal solvency but will provide the funding necessary to complete many airport modernization and infrastructure repairs that are not AIP eligible.

The parcel of property was originally purchased by the County around 1963 as part of the initial development project shortly after the County purchased the airport from the Reid brothers in 1961. In 1963 the County requested federal participation in the purchase of this property and was subsequently granted \$384,878.00 dollars as part of project 9-04-125-D402 . At some point following purchase of the property, a side-road was built on the property bisecting it from the rest of the airport. It was the intention at the time to build an overpass at the intersection of Tully and Capitol and using the side-road as access between the two roads. The project never came to fruition and the property has sat vacant for the past 40+ years.

An environmental review was recently completed on the property with no significant negative findings. Additionally, the city of San Jose has rezoned the property for commercial development. The County has a consultant working on an RFP for development of the parcel that we would like to have available in the next couple months. As part of the RFP process, the consultant will provide an updated property appraisal to ensure we are getting market value.

Our intent is to take the highest and best use bidder that can develop the property in compliance with all the airspace and safety area restrictions. Until we have received bids on the development we will not know what that design will look like. We have been contacted by many developers over the years, including representatives from auto dealers, big box grocery store and oil companies. Our best guess at this point is the property will either be retail or an auto dealer. Beshoff Motors has two of the other three corners – a Mercedes Dealership and an Audi dealership- and has expressed great desire in the property.

Due to the obligations on this property as a result of the federal participation, I would like to get FAA concurrence to release this property for non-aviation commercial development, with the understanding that the property will be leased –not sold- and that all revenue from said property will be deposited into the Airport Enterprise Fund (AEF) for use at either RHV or E16. Please let me know what the next step will be to obtain FAA release of this property.

I can be reached at x27722 or via email at eric@countyairports.net. I look forward to your reply.

Best Wishes,



Eric Peterson

Acting Director County Airports



APR 2 2015

April 2, 2015

Mr. Eric Peterson
Acting Director County Airports
Airports Division
2500 Cunningham Avenue
San Jose, CA 95148

Land Release Request
Reid-Hillview Municipal Airport
Santa Clara County

Dear Mr. Peterson:

We have received your letter, dated February 26, 2015, requesting our support for the release of a parcel of airport land. The particular parcel is located adjacent to the northeast end of Taxiway Z at the Reid-Hillview Airport (Airport). We have reviewed the information you provided. Based on the information provided, and the airport sponsor's present status of being found in non-compliance with its grant assurances, the Federal Aviation Administration (FAA) is not able to support your request to release the requested parcel of airport land for non-aviation commercial use.

According to the information provided, the land described for the release was acquired with Federal Grant funding, in March 1963 under Project No. 9-04-128-D402. One of the conditions of the grant included the requirement that the land was to be available to the public for aviation purposes. From our evaluation of the property's size and location, the FAA does not support the release of land obligated for aviation purposes. We considered the following factors in making our determination:

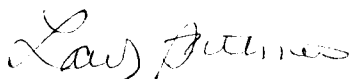
1. The Airport Sponsor, the County of Santa Clara, is currently in non-compliance with the Sponsor's federal obligations. As a matter of procedure when considering a sponsor's request for a land release, the FAA completes an evaluation of the site file. One of the areas reviewed pertains to the Sponsor's past and present compliance record under all its airport agreements. Equally important is the Sponsor's commitment to ensuring the airport is maintained and operated in a safe manner for the benefit of the public. As a result, we cannot undertake or commit to any federal action regarding the land release request until the County of Santa Clara has returned to compliance.
2. The location of the particular parcel of airport land is approximately 350 feet from runway centerline, adjacent to Taxiways Y, Z & A. This particular location is considered prime airport property. Allowing for non-aviation commercial development so close to the airport operation area may be problematic. We see

the proposed non-aviation use of the requested land as an encroachment that may negatively impact the airport.

3. This particular parcel of land was acquired for airport purposes in 1963 with federal assistance under Project No. 9-04-128-D402. One of the conditions of that grant was that the land was to be used for aviation purposes. Your explanation of having not used the land for aviation purposes for the last 40 years does not justify its non-aviation use. We do not see any compelling justification that this land cannot have an aviation purpose. Although the Airport Layout Plan labeled the parcel of land as "Future Non-aviation Commercial Use," the ALP is a planning document only and does not constitute FAA approval for non-aviation use.

For the reasons noted above, the FAA does not support the release of the requested parcel of land for non-aviation commercial. You do not need to provide additional information to officially process the release. We conclude that the release of the requested parcel of land for non-aviation commercial use would not have a net benefit to civil aviation.

Sincerely,



Laurie J. Suttmeier
Acting Manager, Airports District Office

cc: AWP-620

County of Santa Clara

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September 15, 2016

Jim Lomen
FAA ADO Office
1000 Marina Blvd, Suite 220
Brisbane, CA 94005-1835

Dear Mr. Lomen:

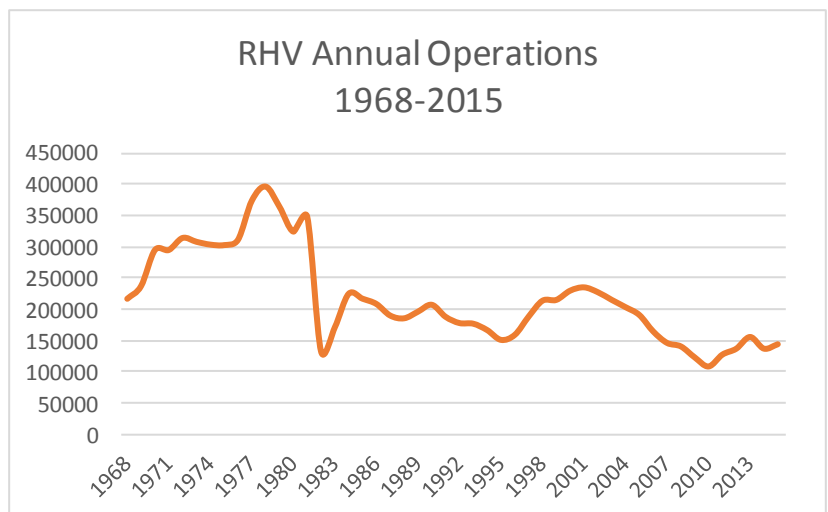
Thank you for taking the time recently to talk with me regarding the County's property release request for a parcel of property at the corner of Tully Avenue and Capitol Expressway on the Reid-Hillview Airport (*corner parcel*). The corner parcel was originally purchased by the County as part of its expansion program after the county purchased the airport from the Reid brothers in 1961. In 1963, the County requested federal participation in the property purchase of the corner parcel through the [Federal Airport Act Application](#). A [grant agreement](#) was issued that same year for land acquisition with 53.89% participation by the federal government.

As you suggested, this letter contains many of the details we discussed regarding the county's desire to utilize this property for non-aviation use and why the FAA should release the property. They include:

- Historical operations at the airports;
- GA trends and the anticipated need for use of the corner parcel for aviation uses;
- Financial needs of the Airport Enterprise Fund

Despite the airport expansion anticipated in the early 1960's, since at least 1975 (*Photo 1*) the corner parcel has been segregated from the remainder of the airport property by a road that was intended to be part of an overpass at the Tully and Capitol Expressway intersection. The overpass was never constructed and the loop roads on the northeast and southeast corners of the intersection have since been absorbed into developments on those properties. However, the road on airport property remains today as a physical boundary between the corner parcel and the remainder of the airport.

The air traffic control tower began keeping operational statistics in 1968. During 1978, the tower recorded 398,640 operations; to date, the highest operations count in the history of the airport. Even during that record breaking year, we can verify through Photo 1, that the corner parcel was not used for aviation purposes. In fact, the infrastructure of the airport has not



C:\Users\eric.peterson\Desktop\Prop Release letter to Jim Lomen 2016 09-15.docx

Board of Supervisors: Mike Wasserman, Cindy Chavez, Dave Cortese, Ken Yeager, S. Joseph Simitian
County Executive: Jeffrey V. Smith

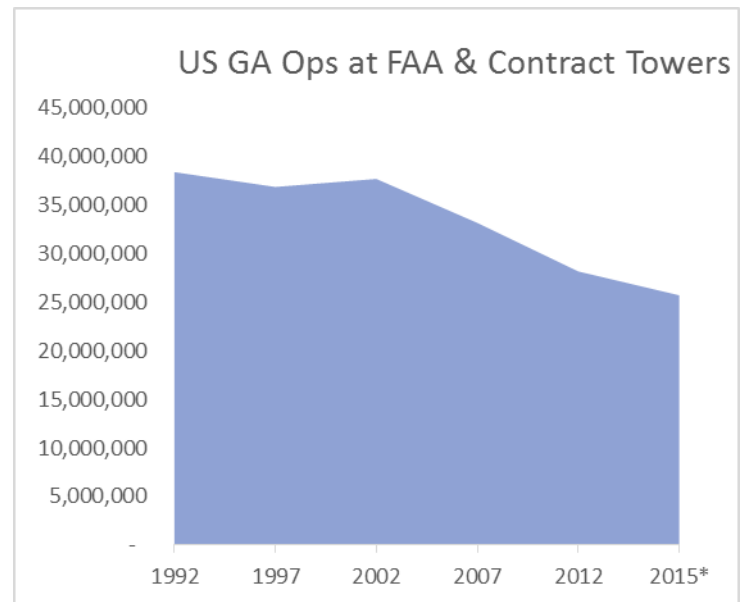
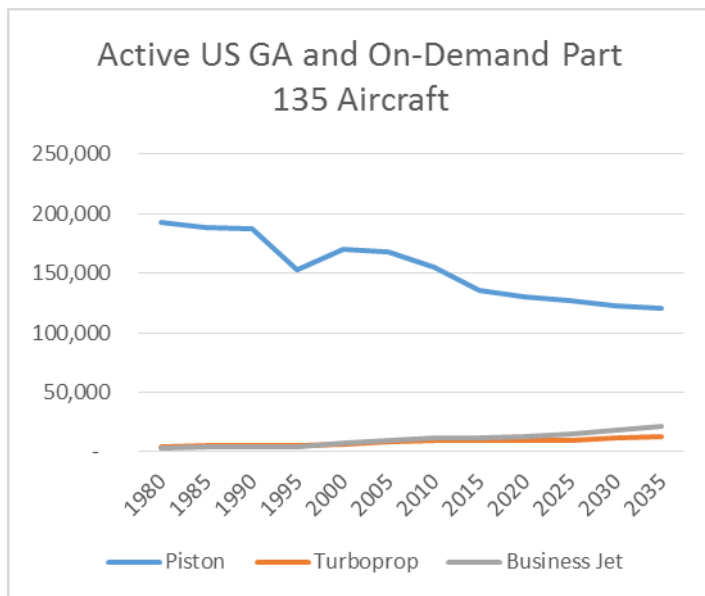
changed dramatically since 1978, indicated that should we ever reach the all-time high again, that activity level could be supported without the development of additional facilities. A comparison of 1978 with 2015 operations count of 145,003 shows a 63% reduction in activity. While there appears to be a small uptick in operations from 2014, there are no indicators that would lead one to believe that the peak of nearly 400,000 operations will be surpassed.

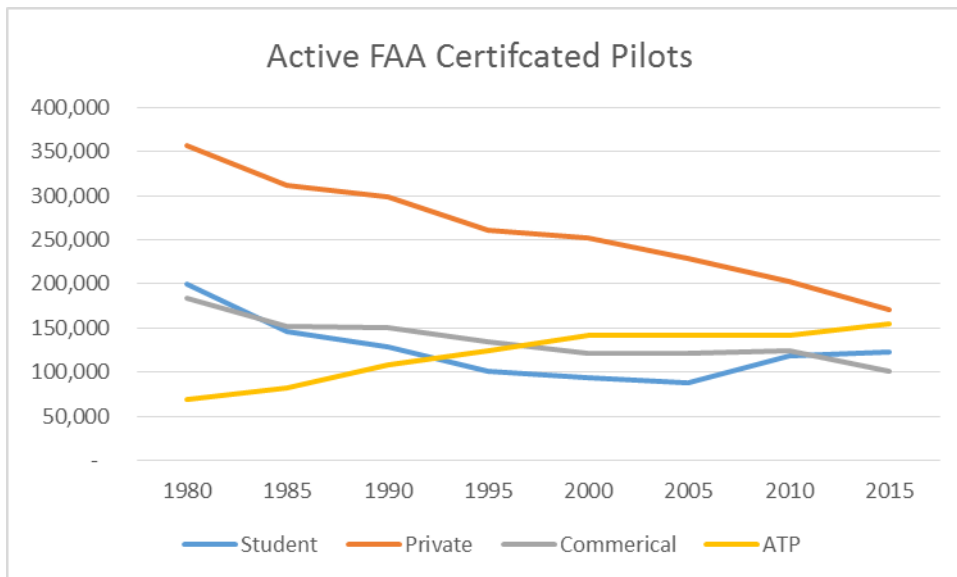
During the master planning process, several options were considered to meet the anticipated demand for aircraft services within Santa Clara County. At its November 19, 2002 meeting, the Santa Clara County Board of Supervisors adopted Alternative 3 of the [Airport Master Plan](#). This alternative anticipated distributing the anticipated demand for aircraft parking across all the county airports (*Master Plan pg 2-16*) with the intention of:"

- Achieve greater parity in the distribution of based aircraft to preclude disproportionate quality of life impacts at any one airport;
- Meet the needs of the aviation community by accommodation all of the forecasted growth in demand for basing capacity;
- Ensure the Airport Enterprise Fund remains self-sustaining without subsidy from the County General Fund."

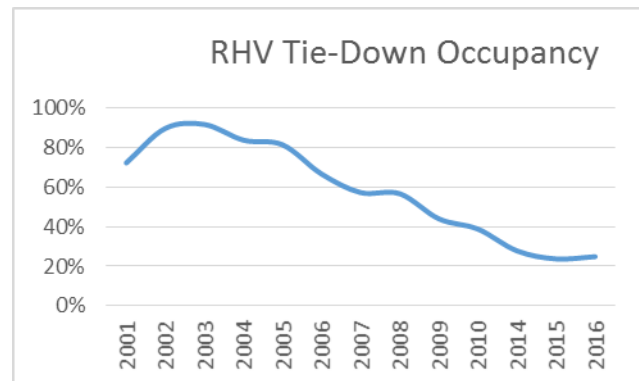
In addition, the approve Master Plan dictates that no additional property will be developed for the purposes of aircraft storage. Reid-Hillview, which has an existing capacity of 726 spaces would need to accommodate only 24 additional aircraft by the year 2020 to meet the demand anticipated by the Master Plan; a requirement that can be met without the use of the corner parcel. Current trends however indicate that the anticipated demand is unlikely to materialize.

A look at [GAMA's 2015 General Aviation Statistical Datebook](#) shows a continual decline in most areas of general aviation. Indicators such as certificated pilot numbers, Active U.S. General Aviation and On-Demand Part 135 Aircraft and U.S. General Aviation Operation's numbers (see below) all indicate a continual decline. As you can see from the following graphs, growth in GA is only occurring in the turbine and business jet sectors. Reid-Hillview is constrained on all sides by houses, schools, roads, a park and a mall leaving no feasible opportunity for the County to extend the runway beyond its current 3,100'. It is this limitation that greatly reduces the desirability of RHV to turbine and business jet operators.





The County operates 145 hangars, 52 shelter spaces and 190 tie-downs at Reid-Hillview Airport. We have been able to maintain full hangars and shelters, but our tie-down subscription rate has continued to drop from a high of 172 in 2003 to our current level of 43. We also have FBO property divided into nine long-term leaseholds with four licensed fuel providers. As you can see from these numbers, over the past 15 years, the airport has seen a steady decline in the number of based aircraft. While our hangars and shelters remain full, we have gone from a multi-year wait for hangars and shelters to a wait of a few months, indicating a continue softening of demand for aircraft parking space.



Since at least 1996 the Airports Division of Santa Clara County has been able to maintain self-sufficiency without the need of additional funds from the County. This despite the fact that the only source of significant revenue is aircraft parking fees. When there was a strong demand, the budget for the three county airports was always in the black, even though revenue from RHV had to be used to balance the books for E16 and PAO. In 2014, the County gave operational control of PAO back to the city of Palo Alto. With the divestiture of the airport, the County lost about 1/3 of its airport revenue, and while expenses went down at that time, they did not go down in proportion to the loss of revenue. We have worked very hard to reduce our costs, and have eliminated a number of positions, both operational and administrative, but since the loss of PAO, we have shown a continual decline in income resulting in an approximate budget deficit of \$300,000 for this year. We are fortunate to have enough money saved to transfer funds from our savings account into our operational account to balance our budget, and thereby not requiring additional funds from the County. But that can only continue for a short time before we have depleted our savings.

According to the March 4, 2015 property appraisal completed by Valbridge (attached), the corner parcel represents \$721,462 a year in additional revenue to the Airport Enterprise Fund. This revenue will allow the County to continue to operate the airport in a cash-positive manner, while putting aside additional funds for development, both AIP eligible and non-eligible at both county airports, and relieve the stress on our airport tenants to meet the ever increasing cost of operating the airports.

The FAA should release the corner parcel at Reid-Hillview for non-aviation development for the following reason:

- Trends in the sector of general aviation that utilize RHV do not support the need for additional property for aviation use.
 - Current growth in GA is in the turbine and business jet market, which is limited from using RHV due to its runway length;
 - Airport operations counts are substantially lower than the high of 1978;
 - Aircraft parking demand has softened dramatically;
- Long term financial stability of the airport requires new non-aviation revenue;
 - The Board of Supervisors has established that the airport must operate in a self-sufficient manner without need of subsidy from the General Fund;
 - The appraised value of the property in question is \$721,000 per year;
 - These funds would be used at RHV and E16 to:
 - Provide matching funds for federal and state grants;
 - Complete projects not eligible for grant funding;
 - Increase the airports reserve;
 - Reduce demand from parking tenants to meet the continual increase in airport operational costs through parking fee increases;
- The Board of Supervisors has elected to distribute any additional growth beyond the current Master Plan basing capacity, to San Martin Airport;
 - The airport in its current configuration would be able to accommodate the small increase in basing capacity allotted in the Master Plan;
 - Use of the airport during its highest recorded activity level in 1978 was accomplished with the current existing infrastructure.

I hope after reviewing this letter you will reconsider our request to release the corner parcel for non-aviation use.

Feel free to contact me with any additional questions.

Sincerely,



Eric Peterson
Director County Airports



Photo 1: 1975 Aerial Photo of RHV