

## May 9 Preliminary Business Plan Update

Paul Marshall Comments revision 2

Congratulations to county staff and their consultants for pulling together a comprehensive business plan update in such a short time. It is clear that there is much deferred airport work to be done, and that airport revenues have not kept pace with inflation for a long time. Substantial new revenues and grant monies are needed to realize the full potential of our airports. This summary review provides my feedback to county staff and supervisors on key airport issues addressed in the update.

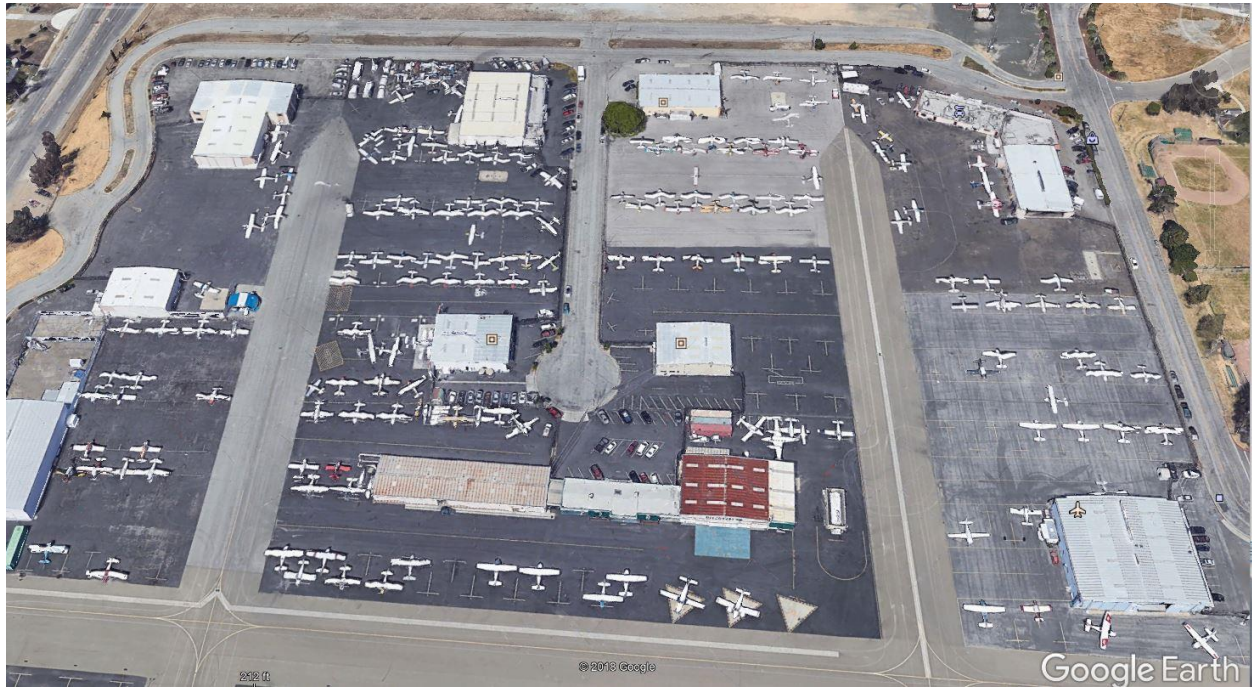
The plan identifies \$20M worth of airport projects to be funded. Additional key airport projects include:

- Precision WAAS instrument approach engineering and surveys at E16 and KRHV to allow instrument approaches to lowest minimums during stormy weather and at night
- Deferred repairs and renovations and to the old hangars and buildings and pavement at E16 and RHV that will come into the county's possession in 3 years when existing leases expire,
- pavement maintenance for the large tie down areas on county land at RHV and E16,
- ground squirrel eradication so that a) unpaved areas may be used to tie down helicopters and planes without fear of cave-in, and b) so that large raptors will not be drawn to the airport causing aircraft bird strikes with associated property damage and potential pilot injury/death
- possible deferred maintenance to gas dock areas if the county assumes control of fueling operations.

\$1M per year of new revenues is identified from current tenants at RHV and E16 who will be adversely affected with price increases when their leases turn over to the county. It is not clear how high rates will have to go to generate these new revenues, and whether or not an appropriate discount would be applied to those rates to reflect the less desirable physical condition of many of those older properties to be taken control of by the county. I reserve further comment in this area pending availability of proposed rate schedules.

Under the proposed plan update, RHV business leaseholders would be further impaired by the reduction of approximately 50% of their leasehold space to be used for nonaviation purposes. Take a look at Figures 1 and 2 below and you can see 172 planes tied down on the ramp in the area that would be carved up, compared with just 37 planes tied down on the county side (with many more out of sight under the shelters and in the hangars). Reduction of businesses at RHV from 9 (or 7) to 2 could adversely affect both the business owners and the airport tenants who use their services – no analysis was presented to gauge the impact, other than to note that substantially more money could be earned for the AEF. Such a move should be avoided without further study. For instance the Aries report (Figure 3) shows that Reid Hillview has a normal number of businesses compared with other wealthy, high-volume general aviation airports. Perhaps the better thing to do is to just normalize the rates to aviation market levels for the lease holders for their airport buildings and land (from 2021 forward). Otherwise the taking of actively used airport land and converting it to general commercial use might appear like the first step in closing down the entire airport. If not all the existing businesses can pay a fair rent and need to close shop after rental rate adjustment, then that may be the time to convert the unused land to

general commercial use. There is no AEF need for the possible tripling of revenue that all of the identified projects including this carve up would provide, and this project could be dropped while still providing plenty of revenue to pay for needed work.



**Figure 1** – leaseholds 1 through 9 have 172 planes tied down and would be highly disrupted by the tentative plan to replace the northeastern sector with general commercial property.



**Figure 2** – There are only 37 planes tied down on the county ramp, along with nearly full shelters and hangars. Tie downs provide much less revenue than shelters and hangars. It is good to have vacant ramp space which can be used in an emergency for extra helicopters, planes, commodity points of distribution and/or tent cities for emergency workers. Lost tie down revenue is recovered through marking leaseholders rates to aviation market. It is fine to leave the majority of planes on the northeast side.

**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 <sup>a</sup>	102	83,075
Gnoss Field	1	2	1	202	97,800
Half Moon Bay	0	0	1 <sup>a</sup>	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 <sup>a</sup>	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

*Figure 3 – At 7 SASOs, Reid Hillview is right in line with other busy, wealthy, healthy general aviation airports. It appears that the total level of service would be reduced shrinking from 7 SASO businesses to 2 FBOs. A greater number of businesses would appear to serve more diverse markets.*

The proposed Tully & Capitol, Laydown, and Swift leases are advantageous in that they give the AEF more annual revenue to fund payment streams for capital projects, and take pressure off airport users to pay for all the projects.

Be sure to start taking FAA grant money again – it further reduces the strain on airport users to pay for that which they don't need to pay, and it shows to everyone that the county has a commitment to **operate the airports for the long haul and not convert them to commercial use a few years down the line**. In general the county will not get leaseholders to invest in good businesses if they are not confident that there is at least a 30 year horizon to operate the airport as an airport. FAA rules may seem burdensome, but they are the right way to operate an airport – the more we deviate, the greater is the potential for harm to our airports.

Our airports are a vital part of the rich infrastructure that makes Santa Clara County a wonderful place to live, a great place to do business, and a resilient community that can roll with any punch mother nature can throw at us. Let's keep them strong for the long haul and boost revenues while maintaining cost effective services for airport users and businesses.